

Notes to the consolidated financial statements

1. Accounting policies

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

a) Basis of preparation

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

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

b) Changes in accounting policies

The group and company have adopted all the new, revised or amended accounting pronouncements as issued by the IASB which were effective for the group from 1 April 2014 as shown below. None of the adopted pronouncements had a material impact on the group's results for the year ended 31 March 2015.

Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Consolidated and Separate Financial Statements* regarding investment entities provide an exception to the consolidation requirements for entities that meet the definition of an investment entity under IFRS 10 and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments had no impact on the group since none of the entities in the group qualify to be an investment entity under IFRS 10.

Amendments to IAS 32 *Financial Instruments: Presentation* clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. The financial impact to the group to the 31 March 2014 balance sheet is to gross up cash and cash equivalents by R247 million, which were previously reported net of bank overdrafts and to restate borrowings by an additional R247 million. Likewise, the financial impact to the group to the 1 April 2013 balance sheet is to gross up cash and cash equivalents and to restate borrowings by an additional R1 088 million respectively. This change in accounting interpretation has been applied retrospectively and had no impact on earnings per share.

Amendments to IAS 36 *Impairment of Assets* addresses the disclosure of information about the recoverable amount of impaired non-financial assets if that amount is based on fair value less cost of disposal. These amendments had no impact on the group.

Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments had no impact on the group.

IFRIC 21 *Levies* clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation had no impact on the group.

c) Segmental reporting

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

Notes to the consolidated financial statements continued

1. Accounting policies continued

d) Basis of consolidation and business combinations

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

(i) *Subsidiaries*

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

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

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

(ii) *Transactions with non-controlling interests*

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

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

(iii) *Associates*

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

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is 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.

1. Accounting policies continued

d) Basis of consolidation and business combinations continued

(iii) Associates continued

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

Some of the group's associates have different local statutory accounting reference dates. These are equity accounted using management prepared information on a basis coterminous with the group's accounting reference date. Where management prepared information that is at a different date from that of the group's, the group equity accounts that information but takes 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.

(v) Goodwill

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

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

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

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

e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Notes to the consolidated financial statements continued

1. Accounting policies continued

e) Foreign currency translation continued

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

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

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

f) Property, plant and equipment

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

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

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

(i) Assets in the course of construction

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

(ii) Assets held under finance leases

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

(iii) Depreciation

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

Freehold properties	20 – 50 years
Leasehold buildings	Shorter of the lease term or 50 years
Casino equipment	4 – 6 years*
Computer equipment and software	2 – 10 years*
Furniture, fittings and other equipment	3 – 15 years*
Vehicles	5 years*
Theme Park rides	6 – 26 years*
Operating equipment	2 – 3 years*

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

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

(iv) Profit or loss on disposal

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

1. Accounting policies continued

f) Property, plant and equipment continued

(v) Capitalisation of borrowing costs

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

g) Investment property

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

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

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

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

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

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

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

h) Intangible assets

Intangible assets are stated at cost less accumulated amortisation which is determined 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 lives 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 estimated useful economic lives of 2 to 10 years which are reassessed on an annual basis.

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

(ii) Casino licences and bid costs

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

Casino licences that do not have an expiry date are not amortised as they are considered to have an indefinite life and are tested annually for impairment on the same basis as goodwill (refer note d(v)). Casino licences having an expiry date are amortised over the exclusivity period of the respective licence of 12 to 15 years.

Costs associated with unsuccessful casino licence applications are immediately impaired.

Notes to the consolidated financial statements continued

1. Accounting policies continued

h) Intangible assets continued

(iii) Trademarks

Trademarks are recognised initially at cost. Trademarks have finite 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.

i) Financial assets and financial liabilities

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

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

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

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

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

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

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

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

(iv) Available-for-sale investments

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

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

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

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

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

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.

1. Accounting policies continued

i) Financial assets and financial liabilities continued

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.

j) Offsetting financial instruments

Where a legally enforceable right exists to set off recognised amounts of financial assets and liabilities and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously, which are in determinable monetary amounts, the relevant financial assets and liabilities are offset. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or counterparty.

k) Impairment of financial assets

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

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

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

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

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

l) 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 (n) for the group's accounting policy on hedge accounting.

m) Financial guarantees

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

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

n) Hedge accounting

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

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

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

Notes to the consolidated financial statements continued

1. Accounting policies continued

n) Hedge accounting continued

Certain derivatives are designated as either:

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

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

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

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

Cash flow hedge accounting is discontinued when a hedging instrument expires or is sold, terminated or when a hedge no longer meets the criteria for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss existing in equity 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.

o) Trade receivables

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

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

p) Inventories

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

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

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

q) Cash and cash equivalents

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

r) Share capital

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

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

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, 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 and the executive facility are accounted for as treasury shares.

1. Accounting policies continued

s) Trade payables

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

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

t) Borrowings and finance costs

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

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The non-discretionary dividends on these preference shares are recognised in the income statement as finance costs. The group does not have any preference shares in issue.

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

u) Impairment of non-financial assets

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

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

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

v) Provisions

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

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

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

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

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

w) Revenue recognition

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

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

(ii) Customer reward programmes

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

Notes to the consolidated financial statements continued

1. Accounting policies continued

w) Revenue recognition continued

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

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

(iv) *Interest income*

Interest income is recognised using the effective interest method.

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

(v) *Dividend income*

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

x) Net gaming win

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

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

y) Leases

(i) *The group is the lessee*

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

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

(ii) *The group is the lessor*

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

z) Employee benefits

(i) *Defined contribution plans*

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

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

(ii) *Other post-employment obligations*

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

The liability recognised in the balance sheet in respect of the plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or 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.

1. Accounting policies continued

z) Employee benefits continued

(ii) *Other post-employment obligations* continued

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

All other costs are recognised immediately in profit or loss.

(iii) *Termination benefits*

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

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

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

(iv) *Bonus plans*

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

(v) *Long-term incentives*

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

(vi) *Share-based payments – equity-settled schemes*

The group operates equity-settled, share-based compensation plans. 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 either effected on granting and exercising of the options or 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 equity-settled Gold Reef Share Scheme have to be paid for by the employees at the subscription prices as determined in the option contracts.

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

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

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

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

The grant by the company of options over its equity instruments to the employees of subsidiary companies in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

(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 the 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.

Notes to the consolidated financial statements continued

1. Accounting policies continued

z) Employee benefits continued

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

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

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

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

(viii) *Employee leave entitlement*

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

(ix) *Long-service awards*

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

(x) *Other long-term employee benefits*

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

aa) Income tax

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

The 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 the group's investment in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

bb) Dividend distributions

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

2. Critical accounting estimates and judgements

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

a) Principles of critical accounting estimates and assumptions

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

b) Property, plant and equipment

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

c) Estimated impairment of goodwill and indefinite lived intangible assets

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

d) Customer reward programmes

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

e) Income taxes

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

f) Fair value estimation of financial instrument: put option derivative

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 its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The group has used a discounted cash flow analysis for the valuing of the group's put option derivative contract that is not traded in an active market.

The carrying amount of the put option would be an estimated R146.4 million lower or R223.7 million higher were the discount rate used in the discount cash flow analysis to differ by 10% from management's estimates.

g) Business combinations

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

h) Applicability of IFRS 10 *Consolidated Financial Statements*

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

Notes to the consolidated financial statements continued

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

- a) The following standards, amendments and interpretations to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 April 2015 or later periods, which the group has not early adopted and are not expected to have a material effect on the consolidated results of operations or financial position of the group:

IFRS 9 Financial Instruments (2009)

- ❖ This IFRS is part of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that only has two classification categories: amortised cost and fair value.

IFRS 9 Financial Instruments (2010)

- ❖ The IASB has updated IFRS 9 to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39 *Financial Instruments: Recognition and Measurement*, without change, except for financial liabilities that are designated at fair value through profit or loss.

IFRS 9 Financial Instruments (2011)

- ❖ The IASB has published an amendment to IFRS 9 that delays the effective date to annual periods beginning on or after 1 January 2018. The original effective date was for annual periods beginning on or after from 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 *Financial Instruments: Recognition and Measurement* (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified.

The group is yet to assess the full impact of IFRS 9. The group will apply IFRS 9 from the annual period beginning 1 April 2018.

IFRS 11 (Amendment) Joint Arrangements

- ❖ This amendment provides new guidance on how to account for the acquisition of an interest in a joint venture operation that constitutes a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of an additional interest in the same joint operation. However, a previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation results in retaining joint control. The group will apply IFRS 11 amended from the annual period beginning 1 April 2016.

IFRS 15 Revenue from Contracts with Customers

- ❖ This standard requires entities to recognise revenue to depict the transfer of goods or services to customers, that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The group will apply IFRS 15 from the annual period beginning 1 April 2017.

IAS 19 (Amendment) Employee Benefits

- ❖ This amendment applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employees' working lives. The group will apply IAS 19 amended from the annual period beginning 1 April 2015.

IAS 16 (Amendment) Property, Plant and Equipment and IAS 38 (Amendment) Intangible Assets

- ❖ The amendments to IAS 16 and IAS 38 clarify the basis for the calculation of depreciation and amortisation, as being the expected pattern of consumption of the future economic benefits of an asset. This amendment has no impact on the group.

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

- b) The following annual improvements amend standards from the 2010 to 2012 reporting cycle have been published that are mandatory for the group's accounting periods beginning 1 April 2015, which the group has not early adopted and are not expected to have a material effect on the consolidated results of operations or financial position of the group:
- ❖ IFRS 2 *Share-based Payments* clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition';
 - ❖ IFRS 3 *Business Combinations* clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or equity, on the basis of the definitions in IAS 32 *Financial Instruments: Presentation*. It also clarifies that all non-equity contingent consideration is measured at fair value at each reporting date, with changes in value recognised in profit and loss. Consequential changes are also made to IFRS 9 *Financial Instruments*, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and IAS 39 *Financial Instruments: Recognition and Measurement*;
 - ❖ IFRS 8 *Operating Segments* is amended requiring disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics;
 - ❖ IFRS 13 *Fair Value* which amended the basis of conclusions to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts where the effect of discounting is immaterial;
 - ❖ IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model; and
 - ❖ IAS 24 *Related Party Disclosures* is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required.
- c) The following annual improvements amend standards from the 2011 to 2013 reporting cycle have been published that are mandatory for the group's accounting periods beginning 1 April 2015, which the group has not early adopted and are not expected to have a material effect on the consolidated results of operations or financial position of the group:
- ❖ IFRS 3 *Business Combinations* is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint venture under IFRS 11 *Joint Arrangements*. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself;
 - ❖ IFRS 13 *Fair Value Measurement* is amended to clarify that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*; and
 - ❖ IAS 40 *Investment Property* is amended to clarify that IAS 40 and IFRS 3 *Business Combinations* are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to consider the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.
- d) The following annual improvements amend standards from the 2012 to 2014 reporting cycle have been published that are mandatory for the group's accounting periods beginning 1 April 2017, which the group has not early adopted and are not expected to have a material effect on the consolidated results of operations or financial position of the group:
- ❖ IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations* amends the changes in methods of disposal – assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification;
 - ❖ IFRS 7 *Financial Instruments: Disclosures* – there are two amendments:
 - Servicing contracts – the amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required; and
 - IAS 34 – the amendment removes the phrase 'and interim periods within those annual periods' from paragraph 44R, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. However, the board noted that IAS 34 requires an entity to disclose '... an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period.'. Therefore, if the IFRS 7 disclosures provide a significant update to the information reported in the most recent annual report, the board would expect the disclosures to be included in the entity's condensed interim financial report. This amendment is retrospective;
 - ❖ IAS 19 *Employee Benefits* clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented; and
 - ❖ IAS 34 *Interim Financial Reporting* amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g. in the management commentary or risk report). The board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.
- e) There are no new interpretations applicable to the group.

Notes to the consolidated financial statements continued

4. Financial risk management

4.1 Financial risk factors

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

Risk management process

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

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

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

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

a) *Market risk*

(i) *Currency risk*

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

The group is subject to exposure on the translation of the foreign currency denominated net assets of subsidiaries, associates and joint ventures primarily with respect to the US Dollar and the Euro. The group seeks to mitigate this exposure, where cost-effective, by securing its debt denominated in US Dollar and/or Euro in the offshore entities with assets and cash flows of those offshore operations where the functional currency of those entities is US Dollar and/or Euro, 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 denominated in currencies other than the functional currency.

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

	Average rate		Reporting date closing rate	
	2015 R	2014 R	2015 R	2014 R
1 US Dollar is equivalent to	11.13	10.19	12.13	10.53
1 Euro is equivalent to	13.92	13.70	13.02	14.50

A 10% strengthening of the functional currency against the following currencies at 31 March would have increased/ (decreased) profit or loss by the amounts shown below due to foreign exchange gains or losses on foreign denominated trade receivables, cash and cash equivalents and trade payables recorded in the local currency of the foreign operations. This analysis assumes no hedging and that all other variables, in particular interest rates, remain constant. This analysis was performed on the same basis for 2014.

4. Financial risk management continued

4.1 Financial risk factors continued

a) Market risk continued

(i) Currency risk continued

	Profit/(loss)	
	2015	2014
	Rm	Rm
Local currency:		
Euro	1	3
Mozambican Metical	1	–
Nigerian Naira	(1)	2
US Dollar	(1)	(1)
Zambian Kwacha	(2)	(2)

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

(ii) Interest rate risk

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

The group's primary interest rate risk arises from long-term borrowings (excluding bank overdrafts). Borrowings at variable rates expose the group to cash flow interest rate risk. Borrowings at fixed rates expose the group to fair value interest rate risk.

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

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

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

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

As at 31 March 2015, 56% (2014: 48%) of consolidated gross borrowings and 61% (2014: 67%) of consolidated net borrowings were in fixed rates taking into account interest rate swaps.

Fixed interest rate swaps ranged from 6.46% to 8.09% as at 31 March 2015 referenced against the three-month JIBAR of 6.108% , as well as one-month JIBAR of 5.933% (2014: fixed interest rate swaps ranged from 6.46% to 7.68% referenced against the three-month JIBAR of 5.25%, as well as one-month JIBAR of 5.575% at 31 March 2014).

At 31 March, floating rate borrowings are linked/referenced to various rates, the carrying amounts of which are as follows:

	2015	2014
	Rm	Rm
✦ Linked to the Rand Overnight Deposit Index	471	220
✦ Linked to one-month JIBAR	659	480
✦ Linked to three-month JIBAR	2 563	4 057
✦ Linked to three-month LIBOR (USD)	788	–
	4 481	4 757

At 31 March, the interest rate profile of the group's interest-bearing financial instruments, excluding the effect of interest rate swaps and bank overdrafts, was:

	Carrying amount	
	2015	2014
	Rm	Rm
Fixed rate instruments		
Financial assets	–	–
Financial liabilities	(17)	(31)
	(17)	(31)
Variable rate instruments		
Financial assets	2 960	1 636
Financial liabilities	(10 121)	(6 125)
	(7 161)	(4 489)

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates would have increased or decreased pre-tax profit or loss by R37 million (2014: R15 million), including the effects of the interest rate swaps. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for 2014.

Notes to the consolidated financial statements continued

4. Financial risk management continued

4.1 Financial risk factors continued

a) *Market risk* continued

(iii) *Other price risk*

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

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

b) *Credit risk*

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

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

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

Trade receivables comprise a large, widespread customer base mostly in respect of the hotel, banqueting and conferencing business, and therefore the group performs ongoing credit evaluations of the financial condition of its customers for both new credit applications and existing customers having credit facilities. These reviews include evaluating previous relations the customer has had with the group, taking into account the length of time and amount of business. New customers are given credit only after meeting strict minimum requirements. The utilisation of credit limits are regularly monitored by reviewing the ageing analysis of these debtors on an ongoing basis. At 31 March 2015, no single customer was in debt in excess of 10% of the total trade receivables balance. The trade receivables are of a high credit quality.

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

Refer note 27 *Trade and other receivables*, for further credit risk analysis in respect of trade and other receivables.

c) *Liquidity risk*

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

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

Management monitors rolling forecasts of the group's liquidity headroom on the basis of expected cash flow and the resultant borrowing position compared with 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 committed facilities available at all times in excess of 15% of borrowings. At 31 March 2015, the group had 29% (2014: 26%) surplus facilities, inclusive of available cash on deposit net of bank overdrafts, above that of borrowings. Bank overdrafts are not considered to be long-term debt but rather working capital arrangements as part of cash management as set up with the banking institutions.

	2015 Rm	2014 Rm
Debt at 1 April	(6 170)	(4 330)
Net increase in debt during the year	(3 968)	(1 840)
Debt at 31 March	(10 138)	(6 170)
Credit facilities ⁽¹⁾	14 254	8 295
Headroom available	4 116	2 125

⁽¹⁾ *Includes non-controlling interests and finance lease contracts, but excludes indirect facilities (letters of guarantees, forward exchange contracts and letters of credit) and bank overdrafts*

4. Financial risk management continued

4.1 Financial risk factors continued

c) Liquidity risk continued

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

	2015 facility			2014 facility		
	Total Rm	Utilisation Rm	Available Rm	Total Rm	Utilisation Rm	Available Rm
Demand facilities (overdrafts)	189	–	189	189	–	189
364-day notice facilities	1 200	1 072	128	1 200	701	499
Term facilities maturing 8 December 2016	–	–	–	500	500	–
Term facilities maturing 30 June 2017	1 500	1 500	–	–	–	–
Term facilities maturing 31 March 2018	–	–	–	4 900	3 558	1 342
Term facilities maturing 1 October 2018	599	599	–	740	740	–
Term facilities maturing 31 March 2020	4 000	2 200	1 800	–	–	–
Term facilities maturing 30 June 2020	2 041	2 041	–	734	639	95
Term facilities maturing 31 March 2021	4 200	2 201	1 999	–	–	–
Other term and non-controlling interests funding	525	525	–	32	32	–
	14 254	10 138	4 116	8 295	6 170	2 125

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

	Less than 1 year Rm	Between 1 and 2 years Rm	Between 2 and 5 years Rm	Over 5 years Rm
Inclusive of capital and interest				
At 31 March 2015				
Bank borrowings	2 097	1 039	6 159	1 508
Bank overdrafts	2 165	–	–	–
Loan from non-controlling interests	54	54	160	726
Obligations under finance leases	16	2	–	–
Derivative financial instruments	59	19	498	(1)
Trade and other payables	858	–	–	–
Deferred income	24	–	–	–
Financial guarantee contracts	12	–	–	–
	5 285	1 114	6 817	2 233
At 31 March 2014				
Bank borrowings	750	774	4 993	321
Bank overdrafts	247	–	–	–
Obligations under finance leases	17	16	2	–
Derivative financial instruments	19	(40)	(27)	–
Trade and other payables	783	–	–	–
Deferred income	22	–	–	–
Financial guarantee contracts	12	–	–	–
	1 850	750	4 968	321

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

	Less than 1 year Rm	Between 1 and 2 years Rm	Between 2 and 5 years Rm	Over 5 years Rm
Exclusive of interest				
At 31 March 2015				
Put option	–	–	(485)	–
Interest rate swaps – cash flow hedges:				
✿ outflow	(59)	(27)	(26)	–
✿ inflow	–	8	13	1
	(59)	(19)	(498)	1
At 31 March 2014				
Interest rate swaps – cash flow hedges:				
✿ outflow	(19)	(1)	–	–
✿ inflow	–	41	27	–
	(19)	40	27	–

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

Notes to the consolidated financial statements continued

4. Financial risk management continued

4.2 Financial instruments by category

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

	Loans and receivables Rm	Available- for-sale Rm	Derivatives used for hedging Rm	Derivative financial instruments at fair value through profit or loss 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 2015									
Financial assets									
Investments in associates	7	–	–	–	–	173	180	180	–
Investments in joint ventures	–	–	–	–	–	131	131	131	–
Non-current receivables	77	–	–	–	–	11	88	88	–
Derivative financial instruments	–	–	22	–	–	–	22	22	–
Trade and other receivables	481	–	–	–	–	120	601	–	601
Cash and cash equivalents	3 048	–	–	–	–	–	3 048	–	3 048
Financial liabilities									
Interest-bearing borrowings	–	–	–	–	12 286	–	12 286	8 591	3 695
Obligations under finance leases	–	–	–	–	17	–	17	2	15
Derivative financial instruments	–	–	112	485	–	–	597	538	59
Trade and other payables	–	–	–	–	858	286	1 144	–	1 144
Deferred income	–	–	–	–	24	–	24	–	24
Other current liabilities	–	–	–	–	4	–	4	–	4
At 31 March 2014									
Financial assets									
Investments in associates	8	–	–	–	–	24	32	32	–
Investments in joint ventures	–	–	–	–	–	117	117	117	–
Non-current receivables	77	–	–	–	–	14	91	91	–
Derivative financial instruments	–	–	67	–	–	–	67	67	–
Trade and other receivables	415	–	–	–	–	109	524	–	524
Cash and cash equivalents	1 962	–	–	–	–	–	1 962	–	1 962
Financial liabilities									
Interest-bearing borrowings	–	–	–	–	6 385	–	6 385	5 057	1 328
Obligations under finance leases	–	–	–	–	32	–	32	17	15
Derivative financial instruments	–	–	19	–	–	–	19	–	19
Trade and other payables	–	–	–	–	783	261	1 044	–	1 044
Deferred income	–	–	–	–	22	–	22	–	22
Other current liabilities	–	–	–	–	5	–	5	–	5

4.3 Capital risk management

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

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

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

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

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

4. Financial risk management continued

4.3 Capital risk management continued

During 2015, the group's strategy was to ensure that net debt was no more than 3.0 times (2014: 2.2 times) Ebitdar and that Ebitdar covers net interest⁽¹⁾ by at least 3.0 times (2014: 3.0 times). Ebitdar, being the driver of profitability and equity contributor, is the critical measurement criteria used to manage debt and capital levels. No debt covenants over external borrowings were breached during the year under review. The covenants are monitored and reported to the board and chief operating decision-maker on a quarterly basis.

	2015	2014
	Rm	Rm
Total borrowings	12 259	6 401
Less: Cash and cash equivalents	(3 048)	(1 962)
Net debt	9 211	4 439
Ebitdar	4 223	4 214
Net debt/Ebitdar (times)	2.2	1.1
Interest cover ⁽²⁾ (times)	5.6	10.2

⁽¹⁾ Net interest = finance costs less interest received per the cash flow statement

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

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

4.4 Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The group has no level 1 or level 3 financial instruments. There were no transfers between levels 1, 2 and 3 during the year under review or in the prior year.

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

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

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

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

Specific valuation techniques used to value financial instruments include:

- ❖ quoted market prices or dealer quotes for similar instruments;
- ❖ the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- ❖ the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value; and
- ❖ other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Financial instruments in level 2

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

The group has the following level 2 financial instruments (refer note 33.2):

	2015	2014
	Rm	Rm
Fair value measurement using level 2 observable inputs:		
Derivative financial instruments – interest rate swaps liability/(asset) (net)	90	(48)

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

4.5 Offsetting

The group has the following financial instruments which are subject to enforceable master netting arrangements which are not offset as at 31 March 2015:

Interest rate swap derivatives

The gross interest rate swap asset of R22 million (2014: R67 million) and gross interest rate swap liability of R112 million (2014: R19 million) is included on the face of the balance sheet. If all set-off rights were exercised the net impact on the group's statement of financial position would be an asset of R90 million (2014: R48 million liability).

Current bank accounts

Gross bank balances of R2 299 million (2014: R328 million) and gross bank overdrafts of R2 165 million (2014: R247 million) are included on the face of the balance sheet. If all set-off rights were exercised the net impact on the group's statement of financial position would be an asset of R134 million (2014: R81 million asset).

Notes to the consolidated financial statements continued

5. Reconciliation of earnings attributable to equity holders of the company to headline earnings and adjusted headline earnings	Notes	2015		2014	
		Gross Rm	Net ⁽¹⁾ Rm	Gross Rm	Net ⁽¹⁾ Rm
Profit attributable to equity holders of the company			1 672		1 877
Loss on disposal of property, plant and equipment	13	4	3	3	2
Impairment of property, plant and equipment	13	10	7	16	14
Fair value loss on revaluation of previously held interest in associate	13	–	–	6	6
Headline earnings			1 682		1 899
Settlement fee paid/(received) net of expenses on termination of tenant leases	13	1	1	(21)	(14)
Transaction costs	13	2	2	9	8
Impairment of financial instruments, net of recoveries	13	3	3	2	3
Restructuring costs	13	8	6	58	42
Write off of marketing fee income raised previously from joint venture	13	16	16	–	–
Pre-opening expenses	13	19	11	–	–
IFRS 2 <i>Share-based Payment</i> expense – equity-settled	12	118	118	–	–
Gain recognised on the change in other long-term employee benefits	13	(38)	(38)	–	–
Gain on remeasurement of put liability	15	(8)	(6)	–	–
Share of joint venture's exceptional item			(20)		–
Adjusted headline earnings⁽²⁾			1 775		1 938
Number of shares in issue (million)			957		1 098
Weighted average number of shares in issue (million)			1 014		1 098
Basic and diluted earnings per share (cents)			164.9		170.9
Basic and diluted headline earnings per share (cents)			165.9		173.0
Basic and diluted adjusted headline earnings per share (cents)			175.0		176.5

⁽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. This measure is not required by GAAP, is audited, is commonly used in the industry and used by management to make decisions on the application of resources and is calculated on a basis consistent with the prior year

6. Reconciliation of operating profit to Ebitdar	Notes	2015 Rm	2014 Rm
Ebitdar pre-exceptional items is made up as follows:			
Operating profit		3 042	3 122
<i>Add:</i>			
Property rentals	10	210	221
Amortisation and depreciation	11	733	648
Long-term incentive expense	12	95	150
		4 080	4 141
<i>Add: Exceptional losses</i>		143	73
Loss on disposal of property, plant and equipment	13	4	3
Impairment of property, plant and equipment	13	10	16
Fair value loss on revaluation of previously held interest in associate	13	–	6
Settlement fee paid/(received) net of expenses on termination of tenant leases	13	1	(21)
Transaction costs	13	2	9
Impairment of financial instruments, net of recoveries	13	3	2
Restructuring costs	13	8	58
Write off of marketing fee income raised previously from joint venture	13	16	–
Pre-opening expenses	13	19	–
IFRS 2 <i>Share-based Payment</i> expense – equity-settled	12	118	–
Gain recognised on the change in other long-term employee benefits	13	(38)	–
Ebitdar		4 223	4 214

7. Segmental analysis

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

The group's CEO and GEC consider the business from both a business type and geographical basis, being hotels and gaming. All gaming segments and the South African hotels division conduct business in South Africa, with the offshore hotels division operating in other African countries, the Middle East and the Seychelles. Other gaming operations consist mainly of the Sandton Convention Centre and head office costs. The StayEasy Century City Hotel, previously included in other gaming operations, was transferred to the South African hotels division during the year and the 2014 comparative figures have been restated accordingly. The corporate segment includes the treasury and management function of the group.

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

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

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

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

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

	Income		Ebitdar ⁽¹⁾⁽²⁾		Ebitdar margin		Amortisation and depreciation	
	2015 Rm	2014 ⁽⁵⁾ Rm	2015 Rm	2014 ⁽⁵⁾ Rm	2015 %	2014 ⁽⁵⁾ %	2015 Rm	2014 ⁽⁵⁾ Rm
Montecasino	2 510	2 415	1 133	1 088	45.1	45.1	100	95
Suncoast	1 581	1 517	732	717	46.3	47.2	109	104
Gold Reef City	1 270	1 298	479	514	37.7	39.6	73	65
Silverstar	676	648	248	263	36.7	40.6	58	39
The Ridge	415	400	188	186	45.2	46.5	19	25
Emnotweni	367	328	154	144	42.0	44.0	30	15
Golden Horse	334	318	148	146	44.3	46.1	31	34
Hemingways	310	336	109	138	35.1	41.1	40	45
Garden Route	188	179	79	78	42.0	43.7	14	14
Blackrock	152	139	58	54	38.1	38.8	11	9
The Caledon	149	135	38	35	25.5	25.7	6	6
Mykonos	145	132	64	57	44.1	43.1	7	6
Goldfields	138	142	51	57	37.1	40.3	9	9
Other gaming operations ⁽³⁾	100	92	(216)	(211)			9	7
Total gaming operations	8 335	8 079	3 265	3 266	39.2	40.4	516	473
South African hotels division ⁽³⁾⁽⁴⁾	2 506	2 184	830	752	33.1	34.4	171	153
Offshore hotels division	552	550	116	186	21.0	33.8	40	18
Pre-foreign exchange losses/gains			137	153	24.8	27.8		
Foreign exchange (losses)/gains			(21)	33				
Corporate ⁽⁴⁾	(50)	(46)	12	10			6	4
Group	11 343	10 767	4 223	4 214	37.2	39.1	733	648

⁽¹⁾ Refer note 6 – Reconciliation of operating profit to Ebitdar

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

⁽³⁾ The StayEasy Century City Hotel, previously included in other gaming operations, was transferred to the South African hotels division during the year and generated income of R35 million and Ebitdar of R16 million. (The 2014 comparative figures have been restated comprising income of R31 million, Ebitdar of R15 million and depreciation of R2 million being reallocated between segments.)

⁽⁴⁾ Includes R50 million (2014: R48 million) intergroup management fees

⁽⁵⁾ Restated – refer footnote 3 above

Notes to the consolidated financial statements continued

7. Segmental analysis continued

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

	Associates and joint ventures		Capital expenditure	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Gaming operations	30	32	1 168	965
South African hotels division	–	–	407	497
Offshore hotels division	281	117	247	129
Corporate	–	–	2	13
Group	311	149	1 824	1 604

Non-current assets, other than financial instruments and deferred income tax assets (there are no employment benefit assets and rights arising under insurance contracts), by country:

	2015 Rm	2014 Rm
South Africa	18 271	15 967
Nigeria	1 088	1 007
Mozambique	468	205
Seychelles	245	244
United Kingdom	150	–
Zambia	131	115
Tanzania	127	115
Kenya	10	11
Other	7	7
	20 497	17 671

8. Other revenue

	2015 Rm	2014 Rm
Management fees earned	64	76
Theme Park revenue	110	97
Sandton Convention Centre revenue	93	86
Rentals received	176	163
Cinema revenue	52	39
Other revenue	216	203
	711	664

9. Gaming levies and VAT

	2015 Rm	2014 Rm
Gaming levies	666	644
VAT	784	767
	1 450	1 411

10. Property and equipment rentals

	2015 Rm	2014 Rm
Properties	210	221
Plant, vehicles and equipment	66	70
	276	291

	2015	2014
	Rm	Rm
11. Amortisation and depreciation		
Amortisation of intangible assets		
Casino licences and bid costs	12	12
Trademark	–	1
Computer software	26	26
	38	39
Depreciation		
<i>Owned assets</i>		
Properties	144	69
Plant, vehicles and equipment	526	515
	670	584
<i>Leased assets</i>		
Properties	25	25
Total depreciation	695	609
Total amortisation and depreciation	733	648
	2015	2014
	Rm	Rm
12. Employee costs		
Employee costs (including executive directors' remuneration):		
Salaries and wages	2 432	2 295
Pension – defined contribution plans	170	157
Other post-retirement benefits – medical aid	1	2
Long-term incentive expense – cash-settled	95	150
IFRS 2 <i>Share-based Payment</i> – equity-settled	118	–
	2 816	2 604
	2015	2014
	Rm	Rm
13. Other operating expenses		
Other operating expenses comprise the following:		
Auditors' remuneration	32	27
Audit fees – current year	27	25
Tax services	2	1
Other services and expenses	3	1
Administration fees	2	2
Advertising, marketing and promotional costs	381	337
External consultants	36	36
Food and beverage costs and operating equipment usage	513	442
Impairment charge for bad and doubtful debts, net of reversals	3	7
Information technology-related costs	130	116
Net foreign exchange losses/(gains)	18	(31)
Property costs – rates, water and electricity	501	462
Repairs and maintenance expenditure on property, plant and equipment	328	298
Rooms departmental expenses	267	218
Security and surveillance costs	154	140
Other operating expenses	636	564
Loss on disposal of property, plant and equipment	4	3
Impairment of property, plant and equipment	10	16
Impairment of financial instruments	4	4
Reversal of impairment of financial instruments	(1)	(2)
Settlement fee paid/(received) net of expenses on termination of tenant leases	1	(21)
Fair value loss on revaluation of previously held interest in associate	–	6
Restructuring costs	8	58
Write off of marketing fee income raised previously from joint venture	16	–
Gain recognised on the change in other long-term employee benefits	(38)	–
Transaction costs	2	9
Pre-opening expenses	19	–
	3 026	2 691

Notes to the consolidated financial statements continued

	2015	2014
	Rm	Rm
14. Interest income		
Interest income on loans to associates	5	5
Interest received from banks and collective investment institutions	56	12
Interest income – other	18	4
	79	21

	2015	2014
	Rm	Rm
15. Finance costs		
Finance costs in respect of interest-bearing debt	721	390
Interest paid to non-controlling interests	50	–
Interest on finance leases	3	4
Finance cost in respect of gain on remeasurement of put liability	(8)	–
Change in cash flow	20	–
Change in interest rate	(28)	–
Finance costs – other	1	1
Less: Interest capitalised at an average capitalisation rate of 5.381% ⁽¹⁾ (2014: 2.756%) ⁽²⁾	(7)	(1)
	760	394

⁽¹⁾ Current year rate in respect of local and foreign borrowings

⁽²⁾ Prior year rate in respect of foreign borrowings

	2015	2014
	Rm	Rm
16. Income tax expense		
Current tax – current year charge	664	712
Current tax – over provision prior year	(25)	(9)
Deferred tax – current year charge	23	60
Deferred tax – under provision prior year	14	9
Withholding taxes	4	4
	680	776

Other comprehensive income

Tax relating to components of other comprehensive income on items that may be reclassified subsequently to profit or loss:

Cash flow hedges 39 (36)

Tax relating to components of other comprehensive income on items that may not be reclassified subsequently to profit or loss:

Remeasurements of post-employment defined benefit liability – (1)

39 **(37)**

	2015		2014	
	Rm	%	Rm	%
Income tax rate reconciliation				
Profit before income tax and share of profit of associates and joint ventures	2 361		2 749	
Income tax thereon at 28% (2014: 28%)	661	28.0	770	28.0
Expenses not deductible for tax purposes ⁽¹⁾	42	1.8	23	0.8
Prior year charges (net)	(11)	(0.5)	–	–
Withholding taxes	4	0.2	4	0.2
Foreign tax rate differential	(16)	(0.7)	(21)	(0.8)
	680	28.8	776	28.2

⁽¹⁾ Comprises mainly non-deductible IFRS 2 charges, depreciation on buildings and amortisation of casino licence and bid costs

	2015	2014
	Rm	Rm
17. Dividends declared		
Final dividend	659	560
Interim dividend	280	318
	939	878
Final dividend declared on	22 May 2014	23 May 2013
Final dividend paid on	17 June 2014	18 June 2013
Final dividend cents per share	60 cents	51 cents
Interim dividend declared on	20 November 2014	21 November 2013
Interim dividend paid on	15 December 2014	17 December 2013
Interim dividend cents per share	29 cents	29 cents

18. Property, plant and equipment

	Land and buildings Rm	Leased land and buildings Rm	Properties under construction Rm	Plant and equipment Rm	Operating equipment Rm	Total Rm
At 1 April 2013						
Cost	7 102	793	104	3 906	127	12 032
Accumulated depreciation	(818)	(185)	–	(1 898)	(8)	(2 909)
Net book amount	6 284	608	104	2 008	119	9 123
Year ended 31 March 2014						
Opening net book amount	6 284	608	104	2 008	119	9 123
Additions	258	64	582	500	45	1 449
Capitalisation of borrowing costs	–	–	1	–	–	1
Acquisition of subsidiaries	869	–	–	70	5	944
Disposals and operating equipment usage	(1)	(1)	–	(12)	(32)	(46)
Depreciation charge	(69)	(25)	–	(515)	–	(609)
Impairments	(6)	–	–	(10)	–	(16)
Transfers	136	1	(287)	141	–	(9)
Currency translation	80	–	–	19	3	102
Closing net book amount	7 551	647	400	2 201	140	10 939
At 31 March 2014						
Cost	8 467	856	400	4 466	150	14 339
Accumulated depreciation	(916)	(209)	–	(2 265)	(10)	(3 400)
Net book amount	7 551	647	400	2 201	140	10 939
Year ended 31 March 2015						
Opening net book amount	7 551	647	400	2 201	140	10 939
Additions	368	13	697	526	63	1 667
Acquisition of business	1 417	–	–	54	–	1 471
Capitalisation of borrowing costs	2	–	5	–	–	7
Disposals and operating equipment usage	(3)	–	–	(7)	(31)	(41)
Depreciation charge	(144)	(25)	–	(526)	–	(695)
Impairments	(4)	–	(1)	(4)	(1)	(10)
Transfers	639	–	(905)	237	5	(24)
Currency translation	131	–	–	22	3	156
Closing net book amount	9 957	635	196	2 503	179	13 470
At 31 March 2015						
Cost	11 023	870	196	5 100	179	17 368
Accumulated depreciation	(1 066)	(235)	–	(2 597)	–	(3 898)
Net book amount	9 957	635	196	2 503	179	13 470

The group reassessed the useful lives of property, plant and equipment during the year. The impact on depreciation for the year was a credit of R19 million (2014: credit of R48 million). Management reviewed the residual values during the current year and the values remain appropriate.

Buildings, plant and equipment at various casino and hotel properties with a book value of R10 million were impaired during the year due to refurbishment projects and these assets were no longer used after the refurbishment of the properties. During the prior year, buildings, plant and equipment at Silverstar, with a book value of R16 million were impaired during the year in anticipation of the redevelopment. Impairments are included under other operating costs.

	2015 Net book amount Rm	2014 Net book amount Rm
Bank borrowings (refer note 31) are secured over the following assets:		
Land and buildings	3 202	2 853
Plant and equipment	1 956	2 312
	5 158	5 165

Refer note 32 for details of assets held under finance leases.

Notes to the consolidated financial statements continued

	2015	2014
	Rm	Rm
19. Investment property		
At cost		
At 1 April	102	7
Additions	–	45
Under construction	7	–
Acquisition of subsidiaries	–	50
At 31 March	109	102
Cost	109	102
Accumulated depreciation	–	–
Net book amount at 31 March	109	102

The fair value of the investment properties, which are all level 3 instruments, in total was determined to be R140 million (2014: R110 million). Due to the residual values of the properties exceeding the carrying amounts, the properties have no depreciable value.

The level 3 basis of fair value is 'market value' which is defined as an opinion of the best price at which the sale of an interest in property, taking into account existing tenant lease terms, would have been completed unconditionally for a cash consideration on the date of valuation assuming:

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

During the year, the group's investment properties having a book value of R109 million were independently valued at R140 million by independent professionally qualified valuers. The properties have been valued on a discounted cash flow basis. Discounted cash flows have been used, using appropriate discount rates, and summed together with the capitalised and discounted value of the projected incomes to give present values as at 31 March 2015. In order to determine the reversionary rental income on lease expiry, renewal or review, a market gross rental income (basic rental plus operating cost rental) has been applied to give a market-related rental value for the properties as at 31 March 2015. Market rental growth has been determined based on the property, property market trends and economic forecasts. Vacancies have been considered based on historical and current vacancy factors as well as the nature, location, size and popularity of the buildings.

The property rental income earned by the group from its investment property, all of which is leased out under operating leases, amounted to R1 million (2014: R2 million). Direct operating expenses arising on the investment property amounted to R1 million (2014: R363 000).

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

20. Goodwill

	2015 Rm	2014 Rm
At 1 April	2 106	2 093
Arising on acquisition of subsidiaries	–	13
At 31 March	2 106	2 106
Impairment test for goodwill		
Goodwill is allocated and monitored based on the group's CGUs identified according to business segments as referred to in the segment analysis in note 7. An operating segment level summary of the goodwill allocation is presented below:		
Montecasino	273	273
Suncoast	890	890
Gold Reef City	136	136
Silverstar	85	85
Golden Horse	43	43
Garden Route	19	19
Goldfields	20	20
Blackrock	94	94
Mykonos	17	17
The Caledon	175	175
South African hotels	347	347
Offshore hotels	7	7
	2 106	2 106

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 a weighted average cost of capital ("WACC") 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. This is 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:

	2015			2014		
	Ebitdar margin %	Long-term growth rate %	Discount rate pre-tax %	Ebitdar margin %	Long-term growth rate %	Discount rate pre-tax %
Montecasino	41.7	5.6	10.8	38.2	6.0	10.8
Suncoast	41.4	5.6	10.8	41.0	6.0	10.8
Gold Reef City	34.9	5.6	10.8	33.3	6.0	10.8
Silverstar	40.3	5.6	10.8	39.5	6.0	10.8
Other gaming operations ⁽¹⁾	35.1	5.6	10.8	35.9	6.0	10.8
South African hotels	33.1	5.6	11.6	34.2	5.6	11.9
Offshore hotels	24.8	5.6	11.6	27.8	6.0	11.6

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

Based on the above calculations, the group has not identified any impairment to goodwill during the current year or in the prior year.

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.

Notes to the consolidated financial statements continued

	Casino licences and bid costs Rm	Computer software Rm	Trademarks Rm	Total Rm
21. Other intangible assets				
At 1 April 2013				
Cost	4 332	246	12	4 590
Accumulated amortisation	(150)	(199)	(4)	(353)
Net book amount	4 182	47	8	4 237
Year ended 31 March 2014				
Opening net book amount	4 182	47	8	4 237
Additions	121	33	–	154
Transfers	–	9	–	9
Amortisation charge	(12)	(26)	(1)	(39)
Closing net book amount	4 291	63	7	4 361
At 31 March 2014				
Cost	4 453	275	12	4 740
Accumulated amortisation	(162)	(212)	(5)	(379)
Net book amount	4 291	63	7	4 361
	1 year to indefinite	1 – 10 years	17 years	
Remaining lives of intangible assets				
Year ended 31 March 2015				
Opening net book amount	4 291	63	7	4 361
Additions	108	35	–	143
Transfers	–	24	–	24
Amortisation charge	(12)	(26)	–	(38)
Closing net book amount	4 387	96	7	4 490
At 31 March 2015				
Cost	4 535	309	12	4 856
Accumulated amortisation	(148)	(213)	(5)	(366)
Net book amount	4 387	96	7	4 490
	1 year to indefinite	1 – 10 years	16 years	
Remaining lives of intangible assets				

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

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

	2015 Rm	2014 Rm
Casino licences and related bid costs are made up as follows:		
<i>Indefinite lives:</i>		
Gold Reef City ⁽¹⁾⁽⁴⁾	1 765	1 765
Silverstar ⁽¹⁾⁽⁴⁾	1 112	1 112
Golden Horse ⁽¹⁾	554	554
Garden Route ⁽¹⁾	252	252
Goldfields ⁽¹⁾	258	258
Mykonos ⁽¹⁾⁽²⁾	215	214
Montecasino ⁽⁴⁾	70	70
Suncoast ⁽²⁾⁽³⁾	105	–
<i>Definite lives:</i>		
Hemingways	45	48
Suncoast	1	10
Work in progress	10	8
	4 387	4 291

⁽¹⁾ Relate to the casinos acquired on the reverse acquisition of Gold Reef during the year ended 31 March 2011

⁽²⁾ During the year under review, payments made for enhancement of casino licences of R5 million was recognised for 120 additional slot machines and 14 tables at Suncoast and R1 million at Mykonos for 20 slot machines

⁽³⁾ Payments made for enhancement of casino licences of a R100 million was made for 900 slot machines and 16 tables for the benefit of Suncoast

⁽⁴⁾ During the prior year, payments made for enhancement of casino licences of R116 million was made for 1 160 additional gaming positions for the benefit of Montecasino, Gold Reef City and Silverstar after approval was received from the Gauteng Gambling Board for these additional gaming positions

	2015 Net book amount Rm	2014 Net book amount Rm
21. Other intangible assets continued		
Bank borrowings (refer note 31) are secured over the following intangible assets:		
Trademarks	7	7
Computer software	64	32
	71	39
22. Investments in associates		
	2015 Rm	2014 Rm
Unlisted		
At 1 April	32	49
Associates acquired	145	–
Investment in associate	–	7
Fair value loss on revaluation of previously held interest in associate	–	(6)
Associate now accounted for as subsidiary	–	(19)
Loan repayments	(1)	–
Share of profit after tax and non-controlling interests of associates	11	4
Dividends received	(7)	(3)
At 31 March	180	32
Capital		
RedefineBDL Hotel Group Limited	150	–
TMCTS Management Company Proprietary Limited	14	15
Three Groups Cinemas Proprietary Limited	9	9
Lukhanji Leisure Proprietary Limited	–	–
Richtrau 292 Proprietary Limited*	*	*
	173	24
Loans		
Richtrau 292 Proprietary Limited	7	8
	7	8
Total investment	180	32

* Amount less than R1 million

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

	2015			2014
	RedefineBDL Hotel Group Limited Rm	Other associates Rm	Total associates Rm	Total associates Rm
Assets				
Non-current	107	110	217	108
Current	60	49	109	53
Total assets	167	159	326	161
Liabilities				
Non-current	13	186	199	149
Current	51	46	97	71
Total liabilities	64	232	296	220
Revenue	149	171	320	166
Profit/(loss)	38	(2)	36	2
The group's share of associates' unrecognised losses – year under review	–	(3)	(3)	(1)
The group's share of associates' unrecognised losses – cumulative	–	(8)	(8)	(5)

Notes to the consolidated financial statements continued

22. Investments in associates continued

Associates are equity accounted using management prepared information on a basis coterminous with the group's accounting reference date. The group has the following interests in its principal associates, all of which are incorporated in South Africa with the exception of RedefineBDL Hotel Group Limited, which is incorporated in the United Kingdom:

- ❖ 25% in RedefineBDL Hotel Group Limited. The group acquired a 25% interest in RedefineBDL Hotel Group Limited for R145 million, a leading independent hotel management company in the United Kingdom, with effect from 1 May 2014. This acquisition provides the group with access to additional management expertise, exposure to new markets and the potential for opportunities to deploy capital in attractive investments in the European market in the future;
- ❖ 50% in TMCTS Management Company Proprietary Limited which is held together with The Magic Company Proprietary Limited which owns and operates entertainment venues across southern Africa, primarily in casino and resort locations. Its product offering comprises video games, redemption games, bowling and other amusement rides;
- ❖ 50% in Three Groups Cinemas Proprietary Limited. Three Groups Cinemas Proprietary Limited operates cinemas at the group's Suncoast casino property;
- ❖ 25.1% in Lukhanji Leisure Proprietary Limited which owns and operates a casino in Queenstown, Eastern Cape. The investment has been fully impaired due to the associate's continuing trading losses and it is not considered to be immediately recoverable. The group has provided security for all Lukhanji Leisure Proprietary Limited's borrowing obligations in favour of Investec Limited to a capital amount of R12 million (2014: R12 million) – also refer note 47 *Contingencies and guarantees*; and
- ❖ 49% in Richtrau 292 Proprietary Limited which trades as a concept bookstore within the group's Montecasino property. The loan to Richtrau 292 Proprietary Limited is secured by a notarial bond registered over the assets of Richtrau 292 Proprietary Limited in favour of the group, is interest free and has no fixed terms of repayment. The loan is not considered to be impaired.

23. Investments in joint ventures

	2015 Rm	2014 Rm
Unlisted		
At 1 April	117	122
Loans granted	–	1
Impairment of joint venture	–	(1)
Share of profit/(loss) after tax and non-controlling interests of joint ventures	14	(4)
Currency translation	–	(1)
At 31 March	131	117
Capital		
United Resorts and Hotels Limited	131	117

The group has the following interest in a joint venture:

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

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

	2015 Rm	2014 Rm
Assets		
Non-current assets	175	170
<i>Current assets</i>		
Trade and other receivables	17	20
Cash and cash equivalents	20	39
Total assets	212	229
Liabilities		
Non-current financial liabilities	1	1
Current financial liabilities	20	70
Total liabilities	21	71
The group's share of its joint venture's profits/(losses) for the year:		
Income	39	53
Less: Expenses	(20)	(52)
Depreciation and amortisation	(6)	(6)
Other expenses	(14)	(46)
Profit before income tax	19	1
Income tax expense	(5)	(5)
Net profit/(loss)	14	(4)

The group has no share in the joint venture's contingent liabilities or capital commitments.

24. Non-current receivables

	2015	2014
	Rm	Rm
At amortised cost		
<i>Financial instruments</i>		
Lukhanji Leisure Proprietary Limited	52	48
Loan to The Corob Trust	17	17
Loan to JIA Piazzapark Proprietary Limited	2	2
Loan to the Central Bank of Seychelles	–	1
Amounts due by share scheme participants	23	27
Prepayments	35	31
Less: Provision for impairments	(52)	(49)
Lukhanji Leisure Proprietary Limited	(52)	(48)
Loan to the Central Bank of Seychelles	–	(1)
	77	77
<i>Non-financial instruments</i>		
Prepayments	11	14
	88	91

The loan to Lukhanji Leisure Proprietary Limited, an associate, bears interest at prime plus 1%. The group has subordinated this loan for the benefit of other creditors, limited to an amount of R37 million (2014: R34 million). The group has provided security for all Lukhanji Leisure Proprietary Limited's borrowing obligations in favour of Investec Limited to a capital amount of R12 million (2014: R12 million) – also refer note 22 *Investments in associates* and note 47 *Contingencies and guarantees*. The loan has been provided for in full.

The loan advanced to The Corob Trust in 2014 relates to their share of an acquisition of a property jointly acquired with the group (refer note 51 *Related party transactions*). The term of the loan is five years, and is interest-free for the first two years with interest accruing thereafter at the group's cost of borrowings.

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

The loan to the Central Bank of Seychelles was repaid in full during the year under review.

Refer note 36 *Long-term incentive plans* in respect of amounts due by share scheme participants.

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

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

Other than as shown above, there were no disposals or impairment provisions in respect of non-current receivable assets in 2015 or 2014.

	2015	2014
	Rm	Rm
Non-current receivable assets are denominated in the following currencies:		
SA Rand	53	59
US Dollar	35	32
	88	91

Notes to the consolidated financial statements continued

25. Deferred income tax

The gross movements on the deferred tax account are as follows:

	2015 Rm	2014 Rm
Net deferred tax liability at 1 April	1 483	1 270
Acquisition of business (refer note 48)	208	109
Income statement expense	37	69
Deferred tax (credit)/expense relating to components of other comprehensive income (refer note 16)	(39)	37
Currency translation	(1)	(2)
Net deferred tax liability at 31 March	1 688	1 483
Deferred tax liabilities to be recovered:		
– after more than 12 months	1 958	1 715
– within 12 months	(90)	(112)
	1 868	1 603
Deferred tax assets to be recovered:		
– after more than 12 months	83	33
– within 12 months	97	87
	180	120
Deferred tax liabilities (net)	1 688	1 483

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

	Accelerated tax allowances Rm	Other assets Rm	Provisions and accruals ⁽¹⁾ Rm	Deferred revenue Rm	Tax losses Rm	Fair value gains Rm	Total Rm
<i>Deferred tax liabilities</i>							
Deferred tax liability at 1 April 2013	1 563	28	(140)	(4)	11	(9)	1 449
Acquisition of subsidiaries	109	–	–	–	–	–	109
Income statement expense/(credit)	45	(3)	(11)	(2)	9	–	38
Deferred tax expense relating to components of other comprehensive income	–	–	1	–	–	8	9
Currency translation	(2)	–	–	–	–	–	(2)
Deferred tax liability at 31 March 2014	1 715	25	(150)	(6)	20	(1)	1 603
Acquisition of business	208	–	–	–	–	–	208
Income statement expense/(credit)	93	(3)	2	(4)	(30)	–	58
Currency translation	(1)	–	–	–	–	–	(1)
Deferred tax liability at 31 March 2015	2 015	22	(148)	(10)	(10)	(1)	1 868
<i>Deferred tax assets</i>							
Deferred tax asset at 31 March 2013	(63)	9	200	5	14	14	179
Income statement (expense)/credit	(26)	–	(10)	2	3	–	(31)
Deferred tax expense relating to components of other comprehensive income	–	–	–	–	–	(28)	(28)
Deferred tax asset at 31 March 2014	(89)	9	190	7	17	(14)	120
Income statement (expense)/credit	26	(6)	(2)	2	1	–	21
Deferred tax credit relating to components of other comprehensive income	–	–	–	–	–	39	39
Deferred tax asset at 31 March 2015	(63)	3	188	9	18	25	180
Total net deferred tax liability/(asset)	2 078	19	(336)	(19)	(28)	(26)	1 688

⁽¹⁾ Includes remeasurements of post-employment defined benefit liability

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

Deferred tax is provided on the full estimated tax loss of the group of R93 million (2014: R11 million) mainly incurred by Southern Sun Hotels (Tanzania) Limited, Southern Sun Hotels Kenya Limited and various SUN1 brand entities.

	2015 Rm	2014 Rm
26. Inventories		
Food and beverage	45	34
Operating equipment	34	34
Consumable stores	29	35
	108	103

The cost of inventories recognised as an expense and included in other operating expenses amounted to R482 million (2014: R410 million).

Inventories having a value of R68 million (2014: R55 million) have been pledged as security for the group's borrowings (refer note 31).

There was no write off of inventories during the year under review (2014: Rnil).

	2015 Rm	2014 Rm
27. Trade and other receivables		
<i>Financial instruments</i>		
Trade receivables	286	296
Marketing fees receivable	–	30
Management fees receivable	1	2
Loan to Indol Proprietary Limited	17	17
Loan to TMCTS Management Company Proprietary Limited	7	–
Deposits – held by utilities	7	6
Deposits – other	67	–
Deposits – held in bank accounts for consortium	12	–
Other receivables	121	100
Less: Provision for impairment of receivables	(37)	(36)
Trade receivables	(20)	(18)
Loan to Indol Proprietary Limited	(17)	(17)
Other receivables	–	(1)
Trade and other receivables – net	481	415
<i>Non-financial instruments</i>		
Prepayments	92	97
VAT receivable	15	–
Straight-lining of operating leases	13	12
	120	109
Total trade and other receivables	601	524

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

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

The group's 50% interest in Indol Proprietary Limited, previously a joint venture, was sold during the prior year. The loan of R17 million (2014: R17 million) remains payable in terms of the suspensive conditions in the sale agreement. The loan remains impaired.

The loan to TMCTS Management Company Proprietary Limited (an associate – refer note 22) bears no interest and has no fixed terms of repayment.

	2015 Rm	2014 Rm
<i>Past due but not impaired – trade receivables</i>		
At 31 March 2015, trade receivables of R184 million (2014: R115 million) were past due but not impaired. These relate mainly to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:		
30 to 60 days	114	67
60 to 90 days	37	19
More than 90 days	33	29
	184	115

The increase relates mainly to government debtors who are slow paying, as well as additional debtors brought on as a result of the Cullinan transaction. Although these debtors are slow paying, they are not considered doubtful.

Notes to the consolidated financial statements continued

27. Trade and other receivables continued

Impairment – trade receivables

At 31 March 2015, trade receivables of R20 million (2014: R18 million) were impaired. The amount of the provision was R20 million as at 31 March 2015 (2014: R18 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:

	2015 Rm	2014 Rm
At 1 April	18	14
Acquisition of subsidiary	–	1
Provision for receivables impairment	6	7
Receivables written off as uncollectible	(1)	(1)
Unused amounts reversed	(3)	(3)
At 31 March	20	18

Past due but not impaired – other receivables

At 31 March 2015, other receivables of R106 million (2014: R104 million) were past due but not impaired. These relate mainly to loans, banqueting debtors and vending commission. The ageing analysis of these other receivables is as follows:

	2015 Rm	2014 Rm
Up to 3 months	82	64
3 to 6 months	1	3
More than 6 months	23	37
	106	104

Impairment – other receivables

At 31 March 2015, other receivables of R17 million (2014: R18 million) were impaired. The amount of the provision was R17 million as at 31 March 2015 (2014: R18 million). The individually impaired receivables mainly relate to the loan to Indol Proprietary Limited, uncollectibles and long-outstanding debtors. Movements on the provision for impairment of other receivables are as follows:

	2015 Rm	2014 Rm
At 1 April	18	1
Provision for receivables impairment	1	4
Loan to Indol Proprietary Limited	–	13
Receivables written off during the year as uncollectible	(1)	–
Unused amounts reversed	(1)	–
At 31 March	17	18

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

	2015 Rm	2014 Rm
SA Rand	487	393
US Dollar	41	13
Nigerian Naira	26	31
Mozambican Metical	17	21
Tanzanian Shilling	9	10
Zambian Kwacha	7	7
Seychelles Rupee	6	8
Kenyan Shilling	5	9
United Arab Emirates Dirham	3	2
Euro	–	30
	601	524

	2015	2014 Restated ⁽¹⁾
	Rm	Rm
28. Cash and cash equivalents		
Current accounts	2 404	933
Call and fixed deposit accounts	554	949
Cash	90	80
Gross cash and cash equivalents	3 048	1 962
Less: Bank overdrafts per note 31	(2 165)	(247)
Net cash and cash equivalents per cash flow statement	883	1 715

Bank accounts having a value of R2 444 million (2014: R1 213 million) 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.

	2015	2014 Restated ⁽¹⁾
	Rm	Rm
Cash and cash equivalents are denominated in the following currencies. The group has no foreign denominated bank overdrafts:		
SA Rand	2 956	1 763
US Dollar	45	136
Nigerian Naira	19	10
Euro	17	37
Mozambican Metical	3	3
United Arab Emirates Dirham	2	4
Zambian Kwacha	2	2
British Pound	1	2
Kenyan Shilling	1	1
Seychelles Rupee	1	3
Tanzanian Shilling	1	–
Swiss Franc	–	1
	3 048	1 962

⁽¹⁾ Restatement in respect of IAS 32 Financial Instruments: Presentation amendment – refer note 1b for details

Notes to the consolidated financial statements continued

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 31 March 2013	1 182 765 988	(84 790 379)	1 097 975 609	4	4 782	(18)	4 768
Share options exercised and vested	–	247 799	247 799	–	–	4	4
Share options lapsed	–	(64 907)	(64 907)	–	–	(1)	(1)
At 31 March 2014	1 182 765 988	(84 607 487)	1 098 158 501	4	4 782	(15)	4 771
Shares repurchased and cancelled	(133 584 599)	–	(133 584 599)	(2)	–	–	(2)
Treasury shares acquired ⁽¹⁾	–	(7 766 990)	(7 766 990)	–	–	(200)	(200)
Share options exercised and vested	–	623 233	623 233	–	–	8	8
Share options lapsed	–	(41 275)	(41 275)	–	–	(1)	(1)
At 31 March 2015	1 049 181 389	(91 792 519)	957 388 870	2	4 782	(208)	4 576

⁽¹⁾ Refer note 36.1 Long-term incentive plans

The total authorised number of ordinary shares is 1 200 000 000 (2014: 1 200 000 000) with a par value of 2 cents per share (2014: 2 cents per share). On 5 August 2014, the company created authorised unissued 20 000 000 preference shares of no par value. All issued shares, other than those related to the Gold Reef Share Scheme and the IFRS 2 *Share-based Payment* – equity-settled (refer note 12), are fully paid up.

During the year under review, the group managed the exit of SABMiller Plc ('SABMiller') from its long-term 39.6% shareholding in the group, including a specific repurchase of 133.6 million Tsogo Sun ordinary shares for R2.8 billion on 28 August 2014. These shares, which were cancelled, were acquired at a price of R20.96 per share representing an 18.6% discount to the final bookbuild price of R25.75 per share achieved on the sale of the SABMiller investment in Tsogo Sun. Consequently par value share capital was reduced by R2 million and retained earnings was reduced by the remaining consideration of R2.8 billion.

The company's authorised but unissued ordinary share capital was placed under the control of the directors until the forthcoming AGM. The board of directors has the 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 its discretion, subject to section 38 of the Companies Act of South Africa and the Listings Requirements of the JSE.

The board of directors has been authorised to issue and determine the preferential rights attaching to any future issue of preference shares (subject to the approval of the JSE).

30. Other reserves

	Share buy-back reserve Rm	Surplus arising on change in control in joint venture Rm	Transactions with non-controlling interests Rm	Cash flow hedge reserve Rm	Foreign currency translation reserve Rm	Total Rm
At 1 April 2013	(400)	130	(265)	(58)	140	(453)
Cash flow hedges	–	–	–	92	–	92
Fair value gains during the year	–	–	–	128	–	128
Deferred tax on fair value gains	–	–	–	(36)	–	(36)
Currency translation adjustments	–	–	–	–	86	86
Acquisition of non-controlling interests	400	–	(109)	–	–	291
At 31 March 2014	–	130	(374)	34	226	16
Cash flow hedges	–	–	–	(99)	–	(99)
Fair value losses during the year	–	–	–	(138)	–	(138)
Deferred tax on fair value losses	–	–	–	39	–	39
Currency translation adjustments	–	–	–	–	86	86
Recognition of put liability with non-controlling interests	–	–	(493)	–	–	(493)
Acquisition of non-controlling interests	–	–	(73)	–	–	(73)
At 31 March 2015	–	130	(940)	(65)	312	(563)

	2015	2014
	Rm	Restated ⁽¹⁾
		Rm
31. Interest-bearing borrowings		
At amortised cost		
Bank borrowings	9 613	6 138
Bank overdrafts	2 165	247
Loan from non-controlling interests	508	–
	12 286	6 385
Less: Prepaid facility fees	(44)	(16)
	12 242	6 369
Analysed as:		
Non-current portion	8 557	5 045
Current portion	3 685	1 324
	12 242	6 369
Secured	12 286	6 385
Unsecured	–	–
	12 286	6 385
The maturity of borrowings is as follows:		
Not later than 1 year	3 685	1 324
Later than 1 year and not later than 5 years	5 574	4 802
Later than 5 years	2 983	243
	12 242	6 369
The following represents the book amount of the security for these borrowings:		
Property, plant and equipment (refer note 18)	5 158	5 165
Intangible assets (refer note 21)	71	39
Inventories (refer note 26)	68	55
Pledge of cash in bank accounts (refer note 28)	2 444	1 213
Cession of Tsogo Sun shares (treasury shares)	630	578
	8 371	7 050
The carrying amounts of the group's borrowings are denominated in the following currencies:		
SA Rand	11 457	5 733
US Dollar	785	636
	12 242	6 369
The group has the following committed direct facilities (from banks and non-controlling interest lenders):		
Expiring within 1 year	1 743	1 761
Expiring beyond 1 year	12 494	6 502
	14 237	8 263
	%	%
Weighted average effective interest rates (excluding leases and premium, including cash held on call accounts)	9.13	7.70

⁽¹⁾ Restatement in respect of IAS 32 Financial Instruments: Presentation amendment – refer note 1b for details

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

The undrawn facility of the committed direct bank borrowings amounted to R4 116 million (2014: R2 125 million).

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments and are within level 3 of the fair value hierarchy. The fair values of long and medium-term borrowings are based on cash flows discounted using commensurate variable rates chargeable by both SA Rand and US Dollar lenders of the above loans ranging between 2.74% and 10.53% (2014: 2.73% and 8.03%). The fair value of the current portion of borrowings equals their carrying amount, as the impact of discounting is not significant. All borrowings bear interest at floating rates (refer note 4.1a(ii)).

The loan from non-controlling interests is unsecured, bears interest at JIBAR +4.43% and is repayable by 1 May 2024.

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

	Carrying amount		Fair value	
	2015	2014	2015	2014
	Rm	Rm	Rm	Rm
Analysis of long and medium-term borrowings is as follows:				
Bank borrowings	8 049	5 045	7 956	5 025
Loan from non-controlling interests	508	–	508	–
	8 557	5 045	8 464	5 025

Notes to the consolidated financial statements continued

	2015	2014
	Rm	Rm
32. Obligations under finance leases		
Total liability	17	32
Less: Current portion	(15)	(15)
Non-current portion	2	17
The minimum lease payments under the lease liabilities are due as follows:		
Not later than 1 year	16	17
Later than 1 year and not later than 5 years	2	18
	18	35
Future finance charges on finance leases	(1)	(3)
Present value of finance lease liabilities	17	32
The present value of finance lease liabilities is as follows:		
Not later than 1 year	15	16
Later than 1 year and not later than 5 years	2	16
	17	32

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 12.15% (2014: 12.11% and 12.19%) and the leases expire between calendar years 2015 and 2016 respectively. 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 R17 million (2014: R32 million) are included in note 18 which have been pledged as security over these leases.

The fair values approximate the carrying values due to the short-term period remaining.

	2015	2014
	Rm	Rm
33. Derivative financial instruments		
Derivative financial instruments are made up as follows:		
Put option (refer note 33.1)	485	–
Interest rate swaps – cash flow hedges (refer note 33.2):		
Tsogo Sun Proprietary Limited	85	(50)
Silverstar Casino Proprietary Limited	5	2
Net liabilities/(assets)	575	(48)
Less: Current portion liability	(59)	(19)
Non-current portion liability/(asset) (net)	516	(67)
Non-current portion made up as follows:		
Asset	(22)	(67)
Liability	538	–
	516	(67)

33.1 Put option

Together with the business acquisition referred to in note 48, the group entered into a call option over Liberty Group Limited's ('Liberty') 40% shareholding in The Cullinan Hotel Proprietary Limited ('Cullinan') (a subsidiary) and Liberty has a corresponding put option, both exercisable at the fair value of the shares. A financial liability for the put option of R493 million and a corresponding debit to transactions with non-controlling interest was recognised on initial recognition. At the end of each reporting period, the liability is remeasured and the increase or decrease recognised in the income statement. The non-current liability has been remeasured to R485 million at the year end with the decrease of R8 million recognised in finance costs (refer note 15). The fair values are determined utilising a discounted cash flow valuation based on a discount rate of 10.9%.

33.2 Interest rate swaps

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

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

Gains or losses are recognised in the hedging reserve directly in other comprehensive income (after tax). There was no material ineffectiveness on the recorded net investment in the cash flow hedges.

The ineffective portion recognised in the income statement from cash flow hedges for the year amounted to Rnil (2014: Rnil).

33. Derivative financial instruments <i>continued</i>	2015 Rm	2014 Rm
33.2 Interest rate swaps <i>continued</i>		
The notional amounts of the outstanding interest rate swap contracts at 31 March 2015 were:		
<i>Tsogo Sun Proprietary Limited linked to the three-month JIBAR</i>		
With a fixed rate of 7.68% maturing 31 March 2018	600	800
With a fixed rate of 6.46% maturing 31 March 2018	1 500	1 500
With a fixed rate of 8.045% maturing 30 June 2021	1 000	–
With a fixed rate of 8.09% maturing 30 June 2021	2 000	–
<i>Silverstar Casino Proprietary Limited linked to the one-month JIBAR</i>		
With a fixed rate of 7.22%, excluding credit and liquidity margins, maturing 3 April 2018	540	660
	5 640	2 960

34. Post-employment benefits

Pension funds

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 funds

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

Medical aid

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

The movement in the defined benefit obligation is as follows:	Present value of obligation Rm	Fair value of plan assets Rm	Total Rm
2015			
At 1 April 2014	36	(26)	10
Other post-retirement benefits – medical aid	1	–	1
Expected return on plan assets	–	(2)	(2)
Expected benefit payments from plan assets	(2)	2	–
Interest expense	3	–	3
<i>Remeasurements:</i>	1	(2)	(1)
Gain from change in financial assumptions	2	–	2
Return on plan assets	–	(2)	(2)
Experience gains	(1)	–	(1)
At 31 March 2015	38	(28)	10
2014			
At 1 April 2013	39	(26)	13
Other post-retirement benefits – medical aid	1	1	2
Expected return on plan assets	–	(2)	(2)
Expected benefit payments from plan assets	(2)	2	–
Interest expense	3	1	4
<i>Remeasurements:</i>	(4)	(1)	(5)
Gain from change in financial assumptions	(3)	–	(3)
Return on plan assets	–	(1)	(1)
Experience gains	(1)	–	(1)
At 31 March 2014	36	(26)	10

Notes to the consolidated financial statements continued

34. Post-employment benefits continued

The fund is actively managed and returns are based on both the expected performance of the asset class and the performance of the fund managers. The assets of the medical aid scheme comprises cash for both 2015 and 2014 with values of R28 million and R26 million respectively.

The expected long-term rate of return on medical aid assets is 7.50% (2014: 8.90%). This is determined by using a standard 0% margin on the assumed rate of discount as per the revised IAS 19. The discount rate of 7.50% per annum is based on current bond yields of appropriate term gross of tax as required by IAS 19 *Employee Benefits*. South Africa does not have a deep market in high-quality corporate bonds. The discount rate is therefore determined by reference to current market yields on government bonds.

No contributions are expected to be paid into the group's defined benefit scheme during the annual period after 31 March 2015 (2014: Rnil).

	2015	2014
The principal actuarial assumptions used for the valuation were:	%	%
Discount rate	7.50	8.90
Healthcare cost inflation	7.30	8.30
Expected return on plan assets	7.50	8.90
Remuneration inflation	6.80	7.80
At 31 March 2015, the effects of a 1% movement in the assumed medical cost trend rate would be as follows:	Decrease	Increase
	Rm	Rm
Effect on the current service cost and interest cost	2	3
Effect on the post-retirement medical aid liability	32	40

35. Deferred revenue and income

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

	2015	2014
	Rm	Rm
<i>Deferred revenue</i>		
At 1 April	71	70
Created during the year	62	66
Utilised during the year	(69)	(65)
At 31 March	64	71
The expected timing of the recognition of the deferred revenue is within three years (2014: three years) as follows:		
Non-current portion	21	21
Current portion	43	50
	64	71
<i>Deferred income</i>		
At 1 April	22	21
Created during the year	125	65
Utilised during the year	(123)	(64)
At 31 March	24	22
The expected timing of the recognition of the deferred income is within one year (2014: one year) and is considered current.		
<i>Total deferred revenue and income</i>		
Split as follows:		
Non-current portion	21	21
Current portion	67	72
	88	93

36. Long-term incentive plans

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

36.1 Equity-settled

❖ Gold Reef Share Scheme

	2015	2014
	Rm	Rm
Amounts due by share scheme participants (included in non-current receivables – refer note 24)	23	27

The group operates an equity-settled, share-based compensation plan established in September 1999 which arose on acquisition of subsidiaries. Options over the company's shares were granted to permanent employees at the discretion of the directors in terms of which shares in the company may be acquired based on prices prevailing at the dates of granting the options. Delivery of the shares so acquired is effected in three equal tranches vesting over four years: one-third after two years, one-third after three years and one-third after four years. Shares acquired through the share scheme have to be paid for by the employees at the subscription prices as determined in the option contracts. Upon vesting and exercise of the options the subscription value is credited to share capital (nominal value) and share premium and debited to a non-current asset. The non-current asset is considered payable when the employees exercise the options and the options have vested. Any dividends paid on those shares are utilised to reduce the balance owing by the employees. Loans to participants incur fringe benefit tax on interest at 6.75% from August 2014 and 6.5% up to July 2014 (2014: 6.5%) as the loans are interest free.

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

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

	2015		2014	
	Number of shares	Average price R	Number of shares	Average price R
Awards/options at 1 April	634 995	16.00	953 676	16.00
Lapsed	(32 597)	16.00	(83 520)	16.00
Exercised and delivered	(152 764)	16.00	(142 093)	16.00
Exercised, delivered and sold	(449 634)	16.00	(93 068)	16.00
Awards/options at 31 March	–	16.00	634 995	16.00

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

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

Total IFRS 2 *Share-based Payment* costs relating to equity-settled, share-based payments in terms of the Gold Reef Share Scheme amounted to Rnil (2014: R0.5 million credit).

❖ Executive facility

On 12 August 2014, a R200 million facility was made available to senior executives for the sole purpose of acquiring shares in the company of R25.75 per share. The facility is interest free and has no fixed repayment date but must be repaid if the shares are sold or if the executive leaves the employ of the company. The executives are subject to fringe benefits tax on the facility. The executives are not eligible for any new allocations under the existing share appreciation scheme until the loan is repaid in full. Allocations of appreciation units made prior to the provision of the facility remain unaffected.

The IFRS 2 executive facility charge has been measured using a Black-Scholes methodology which is appropriate for the valuation of a share option grant with a fixed strike price (an interest-free loan of R200 million). The quantity of the shares acquired by the participating executives was based on the value of the loan granted of R200 million and the fair value of the Tsoho Sun shares at grant date. Consequently, the valuation was not determined on a per share basis but rather on a market capitalisation basis and therefore the fair value of the underlying shares at grant date is equal to R200 million. The exercise price of the share option is equal to the loan granted to the participating executives and, as the loan is interest free, the exercise price is fixed at R200 million. Other significant inputs into the model were a volatility of 20%, an expected life of the share option of between 9 and 15 years and annual risk-free interest rates of between 6.28% to 9.03% over 23 years. As the participating executives are immediately entitled to dividends on the underlying Tsoho Sun shares, the dividend yield on the shares is equal to 0%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of the five-year weekly volatility of a similar company as well as the weekly share prices over the last two years. Refer also note 29 *Ordinary share capital and premium*.

The following executive employees participate in the executive facility:

	Number of shares acquired	Loan facility Rm	IFRS 2 charge Rm
MN von Aulock (CEO)	3 339 806	86	54
RB Huddy (CFO)	1 048 543	27	15
J Booysen	1 825 243	47	26
GD Tyrrell	776 699	20	14
FV Dlamini	776 699	20	9
Total charge per note 12	7 766 990	200	118

Total IFRS 2 executive facility costs relating to equity-settled, share-based payments in terms of the scheme amounted to R118 million (2014: Rnil).

Notes to the consolidated financial statements continued

36. Long-term incentive plans continued

36.2 Cash-settled, share-based long-term incentive plan

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

- ❖ Share appreciation units vest in three equal tranches: one-third after three years, one-third after four years and one-third after five years after grant date and are exercisable at the option of the recipient up until the end of six years after grant date. The amount settled is the difference between the company's share price on exercise date and the strike price. The strike price of the share appreciation units is the company's share price on grant date.
- ❖ Bonus units have a mandatory vesting and exercise date of three years after grant date and are settled at the share price of the company on vesting date.
- ❖ Performance units have a mandatory vesting and exercise date of three years after grant date and are settled at the share price of the company on vesting date, multiplied by a factor of 0 – 3 dependent on the increase in HEPS of the company for the three-year period as tabulated below:

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

	Share appreciation units	Average strike price R	Bonus units	Performance units
Cash-settled in units at:				
1 April 2014	1 649 379	17.04	–	–
Forfeited	(56 257)	17.65		
Exercised	(787 537)	17.17		
31 March 2015	805 585	18.16	–	–
Units exercisable at 31 March 2015	595 743			
Number of employees granted units	132			
Number of employees remaining at year end	93			
Cash-settled in units at:				
1 April 2013	1 971 469	17.04	226 378	297 681
Forfeited	(154 070)	17.57	(6 790)	(13 640)
Transfers from associate	26 171	17.82	2 611	1 806
Exercised	(194 191)	17.05	(222 199)	(285 847)
31 March 2014	1 649 379	17.04	–	–
Units exercisable at 31 March 2014	958 703			
Number of employees granted units	132			
Number of employees remaining at year end	96			

	Share appreciation units
Grant date	21 February 2011
Valuation date	31 March 2015
Share price at valuation date	R27.60
Vesting period	3 – 5 years
Settlement	Cash
Grant date	26 March 2010
Valuation date	31 March 2015
Share price at valuation date	R27.60
Vesting period	3 – 5 years
Settlement	Cash
Grant date	20 March 2009
Valuation date	31 March 2015
Share price at valuation date	R27.60
Vesting period	3 – 5 years
Settlement	Cash

The group recognised an expense of R4 million (2014: R8 million) related to the share appreciation plan during the year and at 31 March 2015 the group had recorded liabilities of R8 million (2014: R12 million) in respect of this plan. The current portion of this liability is R5 million (2014: R11 million). There are no units allocated to, nor are any units currently held by, directors of the company.

36. Long-term incentive plans continued

36.3 Cash-settled – Tsogo Sun Share Appreciation Bonus Plan

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

Liabilities equal to the current fair values are recognised at each balance sheet date. The movements 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 year and expiry dates of each allocation:

Grant date	Appreciation units granted and still outstanding		Strike price ⁽¹⁾ R	Appreciation units vested and still outstanding		Expiry date	Liability	Liability
	2015	2014		2015	2014		2015 Rm	2014 Rm
1 April 2007	–	307 452	19.87	–	307 452	31 March 2015	–	10
1 April 2009	–	922 643	15.10	–	922 643	31 March 2015	–	46
1 April 2010	935 811	1 545 064	15.08	935 811	1 545 064	31 March 2016	52	77
1 April 2011	3 403 053	4 731 076	15.06	3 403 053	4 731 076	31 March 2017	53	67
1 October 2011	1 783 841	1 890 337	18.78	1 783 841	–	30 September 2017	20	15
1 April 2012	7 245 201	7 726 516	17.66	7 245 201	–	31 March 2018	89	56
1 October 2012	253 678	263 825	19.71	–	–	30 September 2018	2	1
1 April 2013	7 964 198	8 401 905	24.56	–	–	31 March 2019	25	9
1 October 2013	221 480	221 480	25.51	–	–	30 September 2019	1	*
1 April 2014	8 903 555	–	25.72	–	–	31 March 2020	8	–
1 October 2014	154 738	–	25.85	–	–	30 September 2020	*	–
Liability at 31 March							250	281
Average share price utilised to value the liability at 31 March							R27.60	R27.00

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

* Amount less than R1 million

The group recognised an expense of R91 million (2014: R142 million) related to this bonus appreciation plan during the year and at 31 March 2015 the group had recorded liabilities of R250 million (2014: R281 million) in respect of this plan. The current portion of this liability is R217 million (2014: R200 million).

	2015 Rm	2014 Rm
36.4 Total long-term incentive liabilities		
Cash-settled, share-based long-term incentive plan (refer note 36.2)	8	12
The Tsogo Sun Share Appreciation Bonus Plan (refer note 36.3)	250	281
	258	293
Less: Current portion	(222)	(211)
Non-current portion	36	82

Notes to the consolidated financial statements continued

	2015	2014
	Rm	Rm
37. Provisions		
At 1 April		
Long-service awards	138	131
Incentives	196	219
Jackpot provisions	14	16
	348	366
Acquisition of business		
Incentives	3	-
Created during the year		
Long-service awards	37	15
Incentives	131	182
Jackpot provisions	146	27
	314	224
Utilised during the year		
Long-service awards	(7)	(8)
Incentives	(189)	(205)
Jackpot provisions	(147)	(29)
	(343)	(242)
At 31 March		
Long-service awards	168	138
Incentives	141	196
Jackpot provisions	13	14
Provisions	322	348
Less: Current portion	(163)	(237)
Non-current portion	159	111

Long-service awards

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

	2015	2014
	Rm	Rm
Movement in unfunded obligation:		
Benefit obligation at 1 April	138	131
Interest cost	15	10
Service cost	15	15
Actuarial loss/(gain)	7	(10)
Benefits paid	(7)	(8)
Obligation at 31 March	168	138
The amounts recognised in the income statement are as follows:		
Interest cost	15	10
Current service cost	15	15
Actuarial loss/(gain)	7	(10)
	37	15
The principal actuarial assumptions used for accounting purposes are:		
Discount rate	7.00%	9.10%
Inflation rate	4.80%	6.30%
Salary increase rate	5.30%	6.80%
Pre-retirement mortality rate	SA 85 – 90 (Light) table	SA 85 – 90 (Light) table
The present value of the long-service award obligations for the current and prior years are as follows:		
Present value of unfunded obligations	168	138
Experience adjustment on plan obligations	-	-

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

37. Provisions continued

Incentives

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

Jackpot provisions

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

	2015	2014
	Rm	Rm
38. Other non-current liabilities		
Straight-lining of operating leases	298	286
Less: Current portion classified within trade and other payables (refer note 39)	(23)	(17)
Non-current portion	275	269

The straight-lining of operating leases relates mainly to Sandton Convention Centre. The lease expires in August 2020.

	2015	2014
	Rm	Rm
39. Trade and other payables		
<i>Financial instruments</i>	858	783
Trade payables	157	143
Accrued expenses	139	161
Advance deposits	76	76
Smartcard gaming credits due to customers	24	30
Capital expenditure payables	82	21
Non-borrowings-related interest payable	16	17
Other payables	364	335
<i>Non-financial instruments</i>	286	261
VAT payable	68	71
Leave pay liability	113	103
Payroll-related payables	57	46
Gaming levies	25	24
Current portion of non-current liabilities (refer note 38)		
– straight-lining of operating leases	23	17
	1 144	1 044

The carrying values of trade payables are assumed to approximate their fair values due to the short-term nature of trade and other payables.

Other payables comprise mainly sundry creditors, unidentified deposits and deposits under query.

The carrying amounts of the group's trade and other payables are denominated in the following currencies:

SA Rand	1 021	937
Nigerian Naira	31	41
Mozambican Metical	27	10
Kenyan Shilling	21	12
US Dollar	13	11
Zambian Kwacha	10	9
Tanzanian Shilling	10	8
Seychelles Rupee	9	15
United Arab Emirates Dirham	2	1
	1 144	1 044

Notes to the consolidated financial statements continued

	2015	2014
	Rm	Rm
40. Other current liabilities		
Obligation for subsidiary share buy-back scheme from non-controlling interests	4	5
<p>In 2013, two subsidiaries of the group, Durban Add-Venture Limited and Adventure World Management Proprietary Limited, made offers to their non-controlling shareholders to acquire their Durban Add-Venture Limited and Adventure World Management Proprietary Limited shares. Durban Add-Venture Limited and Adventure World Management Proprietary Limited repurchased their own shares in the transaction. The offer was made by way of a circular to the Durban Add-Venture Limited shareholders and an agreement with the Adventure World Management Proprietary Limited shareholders. Durban Add-Venture Limited had a direct shareholding in Tsogo Sun KwaZulu-Natal Proprietary Limited and Adventure World Management Proprietary Limited had a 0.39% interest in Durban Add-Venture Limited.</p> <p>Approval for the transaction was obtained from the gaming board on 10 May 2013. The outstanding amount at 31 March 2015 relates to untraceable shareholders following the close out of the transaction.</p>		
	2015	2014
	Rm	Rm
41. Cash generated from operations		
Operating profit	3 042	3 122
<i>Adjusted for non-cash movements:</i>		
Amortisation	38	39
Depreciation	695	609
Impairment charge for bad and doubtful debts, net of reversals	3	7
Operating equipment usage	58	60
Straight-lining of operating leases and other lease adjustments	4	24
Movement in provisions	314	224
Long-term incentive expense	213	150
Fair value loss on revaluation of previously held interest in associate	–	6
Loss on disposal of property, plant and equipment	4	3
Impairment of property, plant and equipment and intangibles	10	16
Impairment of financial instruments	4	4
Reversal of impairment of financial instruments	(1)	(2)
Write off of marketing fee income raised previously from joint venture	16	–
Translation impact on the income statement	6	4
Gain recognised on the change in other long-term employee benefits	(38)	–
Other non-cash moves	(14)	(5)
Cash generated from operations before working capital movements	4 354	4 261
Working capital movements		
Increase in inventories	(26)	(42)
Decrease/(increase) in trade and other receivables	6	(29)
Decrease in payables and provisions	(468)	(426)
Cash generated from operations	3 866	3 764
	2015	2014
	Rm	Rm
42. Income tax paid		
Tax asset at 1 April	83	34
Current tax provided	(639)	(703)
Withholding tax	(4)	(4)
Currency translation	1	–
Tax liability/(asset) at 31 March	22	(83)
	(537)	(756)

	2015	2014
	Rm	Rm
43. Dividends paid to the company's shareholders		
Unclaimed dividends owing to shareholders at 1 April	(1)	(1)
Ordinary dividends declared	(939)	(878)
Unclaimed dividends owing to shareholders at 31 March	1	1
	(939)	(878)
	2015	2014
	Rm	Rm
44. Commitments		
Operating lease commitments (refer note 45)	1 941	1 990
The present value of the lease guarantees in note 45 and commitments above is R1 207 million (2014: R1 175 million).		
	2015	2014
	Rm	Rm
45. Operating lease arrangements		
<i>Operating lease arrangements where the group is a lessee:</i>		
At the balance sheet date the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:		
Not later than 1 year	194	175
Later than 1 year and not later than 5 years	795	713
Later than 5 years	952	1 102
	1 941	1 990
The operating lease commitments relate mainly to leases of property within the group's portfolio of hotels, as well as its head office and Sandton Convention Centre. The group's main lease, the Sandton Convention Centre, expires in August 2020 with lease payments escalating at 9% per annum, and an option to renew at renegotiated terms.		
<i>Operating lease arrangements where the group is a lessor:</i>		
The group rents out retail and commercial office space in its gaming and hotels properties. Property rental income earned during the year was R176 million (2014: R163 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:		
	2015	2014
	Rm	Rm
Not later than 1 year	71	79
Later than 1 year and not later than 5 years	98	133
Later than 5 years	2	4
	171	216
	2015	2014
	Rm	Rm
46. Future capital expenditure		
Authorised by directors but not yet contracted for:		
Property, plant and equipment	3 635	3 243
Intangible assets: software	1	62
	3 636	3 305
Authorised by directors and contracted for:		
Property, plant and equipment	503	896
Intangible assets: software	22	119
	525	1 015

Notes to the consolidated financial statements continued

47. Contingencies and guarantees

The group has entered into various agreements with its bankers and the respective gambling boards whereby the bank has guaranteed agreed capital amounts not exceeding R158 million (2014: R158 million) for gambling board taxes and working capital. The group has also entered into various agreements with its bankers and respective utility boards and municipalities whereby the bank has guaranteed agreed capital amounts not exceeding R21 million (2014: R21 million) for utility expenses.

The group has provided the following securities:

Lukhanji Leisure Proprietary Limited's (an associate) borrowing obligations in favour of Investec Limited to a capital amount of R12 million (2014: R12 million) – refer note 22 and note 24.

Indol Proprietary Limited's (a previously held joint venture, a company incorporated in Botswana) banking facilities in favour of Bank of Gaborone for a capital amount to the maximum of Botswana Pula 12.1 million – refer note 27. This amount has been raised and included in trade and other payables.

48. Business combinations

Acquisition of businesses by The Cullinan Hotel Proprietary Limited

The Cullinan Hotel Proprietary Limited, a group subsidiary, concluded agreements with Liberty Group Limited ('Liberty') and Southern Sun Hotel Interests Proprietary Limited ('SSHl'), also a group subsidiary, for the acquisition by Cullinan of various hotel businesses from SSHl and Liberty. The net investment by the group is R762 million and the effective date of the transaction was 30 April 2014.

The acquired businesses were previously managed by SSHl and the acquisition thereof is in line with management's strategy to own its operations. The fair values of the net assets acquired equate to the fair values of the considerations paid at the date of acquisition, and therefore no goodwill has arisen and no intangible assets have been identified on these acquisitions. In line with the group's accounting policies, the fair value of the assets acquired was obtained by applying a valuation technique performed on a discounted cash flow basis. The acquired businesses contributed incremental revenues of R256 million and adjusted earnings of R33 million to the group for the period from acquisition to 31 March 2015. As part of the agreements with Liberty, the Garden Court Kings Beach property was purchased by Cullinan and accounted for as an asset purchase. Had the acquisition occurred on 1 April 2014, group revenue would have increased by an additional R22 million and adjusted earnings would have increased by an additional R4 million. These amounts have been calculated excluding the funding impact of the acquisition and using the group's accounting policies.

The fair value of net assets acquired is as follows:

	Fair value Rm
Non-current assets	
Property, plant and equipment	1 343
Current assets	
Inventories	11
Other receivables	5
Non-current liabilities	
Deferred tax liabilities	(208)
Current liabilities	
Trade and other payables	(9)
Total identifiable net assets acquired	1 142
Asset purchase	128
Purchase consideration (R762 million paid in cash, R508 million loan)	(1 270)
Goodwill	–

49. Transactions with non-controlling interests

49.1 Acquisition of remaining 49% in Tsogo Sun One Monte Proprietary Limited

The group concluded, with effect from 19 May 2014, a purchase agreement for the remaining 49% interest in the jointly controlled entity, Tsogo Sun One Monte Proprietary Limited, for R144 million giving the group 100% ownership of this office block.

49.2 Acquisition of Garden Route non-controlling interests

The group concluded, with effect from 1 October 2014, a purchase agreement for the remaining 15% interest in a subsidiary, Garden Route Casino Proprietary Limited, for R52 million giving the group 100% interest in this subsidiary company.

49.3 Acquisition of additional 10% in The Cullinan Hotel Proprietary Limited

The group concluded, with effect from 30 April 2014, a purchase agreement for an additional 10% interest in a subsidiary, The Cullinan Hotel Proprietary Limited, for R100 million resulting in the group owning a 60% interest in this subsidiary company.

50. Events occurring after the balance sheet date

SunWest International Proprietary Limited and Worcester Casino Proprietary Limited

As announced on SENS on 3 July 2015 in respect of the proposed transaction with Sun International Limited and Grand Parade Investments Limited for the acquisition of a 40% equity interest in each of SunWest International Proprietary Limited and Worcester Casino Proprietary Limited, a key condition was that the proposed transaction be implemented by 31 May 2015. This initially agreed implementation date was subsequently extended by the parties to 31 August 2015.

It has now become apparent that the revised implementation date of 31 August 2015 will not be achieved and based upon recent discussions, the parties have concluded that it is not possible to extend the date again as the commercial metrics agreed to under the proposed transaction have changed due to the effluxion of time. The parties, by mutual agreement, have therefore decided to terminate the proposed transaction.

Based on the above, the parties have commenced taking steps to withdraw the applications made to the relevant regulatory authorities that would have been required in order to give effect to the proposed transaction.

Cape Town new complex

Southern Sun Hotel Interests Proprietary Limited has reached an agreement with Green Willows Properties 9 Proprietary Limited to lease land on which a new 500-room complex will be constructed in Cape Town. Construction is expected to be completed in September 2017. This has no financial impact on the current year.

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

51. Related party transactions

As detailed below, the group has concluded certain transactions with related parties. The company's ultimate majority shareholder is HCI (a company listed on the JSE) which indirectly owns 48% of the company's issued share capital (excluding treasury shares). HCI is the ultimate majority shareholder of Tsogo Investment Holding Company Proprietary Limited which directly owns 47.3% of the company's issued share capital (excluding treasury shares). With effect from 28 August 2014, South African Breweries Proprietary Limited is no longer considered a related party as it no longer holds shares in Tsogo Sun – refer directors' report and note 29 *Ordinary share capital and premium* in the consolidated financial statements and note 13 in the company financial statements. Transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note.

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

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

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

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

Notes to the consolidated financial statements continued

51. Related party transactions <small>continued</small>	2015 Rm	2014 Rm
51.1 Transactions with related parties		
<i>Management fees received/(paid):</i>		
Associates	1	1
Joint ventures	4	6
Abreal Proprietary Limited	(2)	(1)
<i>Purchases:</i>		
The South African Breweries Proprietary Limited (refer note 51 above)	10	35
<i>Other:</i>		
South African Apartheid Museum	7	6
CASA	2	2
Olwazini Discovery Centre	2	1
	24	50
51.2 Amounts due by/(to) related parties		
<i>Amounts owing by related parties:</i>		
Associates (refer note 22)	7	8
<i>Non-current receivables (refer note 24)</i>		
Loan to The Corob Trust	17	17
<i>Included within current receivables (refer note 27)</i>		
Loan to TMCTS Management Company Proprietary Limited (an associate)	7	–
Loan to Sable Holdings Limited	1	1
Loan to Abbeydale Investment Holdings Proprietary Limited	1	1
	33	27
<i>Included within trade and other payables (refer note 39):</i>		
South African Apartheid Museum	1	–
The South African Breweries Proprietary Limited (refer note 51 above)	–	2
	1	2

51. Related party transactions continued

51.3 Key management compensation

Directors and prescribed officers of the company are considered to be the group's key management personnel. Remuneration and fees paid to key management and IFRS 2 *Share-based Payment* charges during the year by the group are as follows:

	2015 Rm	2014 Rm
Executive directors		
Basic remuneration and cash incentives	8	7
Retirement, medical and catastrophe benefits	2	2
Other incentives and benefits	7	7
Long-term incentives paid	12	3
Total paid by subsidiaries	29	19
IFRS 2 <i>Share-based Payment</i> charge – equity settled (refer note 12 and note 36.1)	69	–
Total charge	98	19
Non-executive directors		
Fees for services	3	3
Other benefits	4	9
Long-term incentives paid	24	13
Total paid by subsidiaries	31	25
Total directors' emoluments		
Paid by subsidiaries	128	44
Other key management and prescribed officers		
Basic remuneration and cash incentives	7	10
Retirement, medical and catastrophe benefits	2	1
Other incentives and benefits	4	10
Termination benefits	–	39
Long-term incentives paid	8	37
Total paid by subsidiaries	21	97
IFRS 2 <i>Share-based Payment</i> charge – equity settled (refer note 12 and note 36.1)	26	–
Total charge	47	97

The group has granted interest-free loans to the participating executives in the IFRS 2 *Share-based Payment* scheme as shown in note 12 *Employee costs* which are secured by the shares taken up by these participating executives. These loans have no specified date of repayment. There are no other loans to directors, key management or their families of the group.

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

Refer note 19.3 of the company annual financial statements for the statutory and regulatory disclosure relating to executive directors and prescribed officers.

51.4 Contingencies, commitments and guarantees

There are no contingencies, commitments or guarantees of the group's related parties, other than as mentioned in note 47 to these group annual financial statements.

Notes to the consolidated financial statements continued

52. Principal subsidiaries

The total non-controlling interests' share of profit for the year is R34 million (2014: R96 million) allocated as follows:

	2015 Rm	2014 Rm
Ikoyi Hotels Limited	2	9
The Cullinan Hotel Proprietary Limited	13	25
Tsogo Sun Emonti Proprietary Limited	12	17
Other non-material non-controlling interests	7	45
	34	96

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

	Ikoyi Hotels Limited		The Cullinan Hotel Proprietary Limited		Tsogo Sun Emonti Proprietary Limited	
	2015 Rm	2014 ⁽¹⁾ Rm	2015 Rm	2014 Rm	2015 Rm	2014 Rm
Summarised balance sheets as at 31 March						
Non-current assets	672	591	1 700	205	436	460
Current assets	52	50	77	166	30	24
Total assets	724	641	1 777	371	466	484
Non-current liabilities	188	186	172	28	141	198
Current liabilities	10	27	1 215	34	31	29
Total liabilities	198	213	1 387	62	172	227
Net assets	526	428	390	309	294	257
Summarised income statements for the year ended 31 March						
Revenue	149	140	543	220	310	336
Profit before income tax	23	37	47	68	49	70
Income tax credit/(expense)	14	(3)	(16)	(19)	(13)	(22)
Profit and total comprehensive income	37	34	31	49	36	48
Total comprehensive income allocated to non-controlling interests	2	9	13	25	12	17
Dividends paid to non-controlling interests	–	–	–	–	–	–
Summarised cash flows for the year ended 31 March						
Cash generated from operations	42	26	207	67	101	129
Interest received	–	–	14	7	–	2
Finance costs paid	–	(1)	(123)	–	(13)	(15)
Income tax paid	–	–	(9)	(19)	(9)	(12)
Dividends paid	–	–	–	–	–	–
Net cash generated from operations	42	25	89	55	79	104
Net cash utilised for investment activities	(5)	(3)	(26)	(58)	(13)	(50)
Net cash (utilised in)/generated from financing activities	(32)	(19)	(59)	4	(64)	(53)
Net increase in cash and cash equivalents	5	3	4	1	2	1
Cash and cash equivalents at beginning of the year	12	8	6	5	13	12
Foreign currency translation	2	1	–	–	–	–
Cash and cash equivalents at end of the year	19	12	10	6	15	13

⁽¹⁾ Ikoyi Hotels Limited was acquired with effect from 29 June 2013 and hence the information is from date of acquisition