Notes to the summarised consolidated financial statements

1 Basis of preparation

The summarised consolidated annual financial statements for the year ended 31 March 2015 are prepared in accordance with the JSE Limited Listings Requirements, and the requirements of the Companies Act applicable to summarised financial statements. The Listings Requirements require summarised consolidated annual financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

The accounting policies applied in the preparation of the audited consolidated financial statements, from which the summarised consolidated financial statements were derived, are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous audited consolidated financial statements other than as mentioned below. The summarised consolidated annual financial statements should be read in conjunction with the audited annual financial statements for the year ended 31 March 2015 which were approved by the board on 30 July 2015 and are available online or can be requested directly from the Company Secretary.

The summarised consolidated annual financial statements are extracted from audited information, but are not themselves audited. The unmodified audit report of PricewaterhouseCoopers Inc., the independent auditors, on the consolidated and separate company annual financial statements for the year ended 31 March 2015, dated 30 July 2015, is available for inspection at the registered office of the company and is included in the audited annual financial statements available online.

2 Change in accounting policies and interpretations

The group has adopted all the new, revised or amended accounting standards as issued by the IASB which were effective for the group from 1 April 2014, none of which had a material impact on the group, except for the change noted below.

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 borrowings by an additional R1 088 million respectively. This change in accounting interpretation has been applied retrospectively and has no impact on earnings per share.

Other than the above mentioned change in accounting interpretation, the accounting policies have been consistently applied with those of the annual financial statements for the year ended 31 March 2014, as described in those annual financial statements.

3 Acquisition of businesses

The following business acquisition was concluded during the year under review:

Acquisition of businesses by The Cullinan Hotel Proprietary Limited

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

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

3 Acquisition of businesses continued

The fair values of net assets acquired is as follows:	Rm
Hotel property, plant and equipment	1 343
Current assets	16
Deferred tax liabilities	(208)
Current liabilities	(9)
Total identifiable net assets acquired	1 142
Asset purchase	128
Purchase consideration (R762 million paid in cash, R508 million loan)	(1 270)
Goodwill	–

4 Financial instruments

The group fair values its interest rate swaps as shown below. The fair values of all other financial assets and financial liabilities approximate their carrying amounts.

Interest rate swaps

The group has interest rate swaps, being level 2 fair value measurements. The fair value of the interest rate swap liability of R90 million (2014: R48 million asset) is calculated as the present value of the estimated future cash flows based on observable yield curves.

Put option

Together with the business acquisition referred to in note 3, the group entered into a call option over Liberty's 40% shareholding in Cullinan and Liberty has a corresponding put option, both exercisable at the fair values 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, included in derivative financial instruments, has been remeasured to R485 million at the year end with the decrease of R8 million recognised in finance costs. A discounted cash flow valuation was used to estimate the liability.

5 Segment information

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'). Management has determined the operating segments based on the reports reviewed by the chief operating decision maker.

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 the reallocation of StayEasy Century City from other gaming operations to the South African hotels division. 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 measures also exclude 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.

6 Capital commitments

The board has committed a total of R4.2 billion for maintenance and expansion capital items at its gaming and hotel properties of which R2.0 billion is anticipated to be spent during the next financial year. R525 million of the committed capital expenditure has been contracted for.

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Summarised consolidated income statement

for the year ended 31 March

	Change %	2015 Rm	2014 Rm
Net gaming win	2	**6 976**	6 819
Rooms revenue	10	**2 453**	2 221
Food and beverage revenue	13	**1 203**	1 063
Other revenue		**711**	664
Income	5	**11 343**	10 767
Gaming levies and Value Added Tax		**(1 450)**	(1 411)
Property and equipment rentals		**(276)**	(291)
Amortisation and depreciation		**(733)**	(648)
Employee costs		**(2 816)**	(2 604)
Other operating expenses		**(3 026)**	(2 691)
Operating profit	(3)	**3 042**	3 122
Interest income		**79**	21
Finance costs		**(760)**	(394)
Share of profit of associates and joint ventures		**25**	–
Profit before income tax		**2 386**	2 749
Income tax expense		**(680)**	(776)
Profit for the year		**1 706**	1 973
Profit attributable to:			
Equity holders of the company		**1 672**	1 877
Non-controlling interests		**34**	96
		1 706	1 973
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)	(4)	**164.9**	170.9

Summarised consolidated statement of comprehensive income

for the year ended 31 March

	2015 Rm	2014 Rm
Profit for the year	**1 706**	1 973
Other comprehensive income for the year, net of tax		
Items that may be reclassified subsequently to profit or loss:	**(13)**	178
Cash flow hedges	**(138)**	128
Currency translation adjustments	**86**	86
Income tax relating to items that may subsequently be reclassified	**39**	(36)
Items that may not be reclassified subsequently to profit or loss:	**1**	4
Actuarial gains on post-employment benefit liability	**1**	5
Income tax relating to items that may not subsequently be reclassified	**–**	(1)
Total comprehensive income for the year	**1 694**	2 155
Total comprehensive income attributable to:		
Equity holders of the company	**1 660**	2 059
Non-controlling interests	**34**	96
	1 694	2 155

Supplementary information

for the year ended 31 March

	Change %	2015 Rm	2014 Rm
Reconciliation of earnings attributable to equity holders of the company to headline earnings and adjusted earnings[1]			
Earnings attributable to equity holders of the company		**1 672**	1 877
Loss on disposal of property, plant and equipment		**3**	2
Impairment of property, plant and equipment		**7**	14
Fair value loss on revaluation of previously held interest in associate		**–**	6
Headline earnings	(11)	**1 682**	1 899
IFRS 2 *Share-based Payment* expense – equity-settled		**118**	–
Other exceptional items (net) included in operating profit		**1**	39
Gain on remeasurement of put liability		**(6)**	–
Share of joint venture's exceptional item		**(20)**	–
Adjusted headline earnings	(8)	**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 HEPS (cents)	(4)	**165.9**	173.0
Basic and diluted adjusted HEPS (cents)	(1)	**175.0**	176.5
Reconciliation of operating profit to Ebitdar[2]			
Group Ebitdar pre-exceptional items is made up as follows:			
Operating profit		**3 042**	3 122
Add:			
Property rentals		**210**	221
Amortisation and depreciation		**733**	648
Long-term incentive expense		**95**	150
		4 080	4 141
Add: Exceptional losses		**143**	73
Loss on disposal of property, plant and equipment		**4**	3
Impairment of property, plant and equipment		**10**	16
Fair value loss on revaluation of previously held interest in associate		**–**	6
Settlement fee paid/(received), net of expenses on termination of tenant leases		**1**	(21)
Transaction costs		**2**	9
Impairment of financial instruments, net of recoveries		**3**	2
Restructuring costs		**8**	58
Write off of marketing fee income raised previously from joint venture		**16**	–
Pre-opening expenses		**19**	–
IFRS 2 *Share-based Payment* expense – equity-settled		**118**	–
Gain recognised on the change in other long-term employee benefits		**(38)**	–
Ebitdar	–	**4 223**	4 214

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

(2) *The measure excludes the effects of long-term incentives, non-recurring expenditure, headline earnings adjustments including impairments and fair value adjustments on non-current assets and liabilities and other exceptional items*

Summarised consolidated cash flow statement

for the year ended 31 March

	2015 Rm	2014 Rm
Cash flows from operating activities		
Operating profit	**3 042**	3 122
Non-cash movements	**1 312**	1 139
Increase in working capital	**(488)**	(497)
Cash generated from operations	**3 866**	3 764
Interest received	**74**	20
Finance costs paid	**(789)**	(396)
	3 151	3 388
Income tax paid	**(537)**	(756)
Dividends paid to shareholders	**(939)**	(878)
Dividends paid to non-controlling interests	**(8)**	(19)
Dividends received	**7**	3
Net cash generated from operations	**1 674**	1 738
Cash flows from investment activities		
Purchase of property, plant and equipment	**(1 610)**	(1 337)
Proceeds from disposals of property, plant and equipment	**5**	11
Purchase of intangible assets	**(136)**	(37)
Development and purchase of investment property	**(7)**	(45)
Acquisition of subsidiaries, net of cash acquired	**–**	(507)
Acquisition of businesses	**(762)**	(67)
Acquisition of interest in associate	**(145)**	(6)
Other loans and investments repaid	**4**	3
Other loans and investments made	**(5)**	(21)
Net cash utilised for investment activities	**(2 656)**	(2 006)
Cash flows from financing activities		
Borrowings raised	**5 155**	2 407
Borrowings repaid	**(1 810)**	(797)
Shares repurchased	**(2 819)**	–
Treasury shares acquired	**(200)**	–
Acquisition of non-controlling interests	**(196)**	(419)
Decrease in amounts due by share scheme participants	**15**	6
Net cash generated from financing activities	**145**	1 197
Net (decrease)/increase in cash and cash equivalents	**(837)**	929
Cash and cash equivalents at beginning of the year, net of bank overdrafts	**1 715**	750
Foreign currency translation	**5**	36
Cash and cash equivalents at end of the year, net of bank overdrafts	**883**	1 715

Summarised consolidated balance sheet

as at

	31 March 2015 Rm	31 March 2014 Restated[(1)] Rm	31 March 2013 Restated[(1)] Rm
ASSETS			
Non-current assets			
Property, plant and equipment	**13 470**	10 939	9 123
Investment property	**109**	102	7
Goodwill and other intangible assets	**6 596**	6 467	6 330
Investments in associates and joint ventures	**311**	149	171
Non-current receivables	**88**	91	79
Derivative financial instruments	**22**	67	–
Deferred income tax assets	**180**	120	179
	20 776	17 935	15 889
Current assets			
Inventories	**108**	103	85
Trade and other receivables	**601**	524	633
Current income tax assets	**99**	137	73
Cash and cash equivalents	**3 048**	1 962	1 838
	3 856	2 726	2 629
Total assets	**24 632**	20 661	18 518
EQUITY			
Capital and reserves attributable to equity holders of the company			
Ordinary share capital and premium	**4 576**	4 771	4 768
Share-based payment reserve	**121**	3	3
Other reserves	**(563)**	16	(453)
Retained earnings	**2 917**	5 000	3 997
Total shareholders' equity	**7 051**	9 790	8 315
Non-controlling interests	**635**	732	807
Total equity	**7 686**	10 522	9 122
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings	**8 559**	5 062	3 386
Derivative financial instruments	**538**	–	45
Deferred income tax liabilities	**1 868**	1 603	1 449
Provisions and other liabilities	**501**	493	503
	11 466	7 158	5 383
Current liabilities			
Interest-bearing borrowings	**3 700**	1 339	2 032
Derivative financial instruments	**59**	19	37
Trade and other payables	**1 144**	1 044	984
Provisions and other liabilities	**456**	525	921
Current income tax liabilities	**121**	54	39
	5 480	2 981	4 013
Total liabilities	**16 946**	10 139	9 396
Total equity and liabilities	**24 632**	20 661	18 518

[(1)] *Restated for change in accounting policy – refer note 2*

Summarised consolidated statement of changes in equity

for the year ended 31 March

	Total Rm	Non-controlling interests Rm	Total equity Rm
Balance at 1 April 2013	**8 315**	807	**9 122**
Total comprehensive income	**2 059**	96	**2 155**
Profit for the year	**1 877**	96	**1 973**
Other comprehensive income	**182**	–	**182**
Shares issued to share scheme participants	**4**	–	**4**
Share options lapsed	**(1)**	–	**(1)**
Non-controlling interests arising on business combinations	**–**	163	**163**
Transactions with non-controlling interests	**291**	(315)	**(24)**
Ordinary dividends	**(878)**	(19)	**(897)**
Balance at 31 March 2014	**9 790**	732	**10 522**
Total comprehensive income	**1 660**	34	**1 694**
Profit for the year	**1 672**	34	**1 706**
Other comprehensive income	**(12)**	–	**(12)**
Shares repurchased and cancelled	**(2 819)**	–	**(2 819)**
Treasury shares acquired	**(200)**	–	**(200)**
Shares issued to share scheme participants	**8**	–	**8**
Share options lapsed	**(1)**	–	**(1)**
Recognition of share-based payments	**118**	–	**118**
Recognition of put liability with non-controlling interests	**(493)**	–	**(493)**
Transactions with non-controlling interests	**(73)**	(123)	**(196)**
Ordinary dividends	**(939)**	(8)	**(947)**
Balance at 31 March 2015	**7 051**	635	**7 686**

Segmental analysis

for the year ended 31 March

	Income		Ebitdar		Ebitdar margin		Amortisation and depreciation	
	2015 Rm	2014[2] Rm	**2015 Rm**	2014[2] Rm	**2015 %**	2014[2] %	**2015 Rm**	2014[2] 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[2]	**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[1][2]	**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[1]	**(50)**	(46)	**12**	10			**6**	4
Group	**11 343**	10 767	**4 223**	4 214	**37.2**	39.1	**733**	648

All casino units are reported pre-internal gaming management fees

[1] *Includes R50 million (2013: R48 million) intergroup management fees*

[2] *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 comparatives have been restated comprising income of R31 million and Ebitdar of R15 million being reallocated between segments.)*