THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions commencing on page 6 of this circular apply, *mutatis mutandis*, to this front cover.

If you are in any doubt as to what action you should take arising from this circular, please consult your broker, CSDP, banker, attorney, accountant or other professional adviser immediately.

Action required

If you have disposed of all of your HCI shares, this circular should be handed to the purchaser of such HCI shares or to the broker, CSDP, banker, attorney or other agent through whom the disposal was effected.

HCI shareholders are referred to page 1 of this circular, which sets out the action required by them.

Hosken Consolidated Investments Limited

(Incorporated in the Republic of South Africa)
(Registration number 1973/007111/06)
Share code: HCI ISIN: ZAE000003257

Circular to HCI shareholders

regarding

the sale by TIH, a subsidiary of HCI, of all of its shares in TSH, to Gold Reef in exchange for shares in Gold Reef;

and incorporating

- **a notice of general meeting of shareholders; and**
- **a form of proxy (for use only by certificated shareholders and "own name" registered dematerialised shareholders).**

HCI and TSH

Investment bank

Sponsor to HCI

Independent adviser to HCI

Corporate Finance

Independent reporting accountants to HCI

PKF (Jhb) Inc

Independent reporting accountants to TSH

PricewaterhouseCoopers Inc
Chartered Accountants (SA)
Registered Accountants and Auditors
(Registration no 1998/012055/21)

Legal adviser to TSH

Legal adviser to HCI

Gold Reef

Financial adviser and sponsor

Legal adviser

Independent reporting accountants

PricewaterhouseCoopers Inc
Chartered Accountants (SA)
Registered Accountants and Auditors
(Registration no 1998/012055/21)

Date of issue: 3 April 2010

IMPORTANT INFORMATION

The definitions commencing on page 6 of this circular apply, *mutatis mutandis,* to this section setting out the important information to HCI shareholders.

Forward-looking statements

Many of the statements included in this circular are forward-looking statements that involve risks and uncertainties. Forward-looking statements may generally be identified by the use of terminology such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", or similar phrases. Other than statements of historical facts, all statements, including, among others, statements regarding the future financial position of the HCI group, business strategy, projected levels of growth in their respective markets, projected costs, estimates of capital expenditures and plans and objectives of management of the HCI group for future operations, are forward-looking statements. The actual future performance of the HCI group could differ materially from these forward-looking statements. Important factors that could cause actual results to differ materially from these expectations include risks as well as other matters not yet known or not currently considered material. Undue reliance should not be placed on these forward-looking statements. All written and oral forward-looking statements are qualified in their entirety by these cautionary statements. Moreover, unless HCI is required by law to update these forward-looking statements, they will not necessarily be updated after the date of this circular, either to conform them to actual results or to changes in the expectations of HCI.

ACTION REQUIRED BY HCI SHAREHOLDERS

The definitions commencing on page 6 of this circular apply, *mutatis mutandis*, to this section setting out the action required by HCI shareholders.

Please take careful note of the following provisions regarding the action required by HCI shareholders:

1. If you have disposed of all of your HCI shares, this circular should be handed to the purchaser of such HCI shares or to the broker, CSDP, banker, attorney or other agent through whom the disposal was effected.
2. If you are in any doubt as to what action you should take arising from this circular, please consult your broker, CSDP, banker, attorney, accountant or other professional adviser.
3. A general meeting of shareholders of HCI, notice of which general meeting is contained in and forms part of this circular, will be held in the boardroom, at Block B, Longkloof Studios, Darters Road, Gardens, Cape Town, South Africa on Monday, 26 April 2010 at 10:00 to consider and to vote on the matters dealt with in this circular.
4. Dematerialised shareholders, other than those shareholders with "own name" registration, should they wish to attend the general meeting or be represented thereat, must provide their CSDP or broker with their instructions for attendance or voting at the general meeting in the manner stipulated in the custody agreement governing the relationship between such shareholders and their CSDP or broker. Such instructions must be provided to the CSDP or broker by the cut-off time and date advised by the CSDP or broker for instructions of such nature. Should such shareholders wish to attend the general meeting, they must request a Letter of Representation or other appropriate authority from their CSDP or broker.
5. Certificated shareholders and dematerialised shareholders with "own name" registration who are unable to attend the general meeting and who wish to be represented thereat must complete and return the relevant form of proxy in accordance with the instructions contained therein to the Company's transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown 2107) and to the Company's registered office, Block B, Longkloof Studios, Darters Road, Gardens, Cape Town, 8001, to reach them by no later than 10:00 on Friday, 23 April 2010 in respect of the general meeting.

CORPORATE INFORMATION AND ADVISERS

The definitions commencing on page 6 of this circular apply, *mutatis mutandis*, to this corporate information and advisers section.

Directors of HCI

M J A Golding *(Executive Chairman)*
J A Copelyn *(Chief Executive Officer)*
T G Govender *(Chief Financial Officer)*
V M Engel *(Non-executive director)*
M F Magugu *(Non-executive director)*
J Ngcobo *(Independent non-executive director)*
M L Molefi *(Independent non-executive director)*
Y Shaik *(Independent non-executive director)*
R S Garach *(Independent non-executive director)*

Company secretary and registered office of HCI

HCI Managerial Services (Proprietary) Limited
Block B, Longkloof Studios
Darters Road
Gardens
Cape Town, 8001
(PO Box 5251, Cape Town, 8000)

Transfer secretaries to HCI

Computershare Investor Services (Proprietary) Limited
(Registration number 2004/003647/07)
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Sponsor to HCI

Investec Bank Limited
(Registration number 1969/004763/06)
100 Grayston Drive
Sandton, 2196
(PO Box 785700, Sandton, 2146)

Investment bank to the Proposed Transaction

Investec Bank Limited
(Registration number 1969/004763/06)
100 Grayston Drive
Sandton, 2196
(PO Box 785700, Sandton, 2146)

Reporting accountants and auditors to HCI

PKF (Jhb) Inc
(Registration number 1994/001166/21)
42 Wierda Road West
Wierda Valley, 2196
(Private Bag X10046, Sandton, 2146)

Reporting accountants and auditors to Tsogo

PricewaterhouseCoopers Inc.
(Registration number 1998/012055/21)
2 Eglin Road
Sunninghill, 2157
(Private Bag X36, Sunninghill, 2157)

Independent adviser to HCI

PKF Corporate Finance (Proprietary) Limited
(Registration number 1998/018420/07)
42 Wierda Road West
Wierda Valley, 2196
(Private Bag X10046, Sandton, 2146)

Attorneys to HCI

Edward Nathan Sonnenbergs Inc.
1 North Wharf Square
Loop Street
Foreshore
Cape Town, 8001
(PO Box 2293, Cape Town, 8000)

Date and place of incorporation

1973, South Africa

TABLE OF CONTENTS

The definitions commencing on page 6 of this circular also apply, *mutatis mutandis*, to this table of contents.

	Page
IMPORTANT INFORMATION	Inside front cover
ACTION REQUIRED BY HCI SHAREHOLDERS	1
CORPORATE INFORMATION AND ADVISERS	2
IMPORTANT DATES AND TIMES	5
DEFINITIONS	6
CIRCULAR TO HCI SHAREHOLDERS	
1. Introduction	9
2. HCI group structure before and after the Proposed Transaction	10
3. Rationale for the Proposed Transaction	10
4. Nature of business	10
5. Prospects	13
6. The Proposed Transaction	13
7. Unaudited *pro forma* financial effects	15
8. Opinions and recommendations	17
9. Material arrangements, undertakings or agreements	17
10. Share capital	18
11. Interests of HCI's directors	18
12. Share dealings of HCI	19
13. Interests and share dealings of Gold Reef and Gold Reef directors	20
14. Directors' service contracts and emoluments	21
15. The board and nature of business of Gold Reef	22
16. Major shareholders	23
17. Material loans	23
18. Material contracts and prior acquisitions	24
19. Material changes	25
20. Litigation statement of HCI	25
21. Working capital statement	26
22. Consents	26
23. Responsibility statement of the HCI directors	26
24. Estimated costs	26
25. Notice of general meeting	26
26. Documents available for inspection	27

		Page
Annexure 1A	Historical financial information of Tsogo Sun Holdings (Proprietary) Limited and its subsidiaries for the years ended 31 March 2009, 2008 and 2007	28
Annexure 1B	Reviewed interim financial information of Tsogo Sun Holdings (Proprietary) Limited and its subsidiaries for the six months ended 30 September 2009	98
Annexure 1C	Selected financial information of Tsogo Sun Holdings (Proprietary) Limited and its subsidiaries for the years ended 31 March 2009, 2008, 2007 and 2006 as required by the SRP Code	111
Annexure 2A	Independent reporting accountant's report on the financial information of Tsogo Sun Holdings (Proprietary) Limited	112
Annexure 2B	Independent reporting accountant's report on the interim financial information of Tsogo Sun Holdings (Proprietary) Limited	114
Annexure 3	Extracts from the audited consolidated historical annual financial information on Gold Reef for the financial years ended 31 December 2008, 2007 and 2006 and the unaudited interim financial information for the six months ended 30 June 2009	116
Annexure 4	External advice from the independent adviser	131
Annexure 5	Unaudited *pro forma* consolidated information of HCI	134
Annexure 6	Independent reporting accountant's report on the financial information of HCI	141
Annexure 7	Trading history of HCI shares on the JSE	143
Annexure 8	Details of vendors	145
Annexure 9	Details of material borrowings	147
NOTICE OF GENERAL MEETING OF SHAREHOLDERS		149
FORM OF PROXY		Attached

IMPORTANT DATES AND TIMES

The definitions commencing on page 6 of this circular apply, *mutatis mutandis*, to this important dates and times section.

	2010
Detailed terms announcement on SENS on	Thursday, 18 February
Detailed terms announcement published in the press on	Friday, 19 February
Circular posted to HCI shareholders on	Saturday, 3 April
Last day to lodge forms of proxy for the general meeting, by 10:00 on	Friday, 23 April
General meeting held at 10:00 on	Monday, 26 April
Results of general meeting expected to be released on SENS on	Monday, 26 April
Results of general meeting expected to be published in the press on	Wednesday, 28 April

Notes:

1. The above dates and times are subject to amendment at the discretion of HCI. Any such amendment will be released on SENS and published in the South African press.
2. All times indicated above are South African times.
3. This circular is available in English only and copies hereof may be obtained from the registered offices of HCI and the Sponsor whose registered addresses are set out in the "Corporate information and advisers" section of this circular, during normal business hours from Tuesday, 6 April 2010 until Monday, 26 April 2010.

DEFINITIONS

In this circular, and the annexures hereto, unless otherwise stated or clearly indicated by the context, the words in the first column have the meanings stated opposite them in the second column, words in the singular include the plural and *vice versa*, words importing one gender include the other genders and references to a person include references to a body corporate and *vice versa*:

"BEE"	black economic empowerment;
"broker"	any person registered as a "broking member (equities)" in terms of the Rules of the JSE made in accordance with the provisions of the Securities Services Act;
"business day"	a day other than a Saturday, Sunday or official public holiday in South Africa;
"certificated HCI share(s)"	HCI share(s), other than dematerialised shares;
"certificated HCI shareholder(s)"	HCI shareholder(s) who hold certificated HCI share(s) represented by a share certificate or other physical document of title, which have not been surrendered for dematerialisation in terms of the requirements of Strate;
"CIPRO"	the Companies and Intellectual Property Registration Office;
"circular"	this circular to HCI shareholders, dated 3 April 2010, including the annexures, notice of general meeting and form of proxy;
"closing date"	the fifth business day after the last condition precedent to the Exchange Agreement is fulfilled or waived;
"Companies Act"	the Companies Act, 1973 (Act 61 of 1973), as amended;
"Competition Authority"	the Competition Commission, the Competition Tribunal or the Competition Appeal Court, whichever has jurisdiction for the purposes of the Proposed Transaction, as established by the Competition Act, No. 80 of 1998;
"CSDP"	a Central Securities Depository Participant, a participant in terms of the Securities Services Act, which operates the custody and settlement procedures of the JSE;
"day"	a calendar day;
"dematerialisation"	the process by which HCI share(s) held by certificated HCI shareholder(s) are converted or held in electronic form as uncertificated share(s) and recorded in the sub-register of HCI shareholder(s) maintained by a CSDP;
"dematerialised HCI share(s)"	those HCI share(s) which have been dematerialised in terms of the requirements of Strate through a CSDP or broker and are held in electronic form on the sub-registers of HCI shareholders, administered and maintained by CSDPs;
"dematerialised HCI shareholder(s)"	those HCI shareholders who hold dematerialised HCI shares;
"EMEA"	Europe, the Middle East and Africa;
"Exchange Agreement"	the agreement entered into between Gold Reef, SABSA, TSH, TSG, TIH and HCI on 17 February 2010 which sets out the terms of the Proposed Transaction and any subsequent amendment thereto;
"Gaming Authorities"	the national and provincial authorities responsible for, *inter alia*, the regulation, licensing and registration of persons conducting casino, gambling and wagering businesses;

"general meeting"	the general meeting of HCI shareholders convened to be held in the boardroom, at Block B, Longkloof Studios, Darters Road, Gardens, Cape Town, South Africa, on Monday, 26 April 2010 at 10:00 for the purpose of considering and voting on the special and ordinary resolutions set out in the notice of general meeting forming part of this circular;
"Gold Reef"	Gold Reef Resorts Limited (Registration number 1989/002108/06), a public company duly registered and incorporated under the laws of South Africa, which it is proposed will be renamed "Tsogo Sun Holdings Limited" following implementation of the Proposed Transaction, the shares of which are listed (and will, subject to certain conditions detailed in paragraph 6.4 on page 15 of this circular, continue to be listed) on the JSE;
"HCI" or "the Company"	Hosken Consolidated Investments Limited (Registration number 1973/007111/06), a public company registered and incorporated under the laws of South Africa, the shares of which are listed on the JSE;
"HCI board" or "HCI directors"	the directors of HCI at the last practicable date and as disclosed in the "Corporate information and advisers" section of this circular;
"HCI group"	HCI and its subsidiaries;
"HCI shares"	ordinary shares having a par value of 25 cents each in the issued share capital of HCI, all of which shares are listed on the JSE, being 128 374 983 shares at the last practicable date;
"HCI shareholder(s)"	the registered holder(s) of HCI share(s) as appearing on the main and sub-registers of HCI at the last practicable date;
"independent adviser"	PKF Corporate Finance (Proprietary) Limited (Registration number 1998/018420/07), a private company duly registered and incorporated in South Africa;
"JSE"	the JSE Limited (Registration number 2005/0222939/06), a public company duly registered and incorporated with limited liability under the laws of South Africa and licensed as an exchange under the Securities Services Act;
"last practicable date"	the last practicable date prior to the finalisation of the circular, being Friday, 19 March 2010;
"merged entity"	following implementation of the Proposed Transaction, the merged entity, which will comprise Gold Reef and TSH;
"Nafhold"	Nafcoc Investment Holding Company Limited (Registration number 1994/008497/06), a public company registered and incorporated in South Africa;
"Nafhold transaction"	the transaction between TIH and Nafhold announced on SENS on 14 December 2009, whereby the HCI group will acquire Nafhold's stake in TIH and increase the HCI group's interest in TIH from 74.67% to 99.56%;
"own-name dematerialised HCI shareholder(s)"	those HCI shareholder(s) that have dematerialised their HCI share(s) through a CSDP and have instructed such CSDP to hold their HCI share(s) in their own name on the sub-register maintained by the CSDP and forming part of the register;
"Proposed Transaction"	the sale by the TSH shareholders of 100% of the shares in TSH to Gold Reef in exchange for the issue of a minimum of 888 261 028 new Gold Reef shares;
"Rand" or "R"	South African Rand, the official currency of South Africa;
"register"	the register of certificated HCI shareholders and the sub-register/s of dematerialised HCI shareholders maintained by HCI in terms of the Companies Act;
"SABSA"	SABSA Holdings (Proprietary) Limited (Registration number 1998/005173/07), a private company registered and incorporated in South Africa, the 49% shareholder of TSH;

"Seardel"	Seardel Investment Corporation Limited (Registration number 1968/011249/06), a public company registered and incorporated in South Africa, and a subsidiary of HCI;
"Securities Services Act"	the Securities Services Act, 2004 (Act 36 of 2004), as amended;
"SENS"	the Securities Exchange News Service of the JSE;
"Service Agreements"	the service agreements entred into by S B Joffe, J S Friedman, C Neuberger and T M Sadiki of Gold Reef during August 2009;
"South Africa"	the Republic of South Africa;
"Southern Sun"	Southern Sun Hotels (Proprietary) Limited (Registration number 2002/006356/07), a private company registered and incorporated in South Africa;
"the SRP"	the Securities Regulation Panel established in terms of section 440B of the Companies Act;
"the SRP Code"	the Securities Code on Take-overs and Mergers and the Rules of the SRP;
"Strate"	Strate Limited (Registration number 1998/022242/06), a public company registered and incorporated in South Africa, and a registered central securities depository responsible for the electronic custody and settlement system for transactions that take place on the JSE and off-market trades;
"TIH"	Tsogo Investment Holding Company (Proprietary) Limited (Registration number 1994/008525/07), a private company registered and incorporated in South Africa, the 51% shareholder of TSH;
"the TIH sale"	the sale by TIH of the TIH sale shares to Gold Reef in exchange for the issue of a minimum of 453 013 124 new Gold Reef shares;
"TIH sale shares"	127 500 000 TSH shares held by TIH, which will be sold to Gold Reef in terms of the TIH sale;
"transfer secretaries"	Computershare Investor Services (Proprietary) Limited (Registration number 2004/003647/07), a company duly registered and incorporated under the laws of South Africa;
"TSG"	Tsogo Sun Gaming (Proprietary) Limited (Registration number 2002/006402/07), a private company registered and incorporated in South Africa and a wholly-owned subsidiary of TSH;
"TSH"	Tsogo Sun Holdings (Proprietary) Limited (Registration number 2002/006556/07), a private company registered and incorporated in South Africa;
"TSH shareholders"	the shareholders of TSH, being TIH which holds 51% of the issued shares of TSH, and SABSA which holds 49% of the issued shares of TSH;
"Tsogo Sun Expansion"	Tsogo Sun Expansion No 1 (Proprietary) Limited (Registration number 2007/017309/07), a private company registered and incorporated in South Africa, previously named Main Street 581 (Proprietary) Limited, a wholly-owned subsidiary of TSH; and
"Tsogo Sun Expansion shares"	the 69 205 093 Gold Reef shares held by Tsogo Sun Expansion.

Hosken Consolidated Investments Limited

(Incorporated in the Republic of South Africa)
(Registration number 1973/007111/06)
Share code: HCI ISIN: ZAE000003257

CIRCULAR TO HCI SHAREHOLDERS

1. INTRODUCTION

The boards of directors of both Gold Reef and TSH have agreed, as set out in the Exchange Agreement, to a merger of their respective gaming and hotel businesses. This will result in the merged entity forming South Africa's premier gaming and hotel company, with 14 casinos and an extensive portfolio of hotel properties in South Africa, Africa and the Middle East.

To effect the merger, TSH's shareholders will sell the entire issued share capital of TSH to Gold Reef in exchange for the issue of a minimum of 888 261 028 new Gold Reef shares to the TSH shareholders. HCI currently owns 74.67% of TIH which, in turn, holds 51% of the shares of TSH. SABSA holds the remaining 49% of TSH. Following the implementation of the Proposed Transaction, TSH's shareholders will, collectively, own 81.0% of the issued share capital of Gold Reef, with TIH holding 41.3% of the merged entity. HCI will hold an indirect effective interest of 30.8% in the merged entity prior to the implementation of the Nafhold transaction. Following the implementation of the Nafhold transaction, HCI will hold an indirect effective interest of 41.1% in the merged entity. The outstanding conditions precedent for the Nafhold transaction at the last practicable date are, *inter alia,* the obtaining of the necessary regulatory approvals including those required by the relevant Gaming Authorities. However, it should be noted that the Proposed Transaction is not conditional on the implementation of the Nafhold transaction.

The closing Gold Reef share price of R19.25 on Friday, 29 January 2010, being the last trading day prior to the release of the HCI and Gold Reef cautionary announcements, implies an equity value for TSH of R17.1 billion. This implies a total value of R8.7 billion for TIH's 453 013 124 new Gold Reef shares. At the last practicable date, Gold Reef's closing share price of R18.15 implies an equity value for TSH of R16.1 billion and a total value of R8.2 billion for TIH's stake in Gold Reef, post the Proposed Transaction.

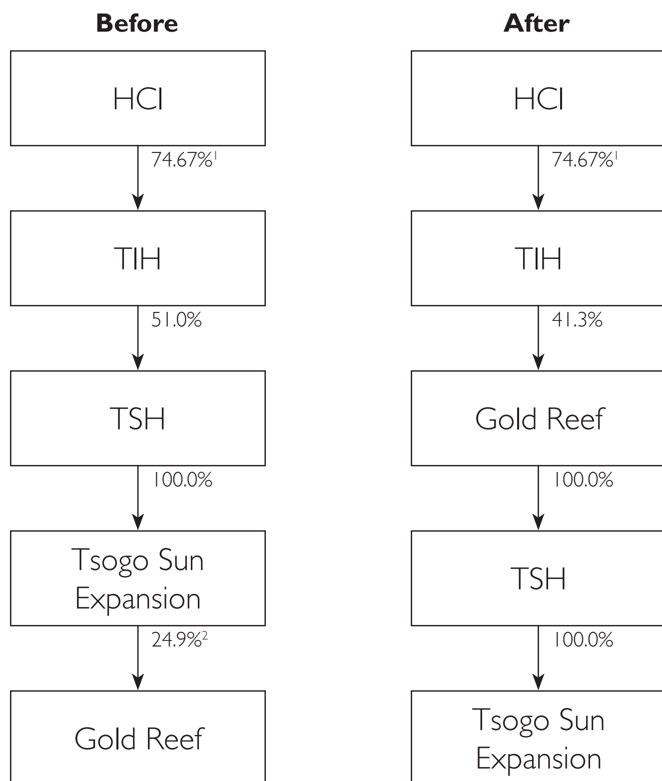
HCI's investment in TIH represents the majority of the assets of HCI, and as a result the TIH sale is a Section 228 transaction, as defined in the Companies Act, for which HCI requires approval by shareholders by way of a special resolution.

The purpose of this circular is to:

– provide HCI shareholders with relevant information relating to the Proposed Transaction and the TIH sale in order for HCI shareholders to make an informed decision in relation to the support of the TIH sale and Proposed Transaction;

– convene a general meeting of shareholders, as formulated by the notice of general meeting attached to and forming part of this circular, for purposes of seeking the approval of shareholders regarding the Proposed Transaction and matters related thereto.

2. HCI GROUP STRUCTURE BEFORE AND AFTER THE PROPOSED TRANSACTION



1. Before the Nafhold transaction. Following the conclusion of the Nafhold transaction HCI will hold 99.56% of TIH. HCI's shareholding in TIH is indirectly held through various subsidiaries of HCI.
2. Tsogo Sun Expansion owns 24.9% of the Gold Reef shares and through control of the BEE voting pool controls an additional 10.0% of the voting rights in Gold Reef.

3. RATIONALE FOR THE PROPOSED TRANSACTION

HCI has stated its intention to increase its investment in gaming related activities, and the Proposed Transaction will assist the HCI group, in achieving this objective. In addition, the motivation for the Proposed Transaction includes the following:

3.1 Creation of a leading gaming and hotel business

The Proposed Transaction will create not only a premier gaming and hotel company in South Africa but a business of significant ranking amongst EMEA's largest listed gaming and hotel groups. The merged entity will have an improved ability to attract new talent and resources and to capture opportunities that present themselves in the local and international gaming and hotel sectors both in terms of organic growth and acquisition.

It is estimated that the merged entity will be the 39th largest company on the JSE as at the last practicable date and one of the ten largest gaming companies amongst its listed global peers by market capitalisation.

3.2 Listing of TSH

The listing of HCI's indirect interest in the merged entity provides a listed reference price for the fair value of its largest investment, which assists in determining the intrinsic value of HCI.

4. NATURE OF BUSINESS

4.1 Gold Reef

Gold Reef is a gaming and entertainment company with an interest in the following casinos and resorts around South Africa:

Casino/Resort	Gold Reef's interest
Gold Reef City, in Johannesburg, Gauteng	100.00%
Silverstar Casino, in Johannesburg, Gauteng	100.00%
Golden Horse Casino, in Pietermaritzburg, Kwa-Zulu-Natal	100.00%
Goldfields Casino, in Welkom, Free State	100.00%
Garden Route Casino, in Mossel Bay, Western Cape	85.00%
Mykonos Casino, in Langebaan, Western Cape	70.36%
Queens Casino, in Queenstown, Eastern Cape	25.10%

Gold Reef generated approximately R1.1 billion in revenue and approximately R0.4 billion in earnings before interest, tax, depreciation, amortisation and rentals ("EBITDAR") for the six months ended 30 June 2009.

Gold Reef is listed on the securities exchange operated by the JSE with a market capitalisation (excluding treasury shares) of approximately R5.3 billion at Friday, 29 January 2010 and at the last practicable date.

4.1.1 Gold Reef City Casino and Theme Park

Gold Reef City Casino opened in March 2000 and completely renovated during 2007. The casino features 1600 slots, 50 tables, a Salon Privé lounge and one of the largest smoking casino areas in Southern Africa – "Barneys Smoking Casino". The casino is a completely coinless 'Smart' gaming environment.

Gold Reef City Casino's 1100-seat theatre, The Lyric, has established itself as one of Johannesburg's top entertainment venues. The complex also offers a range of dining options, from fast-food and casual coffee shops, through to stylish and intimate restaurants and family eateries. Other facilities include shops, a games arcade, conferencing, a hotel and secure parking.

In terms of its bid commitment the casino funded the construction of the South African Apartheid Museum. The museum chronicles the story of the human spirit over adversity, and has proven to be popular with both foreign tourists and school groups alike. The museum is operated by a Section 21 company.

Gold Reef City Theme Park first opened as a mine exhibit 21 years ago, and is the greatest theme park in Africa. Built around an authentic 19th century Gold Mine, the Theme Park is one of Gauteng's leading venues for family fun as well as a slice of Johannesburg's history of gold, grit and glory.

Gold Reef holds a 100% interest in Akani Egoli (Proprietary) Limited ("Akani"), which operates Gold Reef City Casino. Akani holds a 100% interest in Gold Reef City Theme Park (Proprietary) Limited which operates Gold Reef City Theme Park.

Gold Reef Casino and Gold Reef City Theme Park earned revenue of approximately R990.2 million and approximately R67.1 million respectively and adjusted EBITDAR of approximately R376.3 million and approximately R2.2 million respectively for the year ended 31 December 2008 as per the 2008 Gold Reef Annual Report.

4.1.2 Silverstar Casino

Silverstar Casino opened in December 2007 and is one of the latest additions to the Gold Reef group. Silverstar Casino is set on 40 hectares of ground bordering a natural conservancy with views over the Magaliesberg area. Silverstar Casino is Gauteng's first non-themed casino, designed to environmentally support the natural aesthetics of the area.

The casino has 784 slot machines, all smart card operated, as well as 24 tables featuring Black Jack, Roulette and Baccarat; accommodating over 1,000 punters in the casino at any one time. Silverstar is also home to a 38-suite exclusive hotel. Suites have views of the Fountain Spectacular, the biggest water feature in the Southern Hemisphere.

Gold Reef holds 100% of Silverstar Casino (Proprietary) Ltd, the operator of the Silverstar Casino.

Silverstar Casino earned revenue of approximately R510.1 million and adjusted EBITDAR of approximately R190.5 million for the year ended 31 December 2008 as per the 2008 Gold Reef Annual Report.

4.1.3 Golden Horse Casino

The Golden Horse Casino opened in September 2001. Set in the hillside country outside Pietermaritzburg, the capital of Kwazulu-Natal, it is the only casino in Africa linked to a racecourse.

Sharing the premises of the Scottsville Racecourse in Pietermartizburg, the casino has a number of restaurants, a conference facility and a 96-room hotel. Golden Horse has 450 slot machines, and in addition to the 18 tables, Golden Horse Casino has 2 "Texas Hold 'Em" Poker tables offering live games accommodating both smokers and non-smokers in comfort. The exclusive high rollers Rosewood's Room offers gamers four tables and 40 slot machines.

The Golden Horse Casino funded the construction of the Olwazini Discovery Center, a world-class interactive learning centre that highlights many aspects of Science, Technology and Culture.

Akani Msunduzi (Proprietary) Limited, which operates the Golden Horse Casino, is wholly owned by Gold Reef.

Golden Horse Casino earned revenue of approximately R244.3 million and adjusted EBITDAR of approximately R110.3 million for the year ended 31 December 2008 as per the 2008 Gold Reef Annual Report.

4.1.4 *Mykonos Casino*

Mykonos Casino opened in November 2000 and is located in the Western Cape. It is situated within a Greek-styled resort consisting of 360 units, which can accommodate more than 1000 guests. The modern and well-equipped self-catering units and conference venue offer entertainment and relaxation. The casino has 300 slot machines and 9 table games.

Gold Reef holds a 70.36% investment in West Coast Leisure (Proprietary) Limited, the operator of the Mykonos Casino.

Mykonos Casino earned revenue of approximately R112.1 million and adjusted EBITDAR of approximately R48.0 million for the year ended 31 December 2008 as per the 2008 Gold Reef Annual Report.

4.1.5 *Garden Route Casino*

Garden Route Casino opened in December 2002. It is situated just off the N2 highway halfway between Cape Town and Port Elizabeth and boasts 24 kilometres of unspoilt beaches including two north-facing beaches.

Garden Route Casino has 412 slot machines and 16 gaming tables, , a Salon Privé, 71 top-notch 4-star-rated golf lodges, 24 villas and a 43-room hotel and spa known as the Garden Route Hotel. The casino is also situated adjacent to the Pinnacle Point golf course.

Gold Reef effectively holds an 85% investment in Garden Route Casino (Proprietary) Limited, the operator of the Garden Route Casino.

Garden Route Casino earned revenue of approximately R163.9 million and adjusted EBITDAR of approximately R79.6 million for the year ended 31 December 2008 as per the 2008 Gold Reef Annual Report.

4.1.6 *Goldfields Casino*

Goldfields Casino and Entertainment Centre opened in December 2003 and is located in the Goldfields Plaza, which is situated in Stateway, the main street of Welkom.

The casino boasts 250 slots machines and 9 tables. Gold Reef holds a 100% interest in Goldfields Casino and Entertainment Centre (Proprietary) Limited, the operator of the Goldfields Casino.

Goldfields Casino earned revenue of approximately R117.8 million and adjusted EBITDAR of approximately R52.6 million for the year ended 31 December 2008 as per the 2008 Gold Reef Annual Report.

4.1.7 *Queens Casino*

Queens Casino opened its doors to the public in December 2007 with a focal railway theme offering 180 slots and 6 tables. Gold Reef holds 25.1% of Lukhanji Leisure (Proprietary) Limited, the operator of the Queens Casino.

Queens Casino earned revenue of approximately R46.0 million and adjusted EBITDAR of approximately R6.6 million for the year ended 31 December 2008 as per the 2008 Gold Reef Annual Report.

Additional information on Gold Reef can be obtained from their website: www.goldreef.co.za and in the Gold Reef circular, dated 3 April 2010, regarding the Proposed Transaction.

4.2 Tsogo Sun Holdings

TSH is South Africa's largest black empowered hotel, gaming and entertainment company with operations throughout Africa, the Middle East and the Seychelles. TSH's operations are held through two wholly-owned subsidiaries, TSG, representing TSH's gaming interests, and Southern Sun, representing TSH's hotel interests.

For the six months ended 30 September 2009, TSH generated revenue of approximately R2.9 billion and EBITDAR of approximately R1.1 billion.

4.2.1 Tsogo Sun Gaming

TSG is one of South Africa's leading gaming businesses with a quality portfolio of casinos, including Montecasino and Suncoast Casino and Entertainment World. Montecasino has become a leisure destination of choice and is the largest casino in Gauteng, with an average 20 000 visitors per day. Suncoast Casino and Entertainment World is the largest casino in KwaZulu-Natal and is situated on the Durban beachfront.

TSG has an interest in the following casinos:

Casino/Resort	TSG's interest
Montecasino, Gauteng	100.00%
Suncoast Casino and Entertainment World, KwaZulu-Natal	73.50%
The Ridge Casino, Mpumalanga	100.00%
Emnotweni Casino, Mpumalanga	100.00%
Caledon Casino, Western Cape	100.00%
Century Casino Newcastle, KwaZulu-Natal	100.00%
Hemingways Casino, Eastern Cape	80.00%

4.2.2 Southern Sun hotels

Southern Sun is one of the largest hotel groups in South Africa and is also one of the largest timeshare operators in South Africa. By the end of 2010, TSH expects to operate 90 hotels with 14 438 rooms in nine countries across Africa and the Middle East. Southern Sun is the only South African hotel group to operate across the deluxe to budget segments of the hotel market with brands including Southern Sun, Garden Court, SunSquare and StayEasy.

4.2.3 Tsogo Sun Expansion

In addition to the gaming and hotel assets set out above, TSH owns 69 205 093 shares in the issued share capital of Gold Reef through a wholly-owned subsidiary, Tsogo Sun Expansion, representing a 24.9% economic interest in Gold Reef. Furthermore, TSG controls 34.9% (which includes the 24.9% economic interest referred to above) of the voting interest in Gold Reef in terms of a voting pool agreement entered into between certain BEE Gold Reef shareholders, which voting pool agreement was initially entered into as part of the Gold Reef BEE transaction implemented in July 2007 (to which Tsogo Sun Expansion has bound itself as a party).

Additional information on TSH can be obtained from the company website (www.tsogosun.co.za).

5. PROPECTS

TSH has been following a growth strategy for both TSG and Southern Sun – locally and offshore, of which the Proposed Transaction is a part. TSH has successful operations and a proven track record and will continue to implement its strategy which has provided its shareholders with excellent returns in the past. Furthermore, as is highlighted in the historical information on TSH and Gold Reef which is provided in Annexures 1A – C and 3, respectively, both businesses have shown solid growth and strong cash generation over the past number of years. Based on this track record, the directors of HCI are confident about the future prospects of both HCI and the merged entity.

6. THE PROPOSED TRANSACTION

6.1 Transaction mechanics

The Proposed Transaction, which has been agreed by the Gold Reef and TSH boards on the terms set out in the Exchange Agreement, is subject to a number of conditions precedent as summarised in paragraph 6.3 below. Accordingly, the Proposed Transaction will only be effective once all the conditions precedent have been either fulfilled or waived. On the closing date, TIH will exchange its shares in TSH for Gold Reef shares. The TIH sale shares will be transferred to Gold Reef shareholders ex the right to receive the dividend for the financial year ending 31 March 2010 to the extent that the dividend is declared, and to the extent that the closing date

has not occurred by 30 November 2010, ex the right to receive the dividend to be declared and paid on the TSH shares for the financial year ending 31 March 2011, which dividends will not exceed R450 million in respect of each financial year.

6.2 Consideration

The number of Gold Reef Shares to be issued by Gold Reef in terms of the Proposed Transaction will be the greater of:

6.2.1 888 261 028; and

6.2.2 that number of Gold Reef Shares determined in accordance with the following formula:

$$A = \left(\frac{B - C - D}{0.19}\right) - (B - C) + D$$

where:

A = the total number of Gold Reef shares to be issued by Gold Reef to TIH and SABSA in exchange for all of their shares in TSH;

B = the total number of Gold Reef shares in issue as at the closing date subject to certain agreed exclusions (being the issue of up to a maximum of 3 000 000 Gold Reef shares for the purposes of the Gold Reef share scheme for options already granted in terms of the Gold Reef share scheme at the date of signature of the Exchange Agreement for such Gold Reef shares; provided that the number of such Gold Reef shares which may be so issued shall not be taken into account for the purposes of "B" in this formula);

C = the total number of Gold Reef shares held as treasury shares by the subsidiaries of Gold Reef as at the closing date;

D = the total number of Gold Reef Shares held by Tsogo Sun Expansion (or TSG, as the case may be) as at the closing date (at the date of signature of the Exchange Agreement, the total number of Gold Reef Shares held by Tsogo Sun Expansion was 69 205 093).

Note: The 0.19 reflected in the formula above represents the agreed percentage holding of current Gold Reef shareholders excluding TSH in the merged entity after the implementation of the Proposed Transaction.

Accordingly, the number of Gold Reef shares received by TIH in consideration for the TIH sale shares is 51% multiplied by the greater of the number in paragraphs 6.2.1 and 6.2.2 above

6.3 Conditions precedent

6.3.1 Conditions precedent fulfilled

At the last practicable date, the conditions precedent to the Proposed Transaction that have been fulfilled are as follows:

(i) the written consent to the Proposed Transaction being obtained from each of the financiers of Gold Reef and TSH (being Absa Bank Limited, Rand Merchant Bank (a division of FirstRand Bank Limited) and Nedbank Limited).

6.3.2 Conditions precedent outstanding

At the last practicable date, the outstanding conditions precedent are as follows:

(i) the passing by the Gold Reef shareholders (excluding, in certain instances, Tsogo Sun Expansion and its associates) of the following special and ordinary resolutions:

- a special resolution increasing the authorised share capital of Gold Reef by the creation of 610 000 000 new Gold Reef shares in its authorised but unissued share capital on the basis that such special resolution shall be conditional upon the passing of all of the resolutions to be considered at the general meeting of Gold Reef shareholders and in the case of the special resolution in terms of Section 85 of the Companies Act, such special resolution being registered by the Registrar of Companies in terms of the Companies Act;
- a special resolution authorising the acquisition by Gold Reef, in terms of section 85 of the Companies Act, of the Gold Reef shares held by Tsogo Sun Expansion pursuant to the implementation of the Proposed Transaction;
- an ordinary resolution approving the Transaction (as a Category 1 Transaction) in accordance with the requirements of the JSE Listings Requirements;
- an ordinary resolution placing the authorised but unissued Gold Reef Shares under the control of the directors of Gold Reef as a specific authority to allot and issue so many of such shares as may be required for the purposes of implementing the Proposed Transaction; and

– an ordinary resolution waiving the requirement for TIH and/or SABSA to make a mandatory offer to Gold Reef shareholders as a consequence of the implementation of the Proposed Transaction, in accordance with the provisions of Rule 8.7 of the SRP Code;

(ii) the passing by the shareholders of TIH of a special resolution in terms of Section 228 of the Companies Act, approving the disposal by TIH of all of its shares in TSH to Gold Reef in terms of the Exchange Agreement;

(iii) the passing by the shareholders of HCI in general meeting of:

– a special resolution approving the disposal by TIH of all of TIH's shares in TSH to Gold Reef, in terms of Section 228 of the Companies Act; and

– an ordinary resolution approving the Proposed Transaction (as a Category 1 Transaction) in accordance with the requirements of the JSE Listings Requirements;

(iv) the obtaining of the approval of the Proposed Transaction by the Competition Authorities: to the extent that a material conditional approval is obtained, it being acceptable to the relevant parties to the Exchange Agreement;

(v) the obtaining of the approval of the Proposed Transaction by the relevant Gaming Authorities: to the extent that a material conditional approval is obtained, it being acceptable to the relevant parties to the Exchange Agreement;

(vi) the SRP having:

– approved the documentation to be published and/or distributed for the purposes of the Proposed Transaction; and

– dispensed, in writing, with the obligation on the part of the TSH shareholders to make a mandatory offer to Gold Reef shareholders in terms of Rule 8.1 of the SRP Code as a consequence of the implementation of the Proposed Transaction or by reason of the conclusion of the Shareholder's Agreement;

(vii) the JSE having unconditionally granted a listing for the new Gold Reef shares to be issued and approved the documentation to be published and/or distributed for the purposes of the Proposed Transaction; and

(viii) the registration of the special resolutions referred to in (i), (ii) and (iii) above by the Registrar of Companies in terms of the Companies Act.

6.4 Listing of the new Gold Reef shares

The new Gold Reef shares to be issued to TIH and SABSA as consideration for their TSH shares will be listed on the JSE on the closing date subject to what is stated below (five business days after all conditions precedent have been either fulfilled or waived). On the closing date, TIH will exchange its shares in TSH to Gold Reef in exchange for the issue of that number of new Gold Reef shares as calculated in terms of paragraph 6.2 above.

The listing of the Gold Reef shares, to be issued to TIH and SABSA in consideration for their TSH Shares on the JSE is subject to: the JSE obtaining working capital sign off in respect of a period of not less than 18 months, in the manner stipulated by the JSE Listings Requirements from the proposed merged entity board; confirmation by the proposed audit committee of the merged entity as to its approval of the expertise and experience of Mr M N von Aulock in respect of his proposed appointment as the Chief Financial Officer of the merged entity; the merged entity's compliance with section 3.84 of the JSE Listings Requirements regarding its corporate governance; publication of the TSH unqualified, audited financial results for the year ended 31 March 2010; and the JSE approving the Articles of Association of TSH, in accordance with Schedule 10 of the JSE Listings Requirements.

7. UNAUDITED *PRO FORMA* FINANCIAL EFFECTS

The unaudited *pro forma* financial effects of HCI set out in Annexure 5 and summarised below have been prepared for illustrative purposes only to assist HCI shareholders to assess how the Proposed Transaction might impact on the financial position and results of HCI.

The unaudited *pro forma* financial effects have been disclosed in terms of the JSE Listings Requirements and because of their nature may not fairly reflect HCI's financial position or results. The unaudited *pro forma* financial effects are the responsibility of the directors of HCI.

The unaudited *pro forma* financial effects presented in the tables below differ to those disclosed in the SENS announcement to HCI shareholders on 18 February 2010 due to:

- an increase in the estimated transaction costs for the Proposed Transaction; and
- the settlement of the Gold Reef executives' Service Agreement as explained in note 6 below.

7.1 *Pro forma* financial effects after the Nafhold transaction

The *pro forma* financial effects below are shown assuming that the Nafhold transaction which was announced on 14 December 2009 is implemented:

	As reported 30 September 2009[(1)]	**After the Nafhold transaction**[(10)]	**Percentage change**	**After the Proposed Transaction** [(2)(3)(4)(5)(6)(7)]	**Percentage change**
Earnings per HCI share (cents)	100.09	115.37	15.3	4 639.52	3 921.6
Headline earnings per HCI share (cents)[(5)(8)]	104.02	119.30	14.7	94.64	(20.7)
Net asset value ("NAV") per HCI share (cents)[(9)]	3 324.16	3 324.16	0.0	7 197.52	116.5
Net tangible asset value ("NTAV") per HCI share (cents)	1 620.81	1 152.17	(28.9)	6 614.74	474.1
Weighted average number of HCI shares ('000)	124 916	124 916	0.0	124 916	0.0
Actual number of HCI shares ('000)	125 239	125 239	0.0	125 239	0.0

Notes:

The unaudited *pro forma* financial information of the transactions are indicative only and have been based on the assumptions set out below:

1. The published unaudited consolidated interim results of HCI for the six-month period ended 30 September 2009 have been used.
2. The Nafhold transaction and the Proposed Transaction were effected on 1 April 2009 for income statement purposes and on 30 September 2009 for balance sheet purposes.
3. The effects of the Proposed Transaction have been calculated using the unaudited consolidated interim results of Gold Reef for the six-month period ended 30 June 2009.
4. It has been assumed that after the implementation of the Proposed Transaction HCI will hold an effective 41% of Gold Reef (which is HCI's effective holding post the implementation of the Nafhold transaction) and will exert significant influence over Gold Reef. As a result, it is assumed that TSH is accounted for as an associate and will no longer be consolidated as a subsidiary of HCI.
5. Transaction costs of R43 million, which are once-off in nature. If the effect of these once-off transaction costs and the costs referred to in note 6 are excluded, the Proposed Transaction would result in a 2.9% increase in headline earnings per share.
6. Costs of R42.8 million (after tax effects) incurred by Gold Reef, which arise from the No Fault Termination (as defined in the Gold Reef executives' Service Agreements) of the Gold Reef executives' Service Agreements based on the assumption of the No Fault Termination being on 31 December 2010, and at the Gold Reef pre-cautionary share price, which are once-off in nature. If the effect of these once-off costs and the once-off transaction costs referred to in note 5 are excluded, the Proposed Transaction would result in a 2.9% increase in headline earnings per share.
7. A market value of R19.25 per Gold Reef share, being the closing price on 29 January 2010 which is the day the HCI cautionary announcement was released, has been used to calculate the *pro forma* gain on the loss of control ("*pro forma* gain") of TSH. A corporate tax rate of 28% with the Capital Gains Tax inclusion rate of 50% is assumed.
8. The *pro forma* gain arises as a result of TSH no longer being consolidated, and the investment in the associate being accounted for at its fair value at the transaction date. The *pro forma* gain is calculated as the difference between the fair value of the Gold Reef shares received as consideration for the NAV of TSH which is no longer consolidated as a subsidiary. The *pro forma* gain is excluded from headline earnings per share and accounts for the difference in the effect on earnings and headline earnings per share.
9. The increase in NAV is attributable to the net effect of the gain on the loss of control and the deconsolidation of TSH.

Notes relating to the Nafhold transaction:

10 Separate disclosure of the effects of the Nafhold transaction are shown based on assumptions which are consistent with those used in the announcement released on SENS on 14 December 2009:
   (a) The cash portion of the TIH repurchase consideration would otherwise have been invested with financial institutions at daily call rates. An average call rate of 7.53%, after deducting taxation of 28%, was used for the period.
   (b) The coupon on the preference shares to be issued as part of the TIH repurchase consideration has been assumed to be 8.27%. It has been assumed that TIH will have sufficient STC credits at the relevant dividend dates.

7.2 *Pro forma* financial effects excluding the Nafhold transaction

The *pro forma* financial effects below are shown excluding the effect of the Nafhold transaction which was announced on 14 December 2009.

As reported	**After the 30 September 2009**[1]	**Proposed Transaction**[2][3][4][5][6][7]	**Percentage change**
Earnings per HCI share (cents)	100.09	3 478.12	3 375.0
Headline earnings per HCI share (cents)[5][8]	104.02	85.61	(17.7)
NAV per HCI share (cents)[9]	3 324.16	6 048.13	81.9
NTAV per HCI share (cents)	1 620.81	5 465.35	237.2
Weighted average number of HCI shares ('000)	124 916	124 916	0.0
Actual number of HCI shares ('000)	125 239	125 239	0.0

Notes:

The unaudited *pro forma* financial information of the transactions are indicative only and have been based on the assumptions set out below:

1. The published unaudited consolidated interim results of HCI for the six-month period ended 30 September 2009 have been used.
2. The Proposed Transaction was effected on 1 April 2009 for income statement purposes and on 30 September 2009 for balance sheet purposes.
3. The effects of the Proposed Transaction have been calculated using the unaudited consolidated interim results of Gold Reef for the six-month period ended 30 June 2009.
4. It has been assumed that after the implementation of the Proposed Transaction HCI will hold an effective 31% of Gold Reef and will exert significant influence over Gold Reef. As a result, it is assumed that TSH is accounted for as an associate and will no longer be consolidated as a subsidiary of HCI.
5. Transaction costs of R43 million, which are once-off in nature. If the effect of these once-off transaction costs and the costs referred to in note 6 are excluded the transaction would result in a 2.5% increase in headline earnings per share.
6. Costs of R42.8 million (after tax effects) incurred by Gold Reef, which arise from the No Fault Termination (as defined in the Gold Reef executives' Service Agreements) of the Gold Reef executives' Service Agreements based on the assumption of the No Fault Termination being on 31 December 2010, and at the Gold Reef pre-cautionary share price, which are once-off in nature. If the effect of these once-off costs and the once-off transaction costs referred to in note 5 are excluded, the Proposed Transaction would result in a 2.5% increase in headline earnings per share.
7. A market value of R19.25 per Gold Reef share, being the closing price on 29 January 2010 which is the day the HCI cautionary announcement was released, has been used to calculate the *pro forma* gain on the loss of control ("*pro forma* gain") of TSH. A corporate tax rate of 28% with the Capital Gains Tax inclusion rate of 50% is assumed.
8. The *pro forma* gain arises as a result of TSH no longer being consolidated, and the investment in the associate being accounted for at its fair value at the transaction date. The *pro forma* gain is calculated as the difference between the fair value of the Gold Reef shares received as consideration for the NAV of TSH which is no longer consolidated as a subsidiary. The *pro forma* gain is excluded from headline earnings per share and accounts for the difference in the effect on earnings and headline earnings per share.
9. The increase in NAV is attributable to the net effect of the *pro forma* gain and the deconsolidation of TSH.

8. OPINIONS AND RECOMMENDATIONS

8.1 The opinion of the independent adviser

The HCI board appointed an independent adviser to provide them with advice as to the fairness of the terms and conditions of the TIH sale. The independent adviser has considered the terms and conditions of the TIH sale and has expressed an opinion that, based on their assessment, the TIH sale is fair to HCI shareholders and has advised the HCI board accordingly.

HCI shareholders are referred to the opinion from the independent adviser expressed in their letter set out in Annexure 4 to this circular and are encouraged to read it in its entirety.

8.2 Opinion of the HCI board

The HCI board has considered the terms of the TIH sale and, taking into account the opinion of the independent adviser, is of the opinion that the terms of the TIH sale are fair and recommend that HCI shareholders vote in favour of all necessary special and ordinary resolutions to approve the TIH sale.

9. MATERIAL ARRANGEMENTS, UNDERTAKINGS OR AGREEMENTS

No arrangements, undertakings or agreements have been concluded between TSH, HCI and any Gold Reef shareholder or any person acting in concert with HCI with regard to any Gold Reef shares, other than as disclosed in this circular and as set out below.

9.1 Gold Reef BEE voting pool

TSH indirectly owns 69 205 093 shares in the issued share capital of Gold Reef through a wholly-owned subsidiary Tsogo Sun Expansion, representing a 24.9% economic interest in Gold Reef. In addition, TSH controls a further 10.0% of the voting interest in Gold Reef in terms of the BEE voting pool agreement ("Voting Pool Agreement") entered into as part of the Gold Reef BEE transaction, resulting in TSH controlling 34.9% of the votes in Gold Reef. Tsogo Sun Expansion is a pool member in terms of the Voting Pool Agreement controlling 61.1% of the voting pool.

In terms of the Exchange Agreement, TSG is required to procure the necessary approvals for the disposal by Tsogo Sun Expansion of its entire holding of shares in Gold Reef to TSG without Tsogo Sun Expansion having to comply with the provisions relating to the rights of pre-emption contained in the Voting Pool Agreement.

Following the sale by Tsogo Sun Expansion of its shares in Gold Reef to TSG and the allotment and issue of the consideration shares in Gold Reef to TIH and SABSA in accordance with the Exchange Agreement, the voting pool will terminate.

By virtue of the fact that Tsogo Sun Expansion controls the voting pool in terms of the Voting Pool Agreement, the voting pool has been deemed to be an associate of Tsogo Sun Expansion and will be prohibited from voting at the Gold Reef general meeting.

9.2 Shareholders' Agreement

TIH and SABSA have entered into the Shareholders' Agreement pursuant to which they undertake to exercise the voting rights attaching to their respective Gold Reef shares following the implementation of the Proposed Transaction on the closing date to procure and ensure the appointment, removal and replacement of their respective nominees of non-executive directors of Gold Reef, and that only those persons who are acceptable to both TIH and SABSA will be appointed and maintained in office as executive directors of Gold Reef.

10. SHARE CAPITAL

The share capital of HCI at the last practicable date is detailed below:

	R'000
Authorised	
450 000 000 ordinary shares of 25 cents each	112 500
Issued	
128 374 983 ordinary shares of 25 cents each	32 094
Share premium	672 300

At the last practicable date, 2 721 078 shares, representing 2.11% of HCI, were held in subsidiaries and employee share trusts.

All of the authorised but unissued HCI shares are under the control of the directors until the next annual general meeting, as a general authority in terms of the Companies Act, as approved at the annual general meeting of shareholders held on 26 October 2009.

11. INTERESTS OF HCI'S DIRECTORS

11.1 Interests of HCI directors in HCI shares

At the last practicable date, the HCI directors' direct and indirect holdings and outstanding options in the issued share capital of HCI were as follows:

Director	Beneficial Direct	Beneficial Indirect	Percentage[1]	Number of share options
Executive				
J A Copelyn	5 559 931	–	4.3	769 523
M J A Golding	7 541 109	1 480 733	7.0	769 523
T G Govender	100	17 250	<0.1	253 510

Director	Beneficial Direct	Beneficial Indirect	Percentage[1]	Number of share options
Non-executive				
J G Ngcobo	3 995		<0.1	
V M Engel	2 000		<0.1	
M F Magugu				
M L Molefi				
Y Shaik	17 500		<0.1	
R S Garach				
	13 124 635	**1 497 983**	**11.3**	

1 The "Percentage" column above shows the number of shares (both direct and indirect) held by each director as a percentage of the total shares in issue.

Other than as disclosed above, no associates of HCI directors hold shares in HCI directly.

There has been no change in the directors' holdings (or the associates of directors) since the publication of the interim results for the 6 months ended 30 September 2009 other than as disclosed in section 11.3 below.

11.2 Interests of HCI directors in Gold Reef shares

At the last practicable date, TSH, through its wholly-owned subsidiary, Tsogo Sun Expansion, owns 24.9% of the shares of Gold Reef, and controls the votes of an additional 10.0% in terms of the BEE Voting Pool Agreement. As a result, the directors of HCI are indirectly non-beneficially and/or beneficially interested in 24.9% to 34.9% of the share capital of Gold Reef. The directors of HCI do not have any other interests in Gold Reef.

There are no persons acting in concert with HCI in the Proposed Transaction.

11.3 Share dealings of HCI director

Director	Date	Nature of trade	Number of shares	Price per share	Share code
A van der Veen (director of major subsidiary)	30 September 2009	Sale on the open market	7 000	R60.37	HCI
V M Engel (director)	23 February 2010	Sale on the open market	5 000	R78.00	HCI
J G Ngcobo (director)	1 March 2010	Sale on the open market	5 000	R77.00	HCI

Other than as disclosed above, none of the directors of HCI have dealt in HCI shares or Gold Reef shares in the six months preceding the last practicable date.

11.4 Directors' interests in transactions

No director has any material beneficial interest in any transactions effected by HCI during the current or preceding year, or which remains outstanding or unperformed, other than as a result of their shareholding in HCI as disclosed in paragraph 10.1 above.

Jabulane Mabuza, the chief executive officer of TSH, and the chief executive officer designate of the merged entity, owns 405 555 shares in HCI. Mr Mabuza resigned as a director of HCI on 11 June 2009.

12. SHARE DEALINGS OF HCI

HCI has not dealt in any HCI or Gold Reef shares in the six months prior to the last practicable date.

13. INTERESTS AND SHARE DEALINGS OF GOLD REEF AND GOLD REEF DIRECTORS

13.1 Interests and share dealings of Gold Reef

Gold Reef does not own any interests in TSH, TIH, SABSA or HCI and has not dealt in any TSH, TIH, SABSA or HCI shares in the six months prior to the last practicable date.

13.2 Interests of Gold Reef directors

None of the Gold Reef directors own any interests in TSH, SABSA or HCI at the last practicable date.

The Gold Reef directors held, directly and indirectly, the following interests in the issued share capital of Gold Reef at the last practicable date, all of which are beneficially held:

Director	Beneficial Direct	Beneficial Indirect	Percentage of total issued shares (excluding treasury shares)
Dr E N Banda	–	–	–
M G Diliza	–	7 588	–
J C Farrant	–	–	–
J S Friedman ++	1 917 093	–	0.69
S B Joffe >	3 500 000	2 533 333	2.18
M Z Krok	–	–	–
Z J Matlala	–	148 467	0.05
C Neuberger ^	1 245 000	–	0.45
T M Sadiki +	48 000	–	0.02
P C M September	–	148 467	0.05
P Vallet	–	–	–
	6 710 093	**2 837 855**	**3.44**

> S B Joffe has a loan of R17 430 456 with the Gold Reef share Scheme and 2 833 333 Gold Reef shares are pledged as security for this loan. A further 166 667 Gold Reef shares are not yet available for sale and there is an additional loan of R2 289 085 on these unvested Gold Reef shares.

++ J S Friedman has a loan of R7 952 021 with the Gold Reef share Scheme and 1 370 000 Gold Reef shares are pledged as security for this loan. A further 100 000 Gold Reef shares are not yet available for sale and there is an additional loan of R1 373 451 on these unvested Gold Reef shares.

^ C Neuberger has a loan of R7 672 718 with the Gold Reef share Scheme and 1 145 000 Gold Reef shares are pledged as security for this loan. A further 100 000 Gold Reef shares are not yet available for sale and there is an additional loan of R1 373 451 on these unvested Gold Reef shares.

+ T M Sadiki has a loan of R487 952 with the Gold Reef share Scheme and 31 334 Gold Reef shares are pledged as security for this loan. A further 16 667 Gold Reef shares are not yet available for sale and there is an additional loan of R228 994 on these unvested Gold Reef shares.

The associates of the Gold Reef directors do not hold any interests in securities.

J C Farrant has accepted an appointment as a trustee of the Rachela Krok Family Trust subject to the approval of the Master of the High Court of South Africa. Once the necessary approval has been obtained, this will result in J C Farrant holding an indirect non-beneficial interest in Gold Reef of 1 050 000 Gold Reef Shares.

The Gold Reef directors will be precluded from voting at the Gold Reef general meeting as a result of the Service Agreements they have entered into with Gold Reef.

The Gold Reef directors' interests listed in the table above do not include unexercised share options granted to S B Joffe, J S Friedman, C Neuberger and T M Sadiki. The unexercised share options granted to the aforementioned executives have been listed in the table below:

	Share options granted during the 2009 financial year		Share options exercised since grant date to the last practicable date			Share options unexercised at the last practicable date	
Director	**Number**	**Average strike price**	**Vested**	**Unvested**	**Average strike price**	**Number**	**Average strike price**
S B Joffe	389 565	R17.00	–	–	–	389 565	R17.00
J S Friedman	210 435	R17.00	–	–	–	210 435	R17.00
C Neuberger	231 884	R17.00	–	–	–	231 884	R17.00
T M Sadiki	139 130	R17.00	–	–	–	139 130	R17.00

After the Proposed Transaction, Gold Reef directors will hold the following interests in the issued share capital of Gold Reef:

Director	Beneficial **Direct**	**Indirect**	**Percentage of total issued shares (excluding treasury shares)**
Dr E N Banda	–	–	–
M G Diliza	–	7 588	–
J C Farrant	–	–	–
J S Friedman ++	1 917 093	–	0.17
S B Joffe >	3 500 000	2 533 333	0.55
M Z Krok	–	–	–
Z J Matlala	–	148 467	0.01
C Neuberger ^	1 245 000	–	0.11
T M Sadiki +	48 000	–	–
P C M September	–	148 467	0.01
P Vallet	–	–	–
	6 710 093	**2 837 855**	**0.85**

> S B Joffe has a loan of R17 430 456 with the Gold Reef share Scheme and 2 833 333 Gold Reef shares are pledged as security for this loan. A further 166 667 Gold Reef Shares are not yet available for sale and there is an additional loan of R2 289 085 on these unvested Gold Reef Shares.

++ J S Friedman has a loan of R7 952 021 with the Gold Reef share Scheme and 1 370 000 Gold Reef shares are pledged as security for this loan. A further 100 000 Gold Reef Shares are not yet available for sale and there is an additional loan of R1 373 451 on these unvested Gold Reef Shares.

^ C Neuberger has a loan of R7 672 718 with the Gold Reef share Scheme and 1 145 000 Gold Reef shares are pledged as security for this loan. A further 100 000 Gold Reef Shares are not yet available for sale and there is an additional loan of R1 373 451 on these unvested Gold Reef Shares.

+ T M Sadiki has a loan of R487 952 with the Gold Reef share Scheme and 31 334 Gold Reef shares are pledged as security for this loan. A further 16 667 Gold Reef Shares are not yet available for sale and there is an additional loan of R228 994 on these unvested Gold Reef Shares.

The associates of the Gold Reef directors will not hold any interests in securities after the Proposed Transaction.

14. DIRECTORS' SERVICE CONTRACTS AND EMOLUMENTS

Two of the executive directors have entered into three-year service contracts with HCI. These contracts expire in March 2010 and are renewable thereafter. These contracts have been approved by the Remuneration Committee and define the terms of employment of the executive directors. The emoluments of the HCI directors and the Gold Reef directors will not be varied as a direct result of the Proposed Transaction, and the details of the directors' emoluments can be obtained from HCI's latest annual report.

The HCI directors' emoluments for the year ended 31 March 2009 are summarised below:

	Board fees R'000	Salary R'000	Other benefits R'000	Gains from share options, share apprecia-tion and bonus plans R'000	Bonus R'000	Total R'000
Year ended 31 March 2009						
*Executive directors**						
J A Copelyn	–	3 960		454	743	5 157
M J A Golding	–	3 960		454	743	5 157
Non-executive directors						
V M Engel	160					160
M F Magugu	160					160
J G Ngcobo	160					160
M L Molefi	160					160
Y Shaik	160					160
R S Garach	160					160

* T G Govender was appointed as a director in June 2009.

Previous HCI directors who have resigned are excluded from the table above.

15. THE BOARD AND NATURE OF BUSINESS OF GOLD REEF

The Exchange Agreement provides that the Gold Reef board shall have been restructured following the implementation of the Proposed Transaction on the closing date to comprise only those persons who shall have been notified in writing to Gold Reef by TIH and SABSA prior to the closing date. As at the last practicable date, TIH and SABSA had not informed Gold Reef of the proposed composition of the reconstituted Gold Reef board, other than in respect of certain executive directors as set out below. Further details of the reconstitution of the Gold Reef board will be provided to HCI shareholders once this information is available. The majority of the reconstituted board of the merged entity will comprise TIH and SABSA appointed nominees.

It is proposed that, following implementation of the Proposed Transaction, on the closing date, Mr J A Mabuza, who currently serves as Chief Executive Officer of TSH, will be appointed as Chief Executive Officer of the merged entity, and Mr M N von Aulock, who currently serves as Chief Financial Officer of TSH, will be appointed as Chief Financial Officer of the merged entity.

Messrs S Joffe, J Friedman, C Neuberger and T Sadiki have met with TSH regarding their proposed roles in the executive management team of the merged entity. After discussions, the aforesaid executives have decided not to accept TSH's proposals or the alternative positions they were offered as such proposals or alternatives constitute a material change to their existing duties and responsibilities. Accordingly, the aforesaid executives will not be employed in the executive management team of the merged entity immediately following implementation of the Proposed Transaction on the closing date.

The merged entity board will not be compliant with the requirements of the King Code, as, whilst it will have a majority of non-executive directors, the majority of the non-executive directors will not be independent. The JSE has required that the appointment of Mr M N von Aulock, as Chief Financial Officer of the merged entity, be confirmed by the Audit Committee of the merged entity in compliance with paragraphs 3.84(h) and 4.8(b) of the JSE Listings Requirements.

The Proposed Transaction is not expected to result in any operational redundancies at either Gold Reef or TSH.

The nature of Gold Reef's business will not be affected by the Proposed Transaction.

16. MAJOR SHAREHOLDERS

Other than the directors listed in paragraph 10.1 above and the shareholders listed below, the directors are not aware of any shareholders who, directly or indirectly, are beneficially interested in excess of 5% of HCI's issued share capital at the last practicable date.

The directors have no knowledge of any change in controlling shareholders or trading objects in HCI at the last practicable date or in the past five years.

	Number of shares	Percentage holding
South African Clothing and Textile Workers Union and associated entities	50 232 565	39.5

17. MATERIAL LOANS

The HCI material loans at the last practicable date were as follows (book values given at 31 March 2009):

	R'000
Bank borrowings*	3 568 598
Other borrowings	1 498 124
Redeemable preference shares	1 000 000
Loans from minority shareholders	197 433
	6 264 155

* Bank borrowings amounting to R3 186 million have been hedged by an interest rate swap agreement.

Secured	5 705 918
Unsecured	558 237
	6 264 155

The following represents the book value of the security for these borrowings:

Property, plant and equipment	4 546 989
Inventory	749 360
Intangible assets	21 490
Other assets	20 702
Long-term receivables	35 412
Other financial assets	400 717
Customer contracts	131 970
Trade receivables	822 905
Bank balances	455 642
Guarantees	2 701 934
	9 887 121

	R'000
Fixed rates	322 861
Floating rates	5 941 294
	6 264 155

Maturity of the borrowings is as follows:

Due within 1 year	1 360 156
Due within 2 – 5 years	4 645 700
Due after 5 years	258 299
	6 264 155
Weighted average effective interest rate	11.83%

There are financial covenants in terms of the above loans, in respect of income and assets based on earnings, debt and tangible assets that are normal for transactions of this type. Borrowings due for repayment within the next 12 months will be financed from cash generated from operations and existing facilities.

Further disclosure regarding HCI's material borrowings is made in Annexure 9 to this circular.

18. MATERIAL CONTRACTS AND PRIOR ACQUISITIONS

18.1 Acquisition of Johnnic minority shareholders

During July 2008, HCI made an offer, through its wholly-owned subsidiary, Mercanto Investments (Proprietary) Limited, to all the shareholders of Johnnic Holdings Limited ("Johnnic") to acquire all of the ordinary shares in Johnnic that the HCI group did not already own. Sufficient shareholders accepted the offer to allow HCI to exercise its entitlement to compulsorily acquire the remaining Johnnic shares and. as a result, Johnnic is, at the last practicable date, a wholly-owned subsidiary of HCI. The total consideration, based on the cash consideration of R16.75 per share, was approximately R919 million.

18.2 Increase of indirect interest in Gold Reef

In October 2008, HCI had an indirect interest, through various subsidiaries, of 38% of the issued share capital of TSH. At that date, Tsogo Sun Expansion entered into an agreement with certain shareholders of Gold Reef which resulted in TSH's indirect interest in Gold Reef increasing from approximately 4.86% to 19.87% of the issued share capital of Gold Reef. As a result of the transaction, HCI's indirect interest in Gold Reef increased to 7.55%. In terms of the agreement, TSH acquired the Gold Reef shares for a cash consideration of R22.50 per share which was paid 75% on the registration of transfer of the share certificates into the name of Tsogo Sun Expansion on 16 October 2008, and 25% upon the receipt of all of the relevant Gaming Authorities approvals. The aggregate purchase consideration amounted to R942 million.

18.3 Acquisition of Caledon Casino, Hotel and Spa and Century Casino Newcastle by TSG

In December 2008, TSG, in which HCI held an effective interest of 38% at that time, reached agreements with Century Resorts Limited and Winlen Casino Operators (Proprietary) Limited, for the acquisition of two South African operations, namely 100% of the Caledon Casino, Hotel and Spa in the Western Cape and 100% of the Century Casino Newcastle in KwaZulu-Natal, for a total purchase consideration of R490 million including the assumption of existing debt in the operations. The transactions were funded from existing TSH resources and were subject to conditions precedent customary for transactions of a similar nature.

18.4 Transaction between Johnnic Holdings Limited, a wholly-owned subsidiary of HCI, and TSG pursuant to which the HCI group decreased its indirect interest in Tsogo Sun KwaZulu-Natal (Proprietary) Limited

In July 2009, HCI had an aggregate indirect interest of 46.6% in the issued share capital of Tsogo Sun KwaZulu-Natal (Proprietary) Limited ("TSKZN"), the licensee and operator of Suncoast Casino and Entertainment World in Durban. HCI's indirect interest in TSKZN was held as to 30% via HCI's wholly-owned subsidiary Johnnic Holdings Limited's ("Johnnic") shareholding in The Millennium Casino Limited ("Millennium"), and as to 16.6% via HCI's interests in TIH.

In July 2009 Johnnic entered into an agreement with TSG in terms of which TSG purchased all of the shares in the issued share capital of Millennium from Johnnic, in order to support HCI's strategic intention of managing its casino interests through a single entry point, being TIH. TIH has a 51% indirect interest in TSG. The purchase consideration was R1, with an "agterskot" of R330 million which is payable based on agreed targets in terms of gaming win achieved in the years ending 31 March 2010, 2011 and 2012. On implementation of the transaction, TSG agreed to lend the sum of R1 billion to Millennium in order to enable Millennium to discharge its obligation to pay Johnnic R1 billion in respect of the amount owing by Millennium to Johnnic on loan account.

As a result of the transaction, HCI's aggregate indirect interest in TSKZN decreased from 46.6% to 28.0%, while TSG's indirect interest in TSKZN increased by 30.0% to 73.5%.

18.5 Specific repurchase of TIH shares by TIH from Nafhold

On 14 December 2009 TIH, HCI's 74.67% subsidiary, entered into an agreement with Nafhold in terms of which TIH will repurchase from Nafhold, in terms of Section 85 of the Companies Act, Nafhold's 25% interest in the issued ordinary share capital of TIH. As a result of the repurchase transaction HCI's interest in the ordinary share capital of TIH will increase to 99.56%, providing HCI with an additional 12.75% indirect interest in TSH. The aggregate purchase consideration for the repurchase shares is the sum of R1.2 billion payable partly by way of set-off against the subscription consideration, being the sum of R500 million payable by Nafhold to TIH for the subscription of preference shares and the remainder in cash, being the sum of R700 million The transaction is subject to a number of conditions precedent which are normal for transactions of this nature.

Apart from the above agreements and the Proposed Transaction, the subject of this circular, neither HCI nor any of its subsidiary companies has entered into any other agreements within the previous two years that are or may be material and that have been entered into other than in the ordinary course of business and which remain in force and unfulfilled. In addition, there are no material contracts that have been entered into at any time that contain an obligation or settlement that is material to HCI or its subsidiaries at the date of this circular.

Apart from the acquisitions detailed above, no other material assets were acquired by HCI during the three years prior to the date of this circular.

19. MATERIAL CHANGES

There have been no material changes relating to the trading or financial position of HCI subsequent to the release of the HCI financial results for the six-month period ended 30 September 2009, other than as set out in this circular relating to the Proposed Transaction and the specific repurchase of TIH shares as set out in paragraph 17.5 above.

20. LITIGATION STATEMENT OF HCI

There are no material legal or arbitration proceedings (including proceedings which are pending or threatened of which the directors of HCI are aware) which may have or have had, during the 12-month period preceding the last practicable date, a material effect on the financial position of HCI, other than as set out below:

20.1 Dispute regarding shares in Tangney Investments (Proprietary) Limited ("Tangney")

During 2003, an application was made to the South Gauteng High Court by Nafhold under case number 03/7941, for an Order declaring, *inter alia*, that the transfer of 66 shares in TIH ("the disputed shares") from African Renaissance Holdings (Proprietary) Limited ("African Renaissance") to HCI's wholly-owned subsidiary, Tangney, was invalid. The application alleges that the transfer of shares did not comply with TIH's articles of association as read with its shareholders' agreement and directing that the disputed shares be transferred back to African Renaissance. The disputed shares constituted 4.4% of all the ordinary issued shares in the capital of TIH. HCI opposed the application which has been argued. The Court has referred the matter to oral evidence and Nafhold has filed a declaration setting out its claim. HCI has not yet filed a plea and the matter appears to have become dormant as no steps have been taken by Nafhold for more than two years.

In terms of a share buy-back and subscription agreement entered into between HCI, TIH and Nafhold on 11 December 2009, the parties agreed that the litigation would be postponed until the shareholders of Nafhold had adopted the requisite special resolution in terms of Section 228 of the Companies Act approving the transactions provided for in such agreement, following which the litigation will be withdrawn, each party bearing its own costs. Nafhold shareholders have subsequently approved the requisite special resolution and, as a result, this litigation will be withdrawn.

20.2 Dispute regarding board resolutions of TIH

During 2005, Nafhold and certain individuals instituted proceedings against TIH and certain individuals seeking to set aside certain resolutions taken by the TIH board of directors at the board meeting held on 2 February 2005.

Pleadings are closed and the matter is still pending. No further steps have been taken by the applicants in this matter for approximately 4 years.

20.3 Litigation by Nafhold against TIH, HCI, HCI's wholly-owned subsidiaries and Patrice Motsepe

In 2009, Nafhold brought an urgent application against TIH, HCI, HCI's wholly-owned subsidiaries which own shares in TIH, and Patrice Motsepe. The application sought an Order to interdict a TIH shareholders' meeting from being held and an Order interdicting the respondents from implementing the transaction in terms of which TIH would acquire the entire issued share capital of Johnnic Holdings LLP, the company which owns Montauk Energy Capital LLC in the United States. The urgent application was struck off the roll. Subsequent to this, Nafhold sought relief to amend the application. The matter is set down for hearing in June 2010.

In terms of a share buy-back and subscription agreement referred to in paragraph 19.1 above, the parties have also agreed that this litigation would be postponed until the shareholders of Nafhold approve the transactions provided for in such agreement, whereafter such litigation shall be withdrawn, each party bearing its own costs. Nafhold shareholders have subsequently approved the requisite special resolution and, as a result, this litigation will be withdrawn.

21. WORKING CAPITAL STATEMENT

After having duly considered the TIH sale and the rationale and effects thereof, the directors of HCI are of the opinion that, following will apply post the transaction:

– the HCI group will be able in the ordinary course of business to pay its debts for a period of 12 months after the date of approval of this circular;
– the assets of the HCI group will be in excess of the liabilities of the group for a period of 12 months after the date of the approval of this circular. For this purpose, the assets and liabilities are recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements;
– the share capital and reserves of the HCI group will be adequate for ordinary business purposes for a period of twelve months after the date of approval of this circular; and
– the working capital of the HCI group will be adequate for ordinary business purposes for a period of 12 months after the date of the approval of this circular.

22. CONSENTS

The investment bank, sponsor and attorneys of HCI as well as the independent adviser, reporting accountants and transfer secretaries of HCI have provided their written consents to act in the capacity stated and to their names being used in this circular and have not withdrawn their consents prior to the last practicable date.

23. RESPONSIBILITY STATEMENT OF THE HCI DIRECTORS

The directors of HCI, whose names are set out in the "Corporate information and advisers" section to this circular, in relation to the information pertaining to HCI:

- have considered all statements of fact and opinion in this circular;
- collectively and individually, accept full responsibility for the accuracy of the information given;
- certify that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement false or misleading;
- have made all reasonable enquiries in this regard;
- certify that, to the best of their knowledge and belief, the circular contains all information required by law, the JSE Listings Requirements and the SRP Code.

24. ESTIMATED COSTS

The direct estimated costs to HCI of implementing the TIH sale are approximately R1 122 000 exclusive of VAT, where applicable, and include the following:

	R'000
JSE documentation and inspection fee	18
SRP documentation and inspection fee	175
Sponsor – Investec Bank Limited	425
Independent expert – PKF	320
Reporting accountants' fees	134
Other (printing, transfer secretaries, etc.)	50
	1 122

25. NOTICE OF GENERAL MEETING

In order to obtain approval for the TIH sale, a general meeting of shareholders will be held in the boardroom, at Block B, Longkloof Studios, Darters Road, Gardens, Cape Town, South Africa on Monday, 26 April 2010 at 10:00.

The requisite notice of general meeting is attached to and forms part of this circular.

A form of proxy for use by those certificated and "own name" dematerialised shareholders who are unable to attend the general meeting or the alternative general meeting, but wish to be represented thereat, is attached to and forms part of this circular.

Duly completed forms of proxy must be received by the transfer secretaries and the Company at its registered office in accordance with the instructions contained in the form of proxy by not later than 10:00 on Friday, 23 April 2010.

Dematerialised shareholders who hold dematerialised HCI shares through a CSDP or broker and do not have an "own name" registration, must timeously advise their CSDP or broker of their intention to attend and vote at the general meeting or to be represented by proxy thereat in order for the CSDP or broker to provide the necessary Letter of Representation to do so. Should such shareholders not wish to attend the general meeting in person, but wish to be represented thereat, they must timeously provide their CSDP or broker with their voting instructions in order for the CSDP or broker to vote in accordance with their instructions at the general meeting.

Shares held by the HCI share scheme may not be voted at the general meeting in relation to relevant resolutions proposed in terms of the JSE Listings Requirements. Refer to paragraph 8 above.

26. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection during normal business hours at the registered offices of HCI and the Sponsor from Tuesday, 6 April 2010 up to and including Monday, 26 April 2010:

26.1 the audited financial statements of Gold Reef for the 3 financial years ended 31 December 2008, 2007 and 2006;

26.2 the audited financial statements of HCI for the 3 financial years ended 31 March 2009, 2008 and 2007;

26.3 the memoranda and articles of association of HCI and its subsidiary companies, and Gold Reef;

26.4 a summary of the service agreements with directors entered into in the past 3 years;

26.5 the audited annual financial statements of TSH for the years ended 31 March 2009, 2008, 2007 and 2006 from which the selected financial information in Annexure 1C is extracted;

26.6 the Exchange Agreement;

26.7 the fairness opinion letter from the independent advisers to the HCI board;

26.8 the consent letters referred to in paragraph 21 above; and

26.9 a signed copy of this circular.

By order of the HCI board

J A Copelyn

3 April 2010

Registered office
Block B, Longkloof Studios
Darters Road
Gardens
Cape Town, 8001
(PO Box 5251, Cape Town, 8000)

HISTORICAL FINANCIAL INFORMATION OF TSOGO SUN HOLDINGS (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES FOR THE YEARS ENDED 31 MARCH 2009, 2008 AND 2007

I. INTRODUCTION

The historical financial information of Tsogo Sun Holdings (Proprietary) Limited ("Tsogo Sun") set out below has been extracted from the audited annual financial statements of Tsogo Sun for the years ended 31 March 2009, 2008 and 2007. The annual financial statements were audited by PricewaterhouseCoopers Inc and reported on without qualification.

The historical financial information of Tsogo Sun is the responsibility of the directors of Tsogo Sun and HCI.

II. COMMENTARY

2007 Group results

The financial performance of the Group continues to be assisted by the buoyant South African economy which has stimulated consumer spending and demand for leisure and lifestyle products and activities.

All sectors of the consumer economy have benefited. The Casino Industry in general and Tsogo Sun Gaming in particular have been no exception, with real growth in casino win being experienced in all units, and a continuation of this trend has been seen in the 2007 financial year. The South African hotel industry has reported one if its best years ever on the back of a strong local economy and growth in international arrivals from Africa, Europe and the Americas. Strong demand coupled with limited capacity growth to date, is assisting the Group in achieving significant real growth in average room rates.

Tsogo Sun Gaming has continued to experience strong growth in gaming revenues on the back of unprecedented levels of consumer spending and the broadening of the consumer base. Tsogo Sun Gaming has maintained or exceeded its relative growth in all provinces within which it operates, except for Emontweni in Mpumalanga, and is well positioned to produce above inflation organic growth in the forthcoming year. However, the rate of growth in gaming win is expected to be more modest in the 2008 financial year.

Southern Sun Hotels enjoyed one of its most successful trading years in recent history culminating in a RevPar growth of 23%.

An 18% increase in adjusted earnings to R646 million was reported for the year. Excluding STC charges which distorted results due to the payment of a special dividend in July 2006 (see below) adjusted earnings improved by 34% on last year.

Continuing good organic growth is expected in the 2008 financial year.

Dividends

The following ordinary dividends were declared during the financial year:

– final: R32 million (declared on 22 June 2006, paid on 28 June 2006); and
– special: R657 million (declared on 24 July 2006, paid on 27 July 2006); and
– interim: R110 million (declared on 8 December 2006, paid on 28 December 2006).

Preference dividends of R14,5 million relating to preference share capital of subsidiaries of the Group were accrued for and paid during the year under review.

2008 Group results

The financial performance of the Group particularly in the first nine months of the financial year continued to be assisted by the buoyant South African economy and the demand for leisure and life style products and activities.

All sectors of the consumer economy in South Africa have benefited. The casino industry in general and Tsogo Sun Gaming in particular have been no exception, with continued real growth in casino win being experienced in all units. The South African hotel industry enjoyed another year of strong RevPar growth on the back of a strong local economy and growth in international arrivals from Africa, Europe and the Americas.

The gaming industry in South Africa continued to grow steadily during the year under review with Tsogo Sun Gaming having maintained or exceeded its relative growth in all Provinces within which it operates except for Suncoast in KwaZulu-Natal. Tsogo Sun Gaming recorded a 10% increase in gaming revenue and 15% growth in total revenues to R3,8 billion assisted by the first time inclusion of Montecasino's East End development (restaurants, hotel, piazza and theatre) and the new Suncoast Hotel. However the rate of growth in gaming win is expected to be more modest in the 2009 financial year with the impact of the recently opened Silverstar Casino (mid-December 2007) resulting in a re-balancing of regional market share and the impact of higher interest rates and fuel prices expected to have a dampening effect on gaming win growth in F'09.

Southern Sun Hotels in South Africa has experienced exceptional trading performances with RevPar increases of 20% per annum recorded over the past three years (years ended March 2006, 2007 and 2008) and with EBITDAR growth of 39% and 38% reported for the 2007 and 2008 years, respectively. RevPar growth has been underpinned by increases in rate and consistently high occupancy levels. The Group's hotels outside South Africa also recorded good trading results with RevPar for the year ending 33% above last year. Groupwide RevPar ended strongly to finish 24% above the 2007 financial year, surpassing the 23% year-on-year RevPar growth reported for that year.

The Group reported a 78% increase in adjusted earnings to R1,150 million and a 69% increase in headline earnings to R1,076 million. These results were assisted by higher prior year long-term incentive ('LTI') and STC costs incurred on the July 2006 special dividend not re-occuring.

The growth in Group revenues and profitability is expected to be more moderate in the 2009 financial year as increased interest rates, oil prices and consequential inflation impact on the rate of consumer spending and economic activity.

Dividends

The following ordinary dividends were declared during the financial year:

– final: R197 million (declared on 27 June 2007, paid on 29 June 2007); and

– interim: R209 million (declared on 12 December 2007, paid on 28 December 2007).

Preference dividends of R20,7 million (2007: R14,5 million) relating to preference share capital of subsidiaries of the Group were accrued for and paid during the year under review.

2009 Group results

The financial results for the year ended 31 March 2009 represented a solid performance with growth in Group income to R5 920 million (8% above the prior year) and earnings before interest, tax, depreciation, amortisation and rentals ("EBITDAR"), pre-non-trading items, of R2 622 million (2% growth on the prior year). This was achieved despite the economic slow down impacting hotels and gaming and the rebasing of the Montecasino market share in Gauteng as a result of the opening of Silverstar casino on the West Rand of Johannesburg.

The Tsogo Sun Gaming division continued to outperform other operators in South Africa in terms of EBITDAR margin. Total income of R3 886 million and EBITDAR (pre-non-trading items) of R1 733 million were achieved during the year. Montecasino successfully hosted numerous high profile events at the Teatro and the Outdoor Events Arena, including Disney's Beauty and the Beast and High School Musical after the successful Lion King, the SA Open Tennis, Boktown and the inaugural SA Tattoo amongst others. The KwaZulu-Natal market performed well during the year under review, with Suncoast casino further benefiting from improved trading at the Suncoast Hotel & Towers. Additional slot machines have been added and new parking created at this unit to assist peak period capacity. The Group's other casino interests in Nelspruit, Emalahleni (Witbank) and East London performed satisfactorily during the year.

Southern Sun Hotels in South Africa together with the general tourism and hospitality industry were affected during the year by the contraction in the local economy especially during the second half of the financial year. After a number of years of unprecedented growth in hotel room rates and rooms sold, demand in the key corporate, leisure and Special Tour Operators (STO) markets has declined significantly. The South African hotels division recorded revenue growth of 21% to R1 778 million during the year with EBITDAR (pre-non-trading items) growth of 12% to R780 million, assisted by the consolidation of the Cullinan Group, with effect from 1 April 2008, previously accounted for as a joint venture.

The Hotels Offshore division, achieved total revenue of R294 million, representing 33% growth on the prior year with EBITDAR (pre-non-trading items) of R104 million ending some 24% up on last year. The divisions results were assisted by strong trading in the first half of the year, and weaker average Rand/US$ and Rand/Euro translation rates during the year.

Earnings attributable to ordinary shareholders of R909 million ended 19% below last year due largely to higher finance costs incurred on increased net debt levels, a fair value loss incurred on a financial instrument over certain Gold Reef Resorts Limited shares together with increased tax charges impacted by higher Secondary tax on dividends on the Special dividend paid to shareholders during the year.

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

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

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

Dividends

The following ordinary dividends were declared during the financial year:

– final: R325 million (declared on 25 June 2008, paid on 27 June 2008); and

– special: R1 billion (declared on 5 August 2008, paid on 15 September 2008).

Preference dividends of R23,9 million (2008: R20,7 million) relating to preference share capital of subsidiaries of the Group were accrued for and paid during the year under review.

III. AUDITED FINANCIAL INFORMATION FOR THE YEARS ENDED 31 MARCH 2009, 2008 and 2007

BALANCE SHEETS

as at 31 March

	Note	2009 R'000	2008 R'000	2007 R'000
ASSETS				
Non-current assets				
Property, plant and equipment	6	4 960 993	3 932 686	3 518 939
Goodwill	7	360 956	349 496	356 696
Other intangible assets	8	143 698	146 488	135 755
Investments in associates	9	1 433 697	62 794	37 644
Investments in joint ventures	10	118 563	211 370	184 103
Available-for-sale financial assets	11	1 906	15 215	33 738
Derivative financial instruments	12	–	1 168	–
Non-current receivables	13	142 347	122 495	124 948
Deferred income tax assets	14	63 220	56 590	52 844
		7 225 380	4 898 302	4 444 667
Current assets				
Inventories	15	126 613	109 260	90 859
Trade and other receivables	16	354 081	388 328	325 183
Available-for-sale financial assets	11	4 990	5 078	–
Derivative financial instrument	12	–	–	2 575
Current income tax assets		1 657	220	1 720
Cash and cash equivalents	17	506 132	342 944	213 637
		993 473	845 830	633 974
Total assets		8 218 853	5 744 132	5 078 641
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Ordinary share capital and premium	18	1 074 112	1 074 112	1 074 112
Cash flow hedging reserve		(39 515)	841	1 828
Foreign currency translation reserve		157 125	111 576	44 886
Surplus arising on change in control in joint venture		130 425	–	–
Retained earnings		1 124 561	1 541 105	824 791
		2 446 708	2 727 634	1 945 617
Minority interest in equity		671 658	308 486	183 303
Total equity		3 118 366	3 036 120	2 128 920
LIABILITIES				
Non-current liabilities				
Borrowings	19	2 169 589	327 517	652 816
Preference share capital and premium	20	240 000	240 000	240 000
Post-retirement medical aid liability	21	24 881	26 061	21 754
Derivative financial instrument	12	31 087	–	–
Deferred income tax liabilities	14	160 004	56 393	48 230
Obligations under finance lease	22	62 402	65 531	67 072
Liability for long-term incentives	23	12 540	26 824	214 533
Provisions and other liabilities	24	264 073	280 541	244 007
Deferred revenue	25	3 667	20 637	18 406
		2 968 243	1 043 504	1 506 818

	Note	2009 R'000	2008 R'000	2007 R'000
Current liabilities				
Trade and other payables	26	758 482	633 408	557 429
Current income tax liabilities		110 434	156 604	128 113
Derivative financial instrument	12	23 795	58 871	–
Borrowings	19	1 115 459	425 701	532 558
Obligations under finance lease	22	3 121	1 931	3 135
Liability for long-term incentives	23	7 743	293 773	125 379
Deferred revenue	25	31 645	14 844	13 239
Provisions	27	81 565	79 376	83 050
		2 132 244	1 664 508	1 442 903
Total liabilities		5 100 487	2 708 012	2 949 721
Total equity and liabilities		8 218 853	5 744 132	5 078 641

INCOME STATEMENTS

for the year ended 31 March

	Note	2009 R'000	2008 R'000	2007 R'000
Revenue	33	2 676 802	2 275 767	1 826 806
Net gaming win	1t)	3 243 476	3 222 990	2 920 637
Income		5 920 278	5 498 757	4 747 443
Gaming levies and VAT	34	(656 204)	(651 040)	(589 351)
Amortisation and depreciation	35	(376 707)	(308 936)	(329 989)
Property and equipment rentals	36	(182 220)	(173 480)	(161 658)
Other operating expenses	37	(2 768 063)	(2 405 585)	(2 261 285)
Operating profit		1 937 084	1 959 716	1 405 160
Interest income	38	35 464	25 272	31 103
Finance costs	39	(382 303)	(113 045)	(120 669)
Share of profit of associates and joint ventures	9 and 10	64 299	46 943	18 820
Profit before income tax		1 654 544	1 918 886	1 334 414
Income tax expense	40	(579 442)	(659 482)	(584 224)
Profit for the year		1 075 102	1 259 404	750 190
Attributable to:				
Equity holders of the Company		908 456	1 122 314	652 774
Minority interest		166 646	137 090	97 416
		1 075 102	1 259 404	750 190

All operations are continuing.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March

	Attributable to equity holders of the Company								
	Ordinary share capital R'000	**Ordinary share premium R'000**	**Cash flow hedge reserve R'000**	**Foreign currency translation reserve R'000**	**Surplus arising on change in control in joint venture R'000**	**Retained earnings R'000**	**Total R'000**	**Minority interest R'000**	**Total equity R'000**
Balance at 31 March 2006	**25**	**1 074 087**	**–**	**(9 795)**	**–**	**971 017**	**2 035 334**	**89 009**	**2 124 343**
Profit for the year	–	–	–	–	–	652 774	652 774	97 416	750 190
Cash flow hedge	–	–							
– Fair value gains during year	–	–	2 575	–	–	–	2 575	–	2 575
– Deferred tax on fair value gains	–	–	(747)	–	–	–	(747)	–	(747)
Ordinary dividend	–	–	–	–	–	(799 000)	(799 000)	(4 000)	(803 000)
Currency translation adjustments	–	–	–	54 681	–	–	54 681	878	55 559
Balance at 31 March 2007	**25**	**1 074 087**	**1 828**	**44 886**	**–**	**824 791**	**1 945 617**	**183 303**	**2 128 920**
Profit for the year	–	–	–	–	–	1 122 314	1 122 314	137 090	1 259 404
Cash flow hedge									
– Close out of cash flow hedge	–	–	(1 828)	–	–	–	(1 828)	–	(1 828)
– Fair value gains during year	–	–	1 168	–	–	–	1 168	–	1 168
– Deferred tax on fair value gains	–	–	(327)	–	–	–	(327)	–	(327)
Ordinary dividends	–	–	–	–	–	(406 000)	(406 000)	(12 565))	(418 565)
Currency translation adjustments	–	–	–	66 690	–	–	66 690	658	67 348

	Attributable to equity holders of the Company								
	Ordinary share capital R'000	Ordinary share premium R'000	Cash flow hedge reserve R'000	Foreign currency translation reserve R'000	Surplus arising on change in control in joint venture R'000	Retained earnings R'000	Total R'000	Minority interest R'000	Total equity R'000
Balance at 31 March 2008	**25**	**1 074 087**	**841**	**111 576**	**–**	**1 541 105**	**2 727 634**	**308 486**	**3 036 120**
Profit for the year	–	–	–	–	–	908 456	908 456	166 646	1 075 102
Cash flow hedge									
– Fair value losses during year	–	–	(56 050)	–	–	–	(56 050)	–	(56 050)
– Deferred tax on fair value losses	–	–	15 694	–	–	–	15 694	–	15 694
Subsidiary previously accounted for as joint venture									
– at acquisition minority reserves	–	–	–	–	–	–	–	86 468	86 468
– surplus arising on change in control	–	–	–	–	173 600	–	173 600	173 600	347 200
Deferred tax on revaluation reserve	–	–	–	–	(43 175)	–	(43 175)	(43 175)	(86 350)
Ordinary dividends	–	–	–	–	–	(1 325 000)	(1 325 000)	(21 500)	(1 346 500)
Currency translation adjustments	–	–	–	45 549	–	–	45 549	1 133	46 682
Balance at 31 March 2009	**25**	**1 074 087**	**(39 515)**	**157 125**	**130 425**	**1 124 561**	**2 446 708**	**671 658**	**3 118 366**

CASH FLOW STATEMENTS

for the year ended 31 March

	Note	2009 R'000	2008 R'000	2007 R'000
Cash flows from operating activities				
Cash generated from operations	44	2 062 383	2 174 849	1 777 506
Interest received		34 891	26 242	35 513
Interest paid		(382 300)	(113 045)	(113 941)
Income tax paid	45	(626 877)	(624 370)	(661 685)
Dividends paid to shareholders	46	(1 325 000)	(406 000)	(799 000)
Dividends paid to minorities		(21 500)	(12 565)	(4 000)
Net cash (utilised in)/generated from operations		(258 403)	1 045 111	234 393
Cash flows from investment activities				
Purchase of property, plant and equipment		(898 455)	(581 059)	(549 448)
Proceeds from disposals of property, plant and equipment		18 893	48 587	7 642
Additions to intangible assets		(16 388)	(40 099)	(8 355)
Cash acquired with subsidiary previously accounted for as joint venture		32 786	–	–
Investment made in associate		(1 267 638)	–	–
Other loans and investments	47	10 502	49 982	(158 803)
Dividends received		11 362	24 301	13 380
Net cash used in investment activities		(2 108 938)	(498 288)	(695 584)
Cash flows from financing activities				
Borrowings raised		2 655 667	5 510	1 440 727
Borrowings repaid		(125 885)	(437 679)	(1 393 959)
Repayments of finance leases		(1 938)	(2 744)	601
Net cash from/(used in) financing activities		2 527 844	(434 913)	47 369
Net increase/(decrease) in cash and cash equivalents		160 503	111 910	(413 822)
Cash and cash equivalents at beginning of year		342 944	213 637	618 701
Foreign currency translation		2 685	17 397	8 758
Cash and cash equivalents at end of year	17	506 132	342 944	213 637

NOTES TO THE FINANCIAL INFORMATION

for the years ended 31 March 2009, 2008 and 2007

1. ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Group's 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 financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements 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 preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. Actual results could differ from those estimates.

(b) Basis of consolidation

The consolidated financial statements include the financial information of the subsidiary and associated entities owned by the Group.

(i) *Subsidiaries*

Subsidiaries are entities controlled by the Group, where control is the power directly or indirectly to govern the financial and operating policies of the entity so as to obtain benefit from its activities, regardless of whether this power is actually exercised. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Where the Group's interest in subsidiaries is less than 100%, the share attributable to outside shareholders is reflected in minority 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 of an entity previously accounted for as an associate or a joint venture is transferred to a reserve called "Surplus arising on change in control".

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

(ii) *Transactions and minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(iii) *Associates*

Associates are entities in which the Group has a long-term interest and 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.

(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. Joint ventures' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

1. ACCOUNTING POLICIES (continued)

(c) Business combinations

(i) *Subsidiaries*

The purchase method is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The separable net assets (including intangibles), are incorporated into the financial statements on the basis of the fair value to the Group from the effective date of control, and the results of subsidiary undertakings acquired during the financial year are included in the Group's results from that date.

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

(ii) *Associates*

The Group recognises its share of associates' results as a one line entry before tax in the income statement, after taking account of the share of interest, tax and minority interests.

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

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 is recognised in reserves. The cumulative post-acquisition movements are adjusted against 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 obligations or made payments on behalf of the associate.

Some of the Group's associates have a local statutory accounting reference date of 31 December. These are equity accounted using management prepared information on a basis coterminous with the Group's accounting reference date.

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.

(iii) *Joint ventures*

The Group recognises its share of joint ventures' results as a one line entry before tax in the income statement.

Investments in joint ventures are accounted for by the equity method of accounting and are initially recognised at cost.

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 is recognised in reserves. The cumulative post-acquisition movements are adjusted against the Group's share of net assets of the joint venture. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

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

1. ACCOUNTING POLICIES (continued)

(c) Business combinations (continued)

(iv) *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 recorded as negative goodwill. Negative goodwill arising on an acquisition is recognised immediately in the income statement.

Goodwill is stated at cost less impairment losses and is reviewed for impairment on an annual basis. Any impairment identified is recognised immediately in the income statement and is not reversed.

The carrying amount of goodwill in respect of associates is included in the carrying value of the investment in the associate.

Where a business combination occurs in several stages, the goodwill associated with each stage is calculated using fair value information at the date of each additional share purchase.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units is in accordance with the basis on which the businesses are managed and according to the differing risk and reward profiles.

(d) Foreign exchange

(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 South African Rands which is the Group's functional and presentational 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 equity.

(iii) *Foreign subsidiaries and associates – translation*

Once-off items in the income and cash flow statements of foreign subsidiaries and associates expressed in currencies other than the South African Rand are translated to South African 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 equity. 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 equity are recycled through the income statement 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.

1. ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment

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

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

(i) *Land and buildings*

Land and buildings have been included at their cost and comprise mainly hotels and casinos.

(ii) *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.

(iii) *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 the income statement 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.

(iv) *Depreciation*

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

Freehold buildings	35 – 50 years
Leasehold land and buildings	Period of the lease
Plant, vehicles and equipment	3 – 10 years

(v) *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.

(vi) *Capitalisation of borrowing costs*

Direct financing costs incurred, before tax, on major capital projects during the period of development or construction that necessarily take a substantial period of time to be developed for their intended use are capitalised up to the time of completion of the project.

(f) Intangible assets

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

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

1. ACCOUNTING POLICIES (continued)

(f) Intangible assets (continued)

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

Intangible assets acquired as part of a business combination are recognised separately when they are identifiable, and it is probable that economic benefits will flow to the Group and the fair value can be measured reliably.

(i) *Computer software*

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

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

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

(ii) *Bid costs and casino licences*

Costs incurred during the bidding process for a casino licence are capitalised by the individual casino on the successful award of a casino licence, and amortised over the exclusivity period applicable to each licence, which ranges from 10 to 12,5 years from date of commencement of those operations.

The costs associated with unsuccessful casino licence applications are written off as and when related bids are determined to be unsuccessful.

(iii) *Management contracts*

The Group owns a management contract which has been externally purchased and capitalised at cost. This contract is not amortised as the life of the contract is indefinite.

(iv) *Trademarks*

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

(g) Financial assets and financial liabilities

Financial assets are recognised when the Group has rights or other access to economic benefits. Such assets consist of cash, equity instruments, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms. Financial assets are derecognised when the right to receive cash flows from the asset have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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

If a legally enforceable right exists to set off recognised amounts of financial assets and liabilities, which are in determinable monetary amounts, the relevant financial assets and liabilities are offset.

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

1. ACCOUNTING POLICIES (continued)

(g) Financial assets and financial liabilities (continued)

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. 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 the income statement are non-derivative financial assets held for trading and/or designated by the entity upon initial recognition as fair value through the income statement. 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.

(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.

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

Investments are initially recognised at fair value plus transaction costs for all financial assets that are not carried at fair value through profit or loss, i.e. directly to equity. Financial assets carried at fair value through profit or loss are initially recognised at fair value and, together with transaction costs, are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

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

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

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest rate method is recognised in the income statement as part of other 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)

(g) Financial assets and financial liabilities (continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, and for unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in note (h) below.

(h) 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 the income statement. 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 the income statement as bad debts recovered.

(i) Cash and cash equivalents

Cash and cash equivalents are carried at cost and include cash in hand, bank deposits, other short-term highly liquid investments and bank overdrafts.

(j) 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 the income statement. See note (k) for the Group's accounting policy on hedge accounting.

(k) 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 re-measured 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.

1. ACCOUNTING POLICIES (continued)

(k) Hedge accounting (continued)

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.

The Group designates certain derivatives as either: hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); hedges of highly probable forecast transactions or commitment (cash flow hedge); or hedges of net investments in foreign operations.

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

(i) *Fair value hedges*

Fair value hedges comprise derivative financial instruments designated in a hedging relationship to manage the Group's interest rate risk to which the fair value of certain assets and liabilities are exposed. Changes in the fair value of the derivative offset the relevant changes in the fair value of the underlying hedged item attributable to the hedged risk in the income statement in the period incurred.

Gains or losses on fair value hedges that are regarded as highly effective are recorded in the income statement together with the gain or loss on the hedged item attributable to the hedged risk.

(ii) *Cash flow hedges*

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 equity. The ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the period in which the hedged item affects profit or loss. However, where a forecasted transaction results in a non-financial asset or liability, the accumulated fair value movements previously deferred in equity are included in the initial cost of the asset or liability.

(iii) *Hedges of net investments in foreign operations*

Hedges of net investments in foreign operations comprise either foreign currency borrowings or derivatives (typically forward exchange contracts) designated in a hedging relationship.

Gains or losses on hedging instruments that are regarded as highly effective are recognised in equity. These largely offset foreign currency gains or losses arising on the translation of net investments that are recorded in equity, in the foreign currency translation reserve. The ineffective portion of gains or losses on hedging instruments is recognised immediately in the income statement. Amounts accumulated in equity are only recycled to the income statement upon disposal of the net investment.

Where a derivative ceases to meet the criteria of being a hedging instrument or the underlying exposure which it is hedging is sold, matures or is extinguished, hedge accounting is discontinued. A similar treatment is applied where the hedge is of a future transaction and that transaction is no longer likely to occur.

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

(l) Inventories

Inventories are valued at the lower of cost or net realisable value. Operating equipment (which includes gaming chips, uniforms, kitchen utensils, crockery, cutlery and linen) is recognised as an expense based on usage. Provision is made for slow-moving goods and obsolete materials are written off. Cost is determined on the following bases:

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

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

1. ACCOUNTING POLICIES (continued)

(m) Share capital

Ordinary shares are classified as equity. Mandatory redeemable preference shares are classified as liabilities (see note o). Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the share premium account.

(n) Trade payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost.

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

(o) Borrowings and borrowing costs

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

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 interest expense.

Borrowing costs include all finance costs incurred on borrowing instruments together with related costs of debt facilities management. Such costs include facility commitment fees which are expensed in borrowing costs as incurred and facility raising fees which are amortised through borrowing costs over the life of the related facilities.

(p) Impairment

This policy covers all assets except trade receivables (see note h), inventories (see note l), financial assets (see note g), non-current assets classified as held for sale (see note q), and deferred income tax assets (see note v).

Impairment reviews are performed by comparing the carrying value of the non-current asset to its recoverable amount, being the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is considered to be the amount that could be obtained on disposal of the asset. The value in use of the asset is determined by discounting, at a market based pre-tax discount rate, the expected future cash flows resulting from its continued use, including those arising from its final disposal. When the carrying values of non-current assets are written down by any impairment amount, the loss is recognised in the income statement in the period in which it is incurred.

Where the asset does not generate cash flows that are independent from the cash flows of other assets the Group estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs. For the purpose of conducting impairment reviews, CGU's are considered to be the lowest level of groups of assets and liabilities that have separately identifiable cash flows. They also include those assets and liabilities directly involved in producing the income and a suitable proportion of those used to produce more than one income stream.

When an impairment is recognised, the impairment loss is held firstly against any specifically impaired assets of the CGU, then taken against goodwill balances. Any remaining loss is set against the remaining intangible and tangible assets on a *pro rata* basis.

Should circumstances or events change and give rise to a reversal of a previous impairment loss, the reversal is recognised in the income statement in the period in which it occurs and the carrying value of the asset is increased. The increase in the carrying value of the asset is restricted to the amount that it would have been had the original impairment not occurred. Impairment losses in respect of goodwill are irreversible.

Intangible non-current assets with an indefinite life and goodwill are tested annually for impairment. Assets subject to amortisation are reviewed for impairment if circumstances or events change to indicate that the carrying value may not be fully recoverable.

1. ACCOUNTING POLICIES (continued)

(q) Non-current assets (or disposal groups) held for resale

Non-current assets and all assets and liabilities classified as held for resale are measured at the lower of carrying value and fair value less costs to sell.

Such assets are classified as held for resale if their carrying amount will be recovered through a sale transaction rather than through continued use. This condition is regarded as met only when a sale is highly probable, the asset or disposal group is available for immediate sale in its present condition and when management is committed to the sale which is expected to qualify for recognition as a completed sale within one year from date of classification.

(r) 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 estimated liability arising from the issue of benefits under the Group's Frequent Guest programme, based on the value of rewards earned by the programme members.

Provision is made for the potential jackpot payouts on slot machines and are based on the metre readings, the theoretical hits per cycle of slot machines and the level of play as calculated by the number of coins played (the bet).

(s) Revenue recognition

(i) *Hotel and gaming revenues*

Revenue includes the fair value of income derived from hotel trading, restaurant revenues and other non net gaming win and hotel entertainment revenues. VAT on these revenue transactions and are excluded from revenue.

(ii) *Rental and management fee income*

Rental and management fee income is recognised on an accruals basis in accordance with the relevant agreements.

(iii) *Interest income*

Interest income is recognised using the effective interest method.

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

(iv) *Dividend income*

Dividend income is recognised when the right to receive payment is established, and is included in other income, which is offset in other operating expenses.

(t) 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 and loss immediately, at fair value.

1. ACCOUNTING POLICIES (continued)

(t) Net gaming win (continued)

VAT and other taxes, including gaming levies, that are charged on casino winnings are included in net gaming win and are treated as direct costs as these are borne by the Group and not customers (see note 2(iv)).

(u) Leases

(i) *The Group is the lessee*

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

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

(ii) *The Group is the lessor*

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

(v) 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 equity, in which case it is recognised in equity.

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.

Deferred tax liabilities are recognised where the carrying value of an asset is greater than its tax base, or where the carrying value of a liability is less than its tax base. Deferred tax is recognised in full on temporary differences arising from investment in subsidiaries and associates, 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 net 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.

(w) Secondary Tax on Companies

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

1. ACCOUNTING POLICIES (continued)

(w) Secondary Tax on Companies (continued)

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

(x) Dividend distributions

Dividend distributions to equity holders of the parent are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when approved by the board. Dividends declared after the balance sheet date are not recognised, as there is no present obligation at the balance sheet date.

(y) Employee benefits

(i) *Defined contribution plans*

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

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

(ii) *Other post-employment obligations*

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

The liability recognised in the balance sheet in respect of the plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related plan liability.

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

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

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

(iii) *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing

1. ACCOUNTING POLICIES (continued)

(y) Employee benefits (continued)

(iii) *Termination benefits* (continued)

termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value in a similar manner to all long-term employee benefits.

(iv) *Bonus plans*

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. An accrual is maintained for the appropriate proportion of the expected bonuses which would become payable at the year-end.

(v) *Long-term incentives*

The Group has long-term incentive plans 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.

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.

(i) *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.

(ii) *Estimated impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note (c). The recoverable amounts of cash-generating units have been determined based on a fair value less estimated costs to sell basis. These calculations require the use of estimates as noted in note 7.

(iii) *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.

(iv) *Net gaming win*

The Group regards the national VAT levied on net gaming win to be comparable with the gaming levies which are paid to provincial gaming boards. As stated in note t above, these are seen as direct costs of the Group as they are borne entirely by the Group and have no effect on casino activities from the punters' perspective.

In the casino industry, the nature of betting transactions makes it difficult to separate bets placed by customers and winnings paid to punters. 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 punters. The Group thus treats VAT and other taxes levied on casino winnings as direct costs. These costs are included in net gaming win that is disclosed separately on the face of the income statement.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(v) *Property, plant and equipment*

The determination of the useful economic life and residual values of property, plant and equipment is subject to management estimation. The Group regularly reviews all of its depreciation rates and residual values to take account of any changes in circumstances, and if any changes could affect prospective depreciation charges and asset carrying values. The residual values of these assets have been estimated as the amount that the Group would currently obtain from disposal of each significant asset, in its current location, if the asset were already of the age and in the condition expected at the end of its useful life. This residual value for casino buildings is determined on an alternative use basis, using information applicable to similar buildings in the areas the Group's casinos operate.

(vi) *Carrying value of investment in Gold Reef Resorts Limited*

An impairment test has been performed on the investment in Gold Reef Resorts Limited, a material associate of the Group. The impairment test was performed on a value in use basis. Management has estimated the operating cash flows of the associate based on past history, performance and management's view of the future performance of the gaming industry. This future performance is in line with the assumptions used by management in preparing the Group's budgets. The cash flows have been estimated for the next five years at growth rates varying between 6% and 12% with the terminal value growth rate at 5%. A discount rate of 11,9% has been used to discount the estimated cash flows. The recoverable amount has been determined to be higher than the current carrying amount shown in note 9 and the market value based on the closing share price at 31 March 2009.

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE

The Group early adopted IFRS 8: Operating Segments, and has applied it to all years disclosed in the financial information. IFRS 8 requires an entity to adopt the 'management approach' to reporting on the financial performance of its operating segments. The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. The disclosure should enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. The segmental report is shown in note 5.

3.1 Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's annual periods beginning on or after 1 April 2009 which the Group has not early adopted. These are as follows:

IFRS 2 (Amendment) Group Cash-settled Share-based Payment Ttransactions (effective for annual periods beginning January 2010)

The amendment clarifies the accounting for the Group cash-settled share-based payment transactions. The entity receiving the goods or services shall measure the share-based payment transaction as equity-settled only when the awards granted are its own equity instruments, or the entity has no obligation to settle the share-based payment transaction. The entity settling a share-based payment transaction when another entity in the Group receives the goods or services recognises the transaction as equity-settled only if it is settled in its own equity instruments. In all other cases the transaction is accounted for as cash-settled. This amendment is expected to have no impact on the Group's financial statements.

IFRS 3 Business Combinations – Revised (effective for annual periods beginning 1 July 2009)

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through profit and loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs shall be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 April 2010.

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE (continued)

3.1 (continued)

IFRS 7 (Amendment) Financial Instruments Disclosures: Improving Disclosures about Financial Instruments (effective for annual periods beginning 1 January 2009)

The amendment increases the disclosure requirements for fair value measurement and reinforces existing principles for disclosure of liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosure and requires some specific quantitative disclosures for financial instruments in the lowest level of the hierarchy. In addition, the amendment clarifies and enhances existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. The Group will apply the disclosure requirement of the amendment to IFRS 7 from 1 April 2009.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's annual periods beginning on or after 1 April 2009 which the Group has not early adopted. These are as follows: (continued)

IFRS 9 Financial Instruments (effective for annual periods beginning 1 January 2013)

This standards that forms the first part of a three-phase project to replace *IAS 39 Financial Instruments: Recognition and Measurement* and is effective for annual periods beginning 1 January 2013. IFRS 9 specifies how an entity should classify and measure financial assets, including hybrid contracts. The standard requires all financial assets to be:

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

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories. The Group will apply IFRS 9 from 1 April 2013.

IAS 1 Presentation of Financial Statements – Revised (effective for annual periods beginning 1 January 2009)

The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and statement of comprehensive income. Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS 1 from 1 April 2009.

IAS 23 Borrowing Costs – Revised (effective for annual periods beginning 1 January 2009)

The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The accounting policy of the Group is to capitalise borrowing costs and therefore this amendment is not expected to have a significant financial impact on the Group.

IAS 24 (Amendment) Related Party Disclosure (effective for annual periods beginning 1 January 2011)

This amendment simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The Group will apply this amendment for relevant transactions with effect from 1 April 2011.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's annual periods beginning on or after 1 April 2009 which the Group has not early adopted. These are as follows:

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE (continued)

3.1 (continued)

IAS 27 Consolidation and Separate Financial Statements – Revised (effective for annual periods beginning 1 July 2009)

IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group is assessing the accounting requirements of IAS 27 and will apply IAS 27 from 1 April 2010.

IAS 39 (Amendments) Financial Instruments: Recognition and Measurement (effective for annual periods beginning 1 July 2009)

IAS 39 (revised) clarifies two hedge accounting issues:

- It prohibits designating inflation as a hedgeable component of a fixed rate debt.
- It prohibits including time value in the one-sided hedged risk when designating options as hedges.

The Group is assessing the accounting requirements of IAS 39 Amended and will apply IAS 39 from 1 April 2010.

IFRIC 13 Customer Loyalty Programmes (effective for periods beginning 1 July 2008)

IFRIC 13 addresses the accounting by an entity that grants award credits to its customers as part of a sales transaction or the rendering of services and, subject to meeting any further qualifying conditions, the customers can redeem in the future for free or discounted goods or services. The Group's accounting policy in the comparative period was consistent with the requirements of IFRIC 13, except that IFRIC 13 clarifies that the amount deferred on the balance sheet should be classified as deferred revenue. The Group has reclassified the amount from provisions to deferred revenue. The comparatives will be restated accordingly. The Group will apply IFRIC 13 from annual 1 April 2009.

3.2 Management have assessed the relevance of the following new standards, amendments and interpretations to existing standards with respect to the Group's operations and concluded that they are not relevant to the Group:

IFRS 1 First-Time Adoption of International Financial Reporting Standards – various revisions/amendments

IFRS 2 Share-based Payment – Vesting conditions and Cancellations (effective for periods beginning 1 January 2009)

IAS 27 Consolidation and Separate Financial Statements – Revised (effective for periods beginning 1 January 2009)

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for periods beginning 1 January 2009)

IAS 32 Financial Instruments (Classification of Rights Issues) (effective for periods beginning 1 February 2010)

In May 2008, the IASB issued the "annual improvements project" whereby minor amendments or clarifications were made to several accounting standards. The adoption of the following standards, amendments and interpretations is not anticipated to have a material effect on the consolidated results of operations or financial position of the Group and Company. These new standards, amendments and interpretations are effective for annual periods beginning on or after 1 April 2009 unless otherwise stated:

IFRS 7 (Amendment) Financial Instruments: Disclosures

- Presentation of finance costs.
- Amendment dealing with improving disclosures about financial instruments.

IAS 1 (Amendment) Presentation of Financial Statements

- Current/non-Current classification of derivatives

IAS 10 (Amendment) Events after the Reporting Period

- Amendment resulting from the issue of IFRIC 17 Distributions of Non-cash Assets to Owners (effective for periods beginning on or after 1 July 2009)
- Dividends declared after the end of the reporting period

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE (continued)

3.2 (continued)

IAS 16 (Amendment) Property, Plant and Equipment

- Recoverable amount

IAS 18 (Amendment) Revenue

- Costs of originating a loan

IAS 19 (Amendment) Employee Benefits

The following changes were made in the amendment:

- Curtailments and negative past service cost
- Plan administration costs
- Replacement of term "fall due"
- Guidance on contingent liabilities

IAS 23 (Amendment) Borrowing Costs

- Components of borrowing costs

IAS 27 Consolidated and Separate Financial Statements

- Measurement of subsidiary held for sale in separate financial statements

IAS 28 (Amendment) Investments in Associates

- Required disclosures when investments in associates are accounted for at fair value through profit or loss
- Impairment of investment in associate

IAS 34 (Amendment) Interim financial reporting

- Earnings per share disclosures in interim financial reports

IAS 36 (Amendment) Impairment of Assets

- Disclosure of estimates used to determine recoverable amount

IAS 38 Intangible Assets

- Advertising and promotional activities
- Units of production method of amortisation

IAS 39 (Amendment) Financial Instruments: Recognition and Measurement

- Reclassification of derivatives into or out of the classification of at fair value through profit or loss
- Designating and documenting hedges at the segment level
- Applicable effective interest rate on cessation of fair value hedge accounting

In April 2009, the IASB issued the "annual improvements project" whereby minor amendments or clarifications were made to several accounting standards. The adoption of the following standards, amendments and interpretations is not anticipated to have a material effect on the consolidated results of operations or financial position of the Group and Company. These new standards, amendments and interpretations are effective for annual periods beginning on or after 1 April 2009 unless otherwise stated:

IFRS 2 (Amendment) Group Cash-settled Share-based Payment Transactions

- Clarification of scope of IFRS2 and IFRS3 revised

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE (continued)

3.2 (continued)

IFRS 8 (Amendment) Operating Segments

- Disclosure of information about segment assets (effective for periods beginning 1 January 2010)

IAS 1 (Amendment) Presentation of Financial Statements

- Current/non-current classification of convertible instruments (effective for periods beginning 1 January 2010)

IAS 7 (Amendment) Cash Flow Statements

- Classification of expenditures on unrecognised assets (effective for periods beginning 1 January 2010)

IAS 17 (Amendment) Leases

- Classification of leases of land and buildings (effective for periods beginning 1 January 2010)

IAS 18 (Amendment) Revenue (effective for periods beginning 1 January 2010)

- Determining whether an entity is acting as a principal or as an agent

IAS 36 (Amendment) Impairment of Assets

- Unit of accounting for goodwill impairment testing (effective for periods beginning 1 January 2010)

IAS 38 (Amendment) Intangible Assets

- Additional consequential amendments arising from revised IFRS 3 (revised)
- Measuring the fair value of an intangible asset acquired in a business combination

IAS 39 (Amendment) Financial Instruments – Recognition and Measurement (effective for periods beginning 1 January 2010)

- Treating loan prepayment penalties as closely related derivatives
- Scope exemption for business combination contracts
- Cash flow hedge accounting

3.3 Management have assessed the relevance of the following "annual improvements project" whereby minor amendments or clarifications were made to a several accounting standards with respect to the Group's operations and concluded that they are not relevant to the Group:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

- Plan to sell the controlling interest in a subsidiary
- Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

- Government loans with a below-market rate of interest
- Consistency of terminology with other IFRSs

IAS 29 Financial Reporting in Hyperinflationary Economies

- Description of measurement basis in financial statements
- Consistency of terminology with other IFRSs

IAS 31 Interests in Joint Ventures

- Required disclosures when interests in jointly controlled entities are accounted for at fair value through profit or loss

3.3 (continued)

IAS 39 Financial Instruments: Recognition and Measurement

- Treating loan prepayment penalties as closely related embedded derivatives
- Scope exemption for business combination contracts
- Cash flow hedge accounting

IAS 40 Investment Property

- Property under construction or development for future use as investment property
- Consistency of terminology with IAS 8
- Investment property held under lease

IAS 41 Agriculture

- Discount rate for fair value calculations
- Additional biological transformation
- Examples of agricultural produce and products

The new interpretations are as follows, all effective for periods on or after 1 April 2009 unless otherwise stated:

Amendments to IFRIC 9 – Re-assessment of Embedded Derivatives and IAS 39 – Financial Instruments: Recognition and Measurement (effective for annual period beginning on or after 1 July 2008)

The amendments clarify that if a financial asset is reclassified out the fair value through profit or loss category it must be assessed for embedded derivatives at the date of reclassification. In addition, a contract that includes an embedded derivative that cannot be separately measured, is prohibited from being reclassified out of the 'at fair value through profit or loss' category.

IFRIC 14 (Amendment) Pre-payments of a Minimum Funding Requirement (effective for annual periods beginning on or after 1 January 2011)

This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement.

IFRIC 15 Agreements for the Construction of Real Estate (effective for annual period beginning on or after 1 January 2009)

IFRIC 15 addresses diversity in accounting for real estate sales. IFRIC 15 clarifies how to determine whether an agreement is within the scope of IAS 11 – Construction Contracts or IAS 18 – Revenue, and when revenue from construction should be recognised. The guidance replaces example 9 in the appendix to IAS 18.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for annual period beginning on or after 1 October 2008)

IFRIC 16 provides guidance on identifying the foreign currency risks that qualify as a hedged risk (in the hedge of a net investment in a foreign operation). It secondly provides guidance on where, within a group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting. Thirdly, it provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.

IFRIC 17 Distributions of Non-cash Assets to Owners (effective for annual period beginning on or after 1 July 2009)

IFRIC 17 applies to the accounting for distributions of non-cash assets (commonly referred to as dividends *in specie*) to the owners of the entity. The interpretation clarifies that: a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; and an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE (continued)

3.3 (continued)

IFRIC 18 Transfers of Assets from Customers (effective for transfers on or from 1 July 2009)

IFRIC 18 clarifies the accounting treatment for transfers of property, plant and equipment received from customers. This Interpretation applies to agreements with customers in which the entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods and services, or to do both.

The new interpretations are as follows, all effective for periods on or after 1 April 2009 unless otherwise stated:.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010)

This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

AC 503 (Revised) Accounting for Black Economic Empowerment Transactions (effective for annual periods beginning on or after 1 January 2009)

The Accounting Practices Committee has revisited AC 503 in light of the amendments to IFRS 2. As a result of these amendments, paragraphs 18 to 25 and the related Illustrative Examples and Basis for Conclusions of AC 503 have been revised to take into account the amended definition of vesting conditions and the accounting treatment of non-vesting conditions.

AC 504, IAS 1*9 (AC 116) – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in the South African Pension Fund Environment* (effective for annual period beginning on or after 1 April 2009)

The interpretation provides guidance on the application of IFRIC 14 (AC 447) in South Africa in relation to defined benefit pension obligations (governed by the Pension Funds Act, 1956) within the scope of IAS 19 (AC 116) (effective for periods beginning 1 April 2009).

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 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 exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. Foreign exchange risk arises from exposure in the foreign operations due to trading transactions in currencies other than the functional currency.

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

The Group secures its debt denominated in US Dollar in the African entities with assets and cash flows of those African operations where the functional currency of these entities is US Dollars with no recourse to the South African operations. As a result no forward cover contract is required on this debt.

Group Treasury's risk management policy is to hedge 100% of trade related cross border purchases. No foreign currency exports exist within the Group.

The following significant exchange rates against ZAR applied during the year:

	Average rate			Reporting date closing rate		
	2009	**2008**	**2007**	**2009**	**2008**	**2007**
USD 1	8.78	7.15	7.06	9.61	8.15	7.29
Euro 1	12.30	10.30	9.03	12.72	12.84	9.74

A 10% strengthening of the functional currency against the following currencies at 31 March would have increased/(decreased) profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2009, 2008 and 2007.

	Profit/(Loss)		
	2009 R'000	**2008 R'000**	**2007 R'000**
Local currency:			
Tanzanian Shilling	201	696	46
Mozabiquan Meticals	(308)	(1 431)	(602)
Zambian Kwacha	98	(240)	188
Seychelles Rupee	5 265	763	2 185
Euro	5 211	3 375	118
Dollar	5 261	4 223	2 259
Swiss Franc	10	7	38

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

(ii) *Interest rate risk*

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

The Group's primary interest rate risk arises from long-term borrowings. It is exposed to a lesser extent to interest rate changes on redeemable preference share investments and loans to minority shareholders.

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.

Group policy is to maintain at least 25% of its borrowings 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. Such interest rate swaps have the economic effect of converting floating rate borrowings to fixed rates. Where the Group raises long-term borrowings at floating rates, it swaps them into fixed rates in terms of Group policy. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to an agreed reference interest rate calculated on agreed notional principal amounts.

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) *Interest rate risk* (continued)

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

	Carrying amount		
	2009 R'000	2008 R'000	2007 R'000
Fixed rate instruments			
Financial assets	10 704	11 994	14 448
Financial liabilities	(90 643)	(119 405)	(748 991)
	(79 939)	(107 411)	(734 543)
Variable rate instruments			
Financial assets	557 535	428 754	288 750
Financial liabilities	(3 499 928)	(941 275)	(746 590)
	(2 942 393)	(512 521)	(457 840)

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates would have increased or decreased profit or loss by R29,4 million (2008: R5,1 million; 2007: R4,6 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008 and 2007.

(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 therefore does not have any equity 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 Committee approved parties are accepted. The Group has policies that limit the amount of credit exposure to any financial institution. Trade receivables comprise a large, widespread customer base and the Group performs ongoing credit evaluations of the financial condition of its customers. The utilisation of credit limits are regularly monitored. Refer note 16 for further credit risk analysis in respect of trade and other receivables.

No credit limits were exceeded during the year under review, and management does not expect any losses from non-performance by these counterparties.

(c) Liquidity risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

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.

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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

	2009 R'000	2008 R'000	2007 R'000
Debt at beginning of year	(1 060 680)	(1 495 581)	(1 407 106)
Cash flow for the year	(2 529 891)	434 901	(88 475)
Debt at end of year	(3 590 571)	(1 060 680)	(1 495 581)
Credit facilities [(1)]	5 731 607	2 082 025	2 366 825
Headroom available	2 141 036	1 021 345	871 244

(1) Includes funding facilities from minority shareholders (R99 million and R240 million) together with finance lease contracts, but excludes indirect bank facilities (letters of guarantees, forward exchange contracts and letters of credit).

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. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	Over 5 years R'000
At 31 March 2009				
Bank borrowings	1 362 253	679 490	1 926 848	–
Minority shareholders	14 743	14 743	101 420	–
Preference share capital and premium	23 329	23 329	243 840	–
Obligations under finance lease	10 827	11 863	43 100	35 221
Derivative financial instruments	23 795	26 141	4 946	–
Trade and other payables	758 482	–	–	–
Other liabilities	23 000	–	–	–
	2 216 429	755 566	2 320 154	35 221
At 31 March 2008				
Bank borrowings	454 018	52 146	225 921	–
Minority shareholders	14 564	14 564	115 955	–
Preference share capital and premium	23 047	23 047	266 841	–
Obligations under finance lease	10 003	10 863	38 682	51 155
Derivative financial instruments	58 871	–	–	–
Trade and other payables	633 408	–	–	–
Other liabilities	48 000	23 000	–	–
	1 241 911	123 620	647 399	51 155
At 31 March 2007				
Bank borrowings	532 558	29 447	524 369	–
Minority shareholders	–	–	99 000	–
Preference share capital and premium	–	–	240 000	–
Obligations under finance lease	3 135	2 579	15 456	49 037
Trade and other payables	560 354	–	–	–
	1 096 047	32 026	878 825	49 037

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	Over 5 years R'000
At 31 March 2009				
Interest rate swap – cash flow hedges:				
– outflow	(23 795)	(26 141)	(4 946)	–
– inflow	–	–	–	–
	(23 795)	(26 141)	(4 946)	–
At 31 March 2008				
Interest rate swap – cash flow hedges:				
– outflow	–	–	–	–
– inflow	–	1 168	–	–
Derivative financial instruments – put option				
– outflow	(58 871)	–	–	–
– inflow	–	–	–	–
	(58 871)	1 168	–	–
At 31 March 2007				
Interest rate swap – cash flow hedges:				
– outflow	–	–	–	–
– inflow	2 575	–	–	–
	2 575	–	–	–

4.2 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 being revaluation reserves and foreign currency translation reserves together with loans from shareholders.

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 EBITDA and interest cover.

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)

4.2 Capital risk management (continued)

There were no changes in the Group's approach to capital management during the year.

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

4.3 Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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

5. SEGMENTAL INFORMATION

The chief operating decision maker has been identified as the Group's board of directors. The board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the Group's board of directors at the board meetings which are used to make strategic decisions.

The board considers the business from both a geographical basis and business type, being hotels and gaming.

Although Offshore Hotels segment does not meet the quantitative thresholds of IFRS 8, management has concluded that the segment should be reported as it is 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 from hotel and gaming operations.

The Group's board of directors assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, depreciation, amortisation and property rentals ("EBITDAR"). The measure excludes the effects of long-term incentives and the effects of non-recurring expenditure such as rebranding and preopening expenses. 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.

The reconciliation of the Group's adjusted earnings before interest and tax ("EBIT") to the Group's profit after tax is shown in the segmental analysis.

The total assets and total liabilities of the segments presented in the segmental analysis includes intergroup and shareholder funding provided by the Group's treasury function and the holding company which is included in the Corporate segment. The elimination of the intergroup and shareholder funding is shown in the eliminations column.

All revenue 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.

5. SEGMENTAL INFORMATION (continued)

	Montecasino precinct R'000	Suncoast precinct R'000	Other Gaming operations R'000	Total Gaming operations R'000	South African Hotel Division R'000	Offshore Hotel Division R'000	Corporate R'000	Group R'000
The segment results for the year ended 31 March 2009 are as follows:								
Revenue	288 345	123 738	230 454	642 537	1 777 875	293 823	68 563	2 782 798
Less: Inter-segmental revenue	–	–	(3 110)	(3 110)	(34 323)	–	(68 563)	(105 996)
Net gaming win	1 529 139	1 043 042	671 295	243 476	–	–	–	3 243 476
Group income from external customers	**1 817 484**	**1 166 780**	**898 639**	**3 882 903**	**1 743 552**	**293 823**	**–**	**5 920 278**
Gaming levies and VAT	(308 510)	(231 794)	(115 900)	(656 204)	–	–	–	(656 204)
Net foreign exchange losses	–	–	–	–	–	(4 770)	–	(4 770)
EBITDAR	**694 192**	**510 205**	**528 410**	**1 732 807**	**780 293**	**104 222**	**4 653**	**2 621 975**
Property rentals	–	–	(60 190)	(60 190)	(95 094)	–	3 191	(152 093)
Depreciation and amortisation	(97 633)	(102 062)	(58 049)	(257 744)	(101 428)	(15 001)	(2 534)	(376 707)
EBIT	**596 559**	**408 143**	**410 171**	**1 414 873**	**583 771**	**89 221**	**5 310**	**2 093 175**
Long-term incentive costs								(32 064)
Gains on disposal of property, plant and equipment								11 252
Impairment losses on non-current assets								(3 271)
Loss on derivative								(132 008)
Interest income								35 464
Finance costs								(382 303)
Share of profit from associates and joint ventures								64 299
Profit before taxation								**1 654 544**
Taxation								(579 442)
Profit for the year								**1 075 102**

5. SEGMENTAL INFORMATION (continued)

	Montecasino precinct R'000	Suncoast precinct R'000	Other Gaming operations R'000	Total Gaming operations R'000	South African Hotel Division R'000	Offshore Hotel Division R'000	Corporate R'000	Group R'000
The segment results for the year ended 31 March 2008 are as follows:								
Revenue	290 600	92 039	227 483	610 122	1 474 246	221 728	61 539	2 367 635
Less: Inter-segmental revenue	–	–	–	–	(30 329)	–	(61 539)	(91 868)
Net gaming win	1 618 805	966 232	637 953	3 222 990	–	–	–	3 222 990
Group income from external customers	**1 909 405**	**1 058 271**	**865 436**	**3 833 112**	**1 443 917**	**221 728**	**–**	**5 498 757**
Gaming levies and VAT	(326 601)	(214 043)	(110 396)	(651 040)	–	–	–	(651 040)
Net foreign exchange gains	–	–	–	–	–	14 446	–	14 446
EBITDAR	**786 054**	**453 293**	**540 447**	**1 779 794**	**694 588**	**83 761**	**4 127**	**2 562 270**
Property rentals	–	–	(59 295)	(59 295)	(90 662)	–	2 618	(147 339)
Depreciation and amortisation	(105 295)	(64 020)	(48 769)	(218 084)	(77 280)	(11 828)	(1 744)	(308 936)
EBIT	**680 759**	**389 273**	**432 383**	**1 502 415**	**526 646**	**71 933**	**5 001**	**2 105 995**
Long-term incentive costs								(124 813)
Rebranding costs								(15 745)
Pre-opening costs								(2 814)
Gains on disposal of non-current assets								62 953
Fair value loss on derivative								(58 871)
Fair value adjustments on non-current assets								(4 489)
Impairment losses on non-current assets								(2 500)
Interest income								25 272
Finance costs								(113 045)
Share of profit from associates and joint ventures								46 943
Profit before taxation								**1 918 886**
Taxation								(659 482)
Profit for the year								**1 259 404**

5. SEGMENTAL INFORMATION (continued)

	Montecasino precinct R'000	Suncoast precinct R'000	Other Gaming operations R'000	Total Gaming operations R'000	South African Hotel Division R'000	Offshore Hotel Division R'000	Corporate R'000	Group R'000
The segment results for the year ended 31 March 2007 are as follows:								
Revenue	194 377	60 125	172 425	426 927	1 232 363	189 471	65 097	1 913 858
Less: Inter-segmental revenue	–	–	–	–	(21 955)	–	(65 097)	(87 052)
Net gaming win	1 499 055	859 671	561 911	2 920 637	–	–	–	2 920 637
Group income from external customers	**1 693 432**	**919 796**	**734 336**	**3 347 564**	**1 210 408**	**189 471**	**–**	**4 747 443**
Gaming levies and VAT	(302 441)	(189 510)	(97 400)	(589 351)	–	–	–	(589 351)
Net foreign exchange gains	–	–	–	–	–	7 358	–	7 358
EBITDAR	**729 542**	**392 630**	**435 820**	**1 557 992**	**502 758**	**55 145**	**(4 256)**	**2 111 639**
Property rentals	–	–	(59 187)	(59 187)	(85 409)	–	2 369	(142 227)
Depreciation and amortisation	(79 355)	(57 703)	(115 180)	(252 238)	(63 277)	(12 920)	(1 554)	(329 989)
EBIT	**650 187**	**334 927**	**261 453**	**1 246 567**	**354 072**	**42 225**	**(3 441)**	**1 639 423**
Long-term incentive costs								(246 993)
Rebranding costs								(1 220)
Pre-opening costs								(3 506)
Gains on disposal of property, plant and equipment								1 648
Fair value adjustments on non-current assets								9 420
Impairment release on non-current assets								6 388
Interest income								31 103
Finance costs								(120 669)
Share of profit from associates and joint ventures								18 820
Profit before taxation								**1 334 414**
Taxation								(584 224)
Profit for the year								**750 190**

5 SEGMENTAL ANALYSIS (continued)

	Montecasino precinct R'000	Suncoast precinct R'000	Other Gaming operations R'000	Total Gaming operations R'000	South African Hotel Division R'000	Offshore Hotel Division R'000	Corporate R'000	Adjustment for eliminations R'000	Group R'000
The segment assets and liabilities at 31 March 2009 and capital expenditure during the year then ended are as follows:									
Total assets	**1 576 616**	**1 104 992**	**3 111 983**	**5 793 591**	**2 321 898**	**786 461**	**4 955 584**	**(5 638 681)**	**8 218 853**
Total assets includes:									
Associates and joint ventures	–	2 546	1 390 134	1 392 680	41 017	118 563	–	–	1 552 260
Additions to non-current assets (other than financial instruments and deferred tax assets)	113 146	41 478	310 203	464 827	340 044	27 648	6 155	–	838 674
Total liabilities	**68 991**	**476 731**	**4 185 276**	**4 730 998**	**1 645 951**	**519 768**	**3 842 451**	**(5 638 681)**	**5 100 487**
The segment assets and liabilities at 31 March 2008 and capital expenditure during the year then ended are as follows:									
Total assets	**1 496 554**	**1 161 828**	**1 460 005**	**4 118 387**	**1 314 661**	**693 084**	**2 199 213**	**(2 581 213)**	**5 744 132**
Total assets includes:									
Associates and joint ventures	–	1 585	29 871	31 456	118 641	124 067	–	–	274 164
Additions to non-current assets (other than financial instruments and deferred tax assets)	108 173	137 026	226 026	471 225	218 501	10 943	2 343	–	703 012
Total liabilities	**90 554**	**530 706**	**2 381 371**	**3 002 631**	**968 962**	**206 556**	**1 111 076**	**(2 581 213)**	**2 708 012**

5 SEGMENTAL ANALYSIS (continued)

	Montecasino precinct R'000	Suncoast precinct R'000	Other Gaming operations R'000	Total Gaming operations R'000	South African Hotel Division R'000	Offshore Hotel Division R'000	Corporate R'000	Adjustment for eliminations R'000	Group R'000
The segment assets and liabilities at 31 March 2007 and capital expenditure during the year then ended are as follows:									
Total assets	**1 444 121**	**1 004 595**	**1 269 956**	**3 718 672**	**1 011 556**	**566 429**	**2 421 945**	**(2 639 961)**	**5 078 641**
Total assets includes:									
Associates and joint ventures	–	1 585	10 708	12 293	105 972	103 482	–	–	221 747
Additions to non-current assets (other than financial instruments and deferred tax assets)	48 230	20 076	348 797	417 103	123 437	6 544	907	–	547 991
Total liabilities	**78 043**	**530 260**	**2 502 507**	**3 110 810**	**953 368**	**180 783**	**1 344 721**	**(2 639 961)**	**2 949 721**

6. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings R'000	Leased land and buildings R'000	Properties under construction R'000	Plant and equipment R'000	Total R'000
2009					
Net book amount at beginning of year	3 203 050	57 503	29 524	642 609	3 932 686
Additions	280 303	3 889	250 281	287 749	822 222
Subsidiary previously accounted as joint venture	495 000	–	–	36 833	531 833
Disposals	(11)	–	–	(7 630)	(7 641)
Depreciation charge	(54 899)	(1 990)	–	(289 534)	(346 423)
Impairments	(3 133)	(138)	–	–	(3 271)
Transfers	(536 342)	–	(22 647)	547 947	(11 042)
Currency translation	32 643	–	–	9 986	42 629
Net book amount at 31 March 2009	3 416 611	59 264	257 158	1 227 960	4 960 993
Cost	4 281 252	70 961	257 158	2 397 017	7 006 388
Accumulated depreciation	(864 641)	(11 697)	–	(1 169 057)	(2 045 395)
Net book amount at 31 March 2009	3 416 611	59 264	257 158	1 227 960	4 960 993
2008					
Net book amount at beginning of year	2 672 810	59 255	310 704	476 170	3 518 939
Additions	268 535	–	132 845	261 026	662 406
Disposals	(6 095)	(143)	–	(4 213)	(10 451)
Depreciation charge	(98 676)	(1 609)	–	(174 013)	(274 298)
Impairments	(2 500)	–	–	–	(2 500)
Transfers	323 660	–	(414 025)	78 656	(11 709)
Currency translation	45 316	–	–	4 983	50 299
Net book amount at 31 March 2008	3 203 050	57 503	29 524	642 609	3 932 686
Cost	3 842 327	66 837	29 524	1 563 825	5 502 513
Accumulated depreciation	(639 277)	(9 334)	–	(921 216)	(1 569 827)
Net book amount at 31 March 2008	3 203 050	57 503	29 524	642 609	3 932 686
2007					
Net book amount at beginning of year	2 527 836	60 859	112 169	454 919	3 155 783
Additions	43 744	5	336 709	158 870	539 328
Disposals	(855)	–	–	(3 124)	(3 979)
Depreciation charge	(59 928)	(1 609)	–	(136 938)	(198 475)
Transfers	114 140	–	(138 174)	(3 114)	(27 148)
Currency translation	47 873	–	–	5 557	53 430
Net book amount at 31 March 2007	2 672 810	59 255	310 704	476 170	3 518 939
Cost	3 191 947	66 980	310 704	1 285 282	4 854 913
Accumulated depreciation	(519 137)	(7 725)	–	(809 112)	(1 335 974)
Net book amount at 31 March 2007	2 672 810	59 255	310 704	476 170	3 518 939

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

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Bank borrowings (refer note 19) are secured over the following assets:

	2009 Book value R'000	2008 Book value R'000	2007 Book value R'000
Land and buildings	1 857 237	155 978	143 596
Plant and equipment	822 943	14 926	10 624
	2 680 180	170 904	154 220

Refer to note 22 for details of assets held under finance leases.

	2009 R'000	2008 R'000	2007 R'000
7. GOODWILL			
Opening amount	349 496	356 696	356 696
Arising on acquisition of subsidiary	11 460	–	
Reversal of goodwill on disposal of associate	–	(7 200)	–
	360 956	349 496	356 696
Impairment test for goodwill:			
Goodwill is allocated to the Group's cash-generating units (CGU's) identified according to business segment.			
A segment-level summary of the goodwill allocation is presented below:			
South African Hotels Division	100 530	89 070	96 270
Montecasino precinct	260 426	260 426	260 426
	360 956	349 496	356 696

The Group performs an annual group valuation for purposes of valuing the shares that form part of the long-term incentive plans (refer note 23). This valuation method is the basis for valuing the groups of CGU's to which goodwill is allocated. This valuation represents the recoverable amounts for these groups. The carrying values of these groups are then deducted from their respective recoverable amounts to determine whether the allocated goodwill is impaired or not.

The annual valuation is based on an "Earning Before Interest, Tax, Depreciation and Amortisation" approach which utilises a multiple determined by two independent audit firms ("the experts") to determine the Group's enterprise value. This enterprise value is adjusted to equity value through adding the market value of cash less the market value of interest-bearing debt. This is performed for each of the Group's cash-generating units.

The multiple determined by the experts is based on comparable companies trading on the JSE, and is considered to represent a fair multiple that the Group would achieve were it to list. The multiple is a key input in determining the recoverable amount and for 2009 was determined to be 7.0 (2008: 8.65, 2007: 10.33). The recoverable amounts of the Group's cash-generating units were all higher than the carrying values for 2009, 2008 and 2007.

8. OTHER INTANGIBLE ASSETS

	Bid costs R'000	Management contract R'000	Computer software R'000	Trademark R'000	Total R'000
2009					
Net book amount at beginning of year	69 644	88	66 228	10 528	146 488
Additions	–	308	16 144	–	16 452
Transfers	9 352	–	1 690	–	11 042
Amortisation charge	(13 138)	–	(16 690)	(456)	(30 284)
Net book amount at 31 March 2009	65 858	396	67 372	10 072	143 698
Cost	169 155	274 229	159 633	11 402	614 419
Accumulated amortisation	(103 297)	(273 833)	(92 261)	(1 330)	(470 721)
Net book amount at 31 March 2009	65 858	396	67 372	10 072	143 698
Remaining lives of the intangible assets	3 – 6 years	Indefinite	1 – 5 years	22 years	
2008					
Net book amount at beginning of year	83 569	6 662	34 540	10 984	135 755
Additions	–	88	40 518	–	40 606
Transfers	–	–	4 765	–	4 765
Amortisation charge	(13 925)	(6 662)	(13 595)	(456)	(34 638)
Net book amount at 31 March 2008	69 644	88	66 228	10 528	146 488
Cost	159 803	273 921	141 799	11 402	586 925
Accumulated amortisation	(90 159)	(273 833)	(75 571)	(874)	(440 437)
Net book amount at 31 March 2008	69 644	88	66 228	10 528	146 488
Remaining lives of the intangible assets	1 – 7 years	Indefinite	1 – 5 years	23 years	
2007					
Net book amount at beginning of year	98 386	79 787	22 664	11 402	212 239
Additions	–	–	8 663	–	8 663
Transfers	–	–	27 146	–	27 146
Amortisation charge	(14 817)	(73 125)	(23 933)	(418)	(112 293)
Net book amount at 31 March 2007	83 569	6 662	34 540	10 984	135 755
Cost	159 803	273 833	96 516	11 402	541 554
Accumulated amortisation	(76 234)	(267 171)	(61 976)	(418)	(405 799)
Net book amount at 31 March 2007	83 569	6 662	34 540	10 984	135 755
Remaining lives of the intangible assets	1 – 8 years	1 month	1 – 5 years	24 years	

	2009 R'000	2008 R'000	2007 R'000
9. INVESTMENTS IN ASSOCIATES			
Listed and unlisted			
Balance at beginning of year	62 794	37 644	20 653
Acquisition of associate	1 314 669	19 371	2
Disposal of associate	–	(5 705)	–
Loans Granted	–	–	9 418
Loan repayments	–	(9 237)	(615)
Share of profit[1]	67 597	31 022	16 566
Dividends received	(11 363)	(10 301)	(8 380)
Balance at end of year	1 433 697	62 794	37 644

[1] Share of profit is after tax and minority interest of associates.

	2009 R'000	2008 R'000	2007 R'000
Capital			
Gold Reef Resorts Limited	1 359 832	–	–
Hotel Formula 1 (SA) (Pty) Ltd	39 767	30 089	19 740
Tsogo Sun Management Company (Pty) Ltd	9 345	7 680	–
Monte Cinemas (Pty) Ltd	19 957	21 188	–
Three Groups Cinemas (Pty) Ltd	2 544	1 584	2 053
Malelane Lodge (Pty) Ltd	–	–	(16 857)
Other	1 251	1 252	1 249
	1 432 696	61 793	6 185
Loans			
Tsogo Sun Management Company (Pty) Ltd	1 000	1 000	5 000
Monte Cinemas (Pty) Ltd	–	–	4 418
Malelane Lodge (Pty) Ltd	–	–	21 218
Other	1	1	823
	1 001	1 001	31 459
Total investment	1 433 697	62 794	37 644
The market value of listed investments included above is:			
Gold Reef Resorts Limited	1 082 350	–	–

The Group has the following interests in its principal associates:

Listed

– 23% in Gold Reef Resorts Limited:

During the 2009 financial year the Group acquired 23% of Gold Reef Resorts Limited, with voting rights over 33% which effectively gave the Group significant influence on 17 October 2008. This investment is equity accounted with effect from 17 October 2008. The Group owns 63,7 million shares of which 17,3 million have been granted as security for a subsidiary's borrowings.

	2009 R'000	2008 R'000	2007 R'000

9. INVESTMENTS IN ASSOCIATES (continued)

Unlisted

– 47,4% in Hotel Formula 1 (SA) (Pty) Ltd

– 50% in Tsogo Sun Management Company (Pty) Ltd.
The loan to Tsogo Sun Management Company (Pty) Ltd is unsecured, interest free and has no fixed terms of repayment.

– 49% in Monte Cinemas (Pty) Ltd

– 25% in Three Groups Cinemas (Pty) Ltd

The Group's interest in its principal associates were as follows:

	2009 R'000	2008 R'000	2007 R'000
Total assets	4 599 459	186 641	150 872
Total liabilities	(2 010 776)	(55 352)	(95 880)
Net assets	2 588 683	131 289	54 992
The Group's share of associates' net assets	626 085	61 306	23 710
Revenue	1 161 921	284 540	155 033
Profit for the year	246 836	66 345	33 249
Group's share of associates' profit for the year	67 597	31 022	16 566

The above associates are all incorporated in South Africa. These associates all have 31 March year ends with the exception of the following:

Gold Reef Resorts Limited	31 December
Hotel Formula 1 (SA) (Pty) Ltd	31 December
Tsogo Sun Management Company (Pty) Ltd	31 July

Associates are equity accounted using management prepared information on a basis coterminous with the Group's accounting reference date, with the exception of the following:

Monte Cinemas (Pty) Ltd and Tsogo Sun Management Company (Pty) Ltd, which are accounted for one month in arrears.

Gold Reef Resorts Limited has been included based on financial statements drawn up to 31 December 2008, but taking into account any changes in the period from 1 January 2009 to 31 March 2009 that would materially affect the Group's results.

The Group's share of:

	2009 R'000	2008 R'000	2007 R'000
Associates' contingent commitments	14 881	20 533	36 727
Associates' capital commitments	55 000	70 625	15 171

Refer note 48.5 for details of contingent commitments.

	2009 R'000	2008 R'000	2007 R'000

10. INVESTMENTS IN JOINT VENTURES

	2009 R'000	2008 R'000	2007 R'000
Capital			
The Cullinan Hotel (Pty) Ltd	–	87 302	80 621
Southern Sun Middle East LLC	715	932	241
United Resorts and Hotels Limited	59 812	62 893	67 611
	60 527	151 127	148 473
Loans			
United Resort and Hotels Limited	58 036	60 243	35 630
	58 036	60 243	35 630
Total investment	118 563	211 370	184 103

The Group has the following significant interests in joint ventures:

– 49% in Southern Sun Middle East Hotels LLC, a hotel management company established in Dubai.

– 50% in United Resorts and Hotels Limited, a hotel company established in Seychelles. The loans to United Resorts and Hotels Limited are unsecured. A loan of R50,1 million (2008: R46,9 million and 2007: R35,6 million) bears interest at 5% and has no fixed terms of repayment. The second loan of R7,9 million (2008: R13,3 million) bears interest at a floating rate currently 16,5% (2008: 11%) and is repayable on demand.

The 50% investment in The Cullinan Hotel (Pty) Ltd, a hotel company established in South Africa, is accounted for as a subsidiary after effective control was obtained with effect from 1 April 2008. Refer note 32.

Assets and liabilities of joint ventures:

The following amounts are not included in the Group's financial statements as the Group accounts for its investment in joint ventures on an equity basis:

	2009 R'000	2008 R'000	2007 R'000
Current assets	24 463	98 884	71 271
Non-current assets	348 985	542 697	304 593
Current liabilities	5 277	80 292	(68 376)
Non-current liabilities	228 008	230 682	(133 329)
Income	53 507	131 747	94 551
Expenses	56 805	115 826	92 297
Net	(3 298)	15 921	2 254
The Group's share of:			
Joint ventures' contingent commitments	–	–	–
Joint ventures' capital commitments *	–	49 037	40 372

* Of which R nil (2008: R27,7 million and 2007: R20 million) is subject to contractual negotiations.

	2009 R'000	2008 R'000	2007 R'000
11. AVAILABLE-FOR-SALE FINANCIAL ASSETS			
Unlisted held at fair value	6 896	20 293	33 738
Available-for-sale financial assets comprise:			
Redeemable preference shares	4 990	18 387	24 832
Lion King Production SA	–	–	7 000
Theatre productions	–	–	–
Umgeni River Bird Park (Pty) Ltd	–	–	–
NIB 72 Share Block (Pty) Ltd	392	392	392
JIA Piazzapark (Pty) Ltd loan	1 514	1 514	1 514
	6 896	20 293	33 738
Less: Current portion	(4 990)	(5 078)	–
	1 906	15 215	33 738

The above investments are included under this specific IFRS category by default as they do not qualify for inclusion under the alternative financial asset categories in terms of IFRS principles. The investments are not intended to be sold or realised in the near future.

Redeemable preference shares comprise investments in an unlisted company which is redeemable by 2010 and attract dividends at rates linked to prime rate.

The Group was a 25% equity investor in the Lion King Production SA. Lion King Production SA was responsible for staging the Lion King stage show at Montecasino's new theatre. The production has since ended and the equity investment repaid.

The investment in theatre productions comprises of High School Musical amounting to R2,1 million (2008 and 2007: R nil), Beauty and the Beast R1,6 million (2008 and 2007: R nil) and Showtime R0,1 million (2008 and 2007: R nil). These investments are considered to be impaired and accordingly have been written down to a nil value because the recovery of the amounts is considered uncertain.

The investment in Umgeni River Bird Park (Pty) Ltd of R180 900 (2008 and 2007: R180 900) is considered to be impaired and has accordingly been written down to a nil value because the company is not profitable and the carrying value will not be realised.

The NIB share block investment comprises an option to acquire a company that owns land and buildings in which the Group's subsidiary, Bedrose Investments (Pty) Ltd, operates a hotel. The option is exercisable on expiry of the lease in December 2015.

The JIA Piazzapark (Pty) Ltd loan comprises a working capital loan to the unlisted company, the loan bears interest at the RSA 153 rate plus 2% payable quarterly. The loan is to be repaid during 2016 on expiry of an management agreement unless the agreement is extended if agreed to by the parties concerned.

Other than as described above, there was no additional impairment provision of the above available-for-sale financial assets in 2009, 2008 and 2007.

Available-for-sale financial assets are all denominated in ZAR. The above carrying values approximate fair values.

The maximum exposure to credit risk at the reporting date is the fair value of the financial assets classified as available-for-sale. The Group does not hold any collateral as security. Other than as noted above in respect of theatre productions and Umgeni River Bird Park (Pty) Ltd, none of the financial assets are either past due or impaired.

12. DERIVATIVE FINANCIAL INSTRUMENTS

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.

	2009 R'000	2008 R'000	2007 R'000
(a) Interest rate swap – cash flow hedge			
– Asset	–	1 168	2 575
– Liability	54 882	–	–
	54 882	1 168	2 575
Less: Non-current portion	(31 087)	(1 168)	–
Current portion	23 795	–	2 575

There was no material ineffectiveness to the recorded net investment in the cash flow hedge.

The notional amounts of the outstanding interest rate swap contracts at 31 March 2009 were R100 million (2008: R100 million and 2007: R500 million) and R1 billion (2008 and 2007: R nil), at 31 March 2009 the fixed interest rates were 10,58% (2008: 10,58% and 2007: 8,69%) and 10,91% (2008 and 2007: n/a), respectively. The swap floating rates are linked to the 3-month Johannesburg Inter-Bank Agreed Rate ("JIBAR") rate. Gains and losses are recognised in the hedging reserve directly in equity (after tax).

	2009 R'000	2008 R'000	2007 R'000
(b) Options at fair value			
Options at fair value – liability	–	58 871	–

The Group had a written put option against it at a fixed price in respect of shares in a company listed on the JSE. The liability represented the difference, at balance sheet date, between the put option price and the market price of the underlying listed investment. The contract was settled in cash during the year under review.

	2009 R'000	2008 R'000	2007 R'000
13. NON-CURRENT RECEIVABLES			
At amortised cost			
Loans to minority shareholders	99 000	99 000	99 000
Other loans	10 704	11 995	14 448
Loans to development trusts	11 500	11 500	11 500
Prepayments	26 414	–	–
	147 618	122 495	124 948
Less: Current portion	(5 271)	–	–
Non-current portion	142 347	122 495	124 948

Loans to minority shareholders were entered into on 30 May 2006. The loans are repayable on the earlier of 31 May 2011 or as agreed to by all shareholders to Tsogo Sun KwaZulu-Natal (Pty) Ltd, a subsidiary of the Group. Interest is charged at rates linked to JIBAR and settlement occurs bi-annually on the last day of March and September. The loans are secured by a cession of claims by these minority shareholders to loan accounts in Ripple Effect 31 (Pty) Ltd, a subsidiary of the Group.

Other loans comprise the following:

A loan to Central Bank of Seychelles of R10,7 million (2008: R11,9 million and 2007: R14,4 million) which accrues interest at 5% per annum. The Central Bank of Seychelles will pay annual instalments equal to the Seychelles Rupee equivalents of the US Dollar amount of foreign exchange to PTD Limited (a subsidiary company of the Group).

13. NON-CURRENT RECEIVABLES (continued)

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

Prepayments comprise mainly borrowing costs, which include all non-interest finance costs incurred on borrowing instruments together with related costs of debt facilities management which are amortised through borrowing costs over five years, the life of the related facilities.

The above values approximate fair value.

There were no disposals or impairment provisions on non-current receivable financial assets in 2009, 2008 and 2007.

Total non-current receivable financial assets are denominated in the following currencies:

	2009 R'000	2008 R'000	2007 R'000
SA Rand	136 914	110 500	110 500
US dollar	10 704	11 995	14 448
	147 618	122 495	124 948

The maximum exposure to credit risk at the reporting date is the fair value of the loans classified as non-current receivables. The Group does not hold any collateral as security.

None of the non-current receivable financial assets are either past due or impaired.

	2009 R'000	2008 R'000	2007 R'000
14. DEFERRED INCOME TAX			
Net deferred tax asset at beginning of year	(197)	(4 614)	(276)
Subsidiary previously accounted for as joint venture	14 031	–	–
Deferred tax liability on asset revaluation surplus	86 350	–	–
Income statement charge	18 197	6 947	(3 088)
Deferred tax asset on cash flow hedge through equity	(15 694)	(420)	747
Deferred tax rate change (1%)	–	550	–
Currency translation	(5 903)	(2 660)	(1 997)
Net deferred tax liability/(asset) at end of year	96 784	(197)	(4 614)

14. DEFERRED INCOME TAX (continued)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdictions, is as follows:

	Accelerated tax allowances R'000	Other assets R'000	Provisions and accruals R'000	Deferred revenue R'000	Fair value gains R'000	Total R'000
Deferred tax liabilities						
Deferred tax liability at 1 April 2006	**105 896**	**1 666**	**(55 996)**	**(1 766)**	**–**	**49 800**
Charged to the income statement						
– current year	10 332	(967)	(3 666)	(4 732)	–	967
Deferred tax liability on cash flow hedge						
through equity	–	–	–	–	747	747
Currency translation	(3 284)	–	–	–	–	(3 284)
Deferred tax liability at 31 March 2007	**112 944**	**699**	**(59 662)**	**(6 498)**	**747**	**48 230**
Charged to the income statement						
– current year	4 600	1 137	5 276	(2 473)	400	8 940
Deferred tax rate change (1%)	4 218	68	(1 250)	(333)	(400)	2 303
Deferred tax liability on cash flow hedge						
through equity	–	–	–	–	(420)	(420)
Currency translation	(2 660)	–	–	–	–	(2 660)
Deferred tax liability at 31 March 2008	**119 102**	**1 904**	**(55 636)**	**(9 304)**	**327**	**56 393**
Subsidiary previously accounted as joint venture	16 217	21	(451)	(1 756)	–	14 031
Charged to the income statement						
– current year	5 392	3 427	1 434	(793)	–	9 460
Deferred tax liability on cash flow hedge						
through equity	–	–	–	–	(327)	(327)
Deferred tax liability on asset revaluation surplus	86 350	–	–	–	–	86 350
Currency translation	(5 903)	–	–	–	–	(5 903)
Deferred tax liability at 31 March 2009	**221 158**	**5 352**	**(54 653)**	**(11 853)**	**–**	**160 004**

	Accelerated tax allowances R'000	Other assets R'000	Provisions and accruals R'000	Deferred revenue R'000	Tax losses R'000	Fair value gains R'000	Total R'000
Deferred tax assets							
Deferred tax asset at							
1 April 2006	(42 845)	394	80 780	1 519	10 228	–	50 076
Charged to the income statement							
– current year	(6 668)	(619)	6 694	3 260	1 388	–	4 055
Currency translation	–	–	–	–	(1 287)	–	(1 287)
Deferred tax asset at							
31 March 2007	**(49 513)**	**(225)**	**87 474**	**4 779**	**10 329**	**–**	**52 844**
Charged to the income statement							
– current year	(1 418)	1 674	1 550	(2 221)	2 436	(27)	1 994
Deferred tax rate change (1%)	(1 675)	54	3 252	94	–	27	1 752
Deferred tax asset at							
31 March 2008	**(52 606)**	**1 503**	**92 276**	**2 652**	**12 765**	**–**	**56 590**
Charged to the income statement							
– current year	(15 884)	(4 069)	7 663	1 902	1 651	–	(8 737)
Deferred tax liability on cash							
flow hedge through equity	–	–	–	–	–	15 367	15 367
Deferred tax asset at							
31 March 2009	**(68 490)**	**(2 566)**	**99 939**	**4 554**	**14 416**	**15 367**	**63 220**

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

Deferred tax is provided on the full estimated tax loss of the Group of R48,4 million (2008: R42,7 million and 2007: R38,7 million) mainly incurred by Southern Sun Hotels (Tanzania) Limited.

	2009 R'000	2008 R'000	2007 R'000

15. INVENTORIES

	2009 R'000	2008 R'000	2007 R'000
Food and beverage	22 332	20 195	11 742
Operating equipment	94 543	78 199	69 024
Consumable stores	9 738	10 866	10 093
	126 613	109 260	90 859

The cost of inventories recognised as an expense and included in other operating expenses amounted to R211,1 million (2008: R196,6 million and 2007: R164,6 million).

16. TRADE AND OTHER RECEIVABLES

	2009 R'000	2008 R'000	2007 R'000
Trade receivables	240 938	256 809	176 048
Management fee receivables	5 373	55 423	42 943
Other receivables	97 114	75 539	100 706
Prepayments	27 806	16 113	13 551
Less: Provision for impairment of receivables	(17 150)	(15 556)	(8 065)
Trade and other receivables – net	354 081	388 328	325 183
Umgeni River Bird Park (Pty) Ltd	19 944	18 823	18 823
Less: Provision for impairment	(19 944)	(18 823)	(18 823)
Umgeni River Bird Park (Pty) Ltd – net	–	–	–
	354 081	388 328	325 183

The above values approximate fair value.

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

Past due but not impaired – trade receivables:

At 31 March 2009, trade receivables of R83,7 million (2008: R123,1 million and 2007: R52,2 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 receivable is as follows:

	2009 R'000	2008 R'000	2007 R'000
30 to 60 days	50 112	49 922	33 915
60 to 90 days	9 448	16 372	6 873
More than 90 days	24 093	56 772	11 413
	83 653	123 066	52 201

Impairment – trade receivables:

At 31 March 2009, trade receivables of R16,4 million (2008: R18,2 million and 2007: R7,7 million) were impaired. The amount of the provision was R16,4 million as of 31 March 2009 (2008: R13,8 million and 2007: R7,7 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.

16. TRADE AND OTHER RECEIVABLES (continued)

Movements on the provision for impairment of trade receivables are as follows:

	2009 R'000	2008 R'000	2007 R'000
Balance at 1 April	13 816	7 729	16 187
Provision for receivables impairment	3 742	7 454	15
Receivables written off during the year as uncollectible	(46)	186	3 159
Unused amounts reversed	(1 118)	(1 553)	(11 632)
Balance at 31 March	16 394	13 816	7 729

Past due but not impaired – other receivables:

Other receivables consist mainly of fees due and various staff loans for educational assistance and advances. At 31 March 2009, other receivables of R34,9 million (2008: R14,4 million and 2007: R15,2 million) were past due but not impaired. These relate mainly to fees due, various staff loans, banqueting debtors, vending commission and unredeemed promotional chips. The ageing analysis of these other receivables is as follows:

	2009 R'000	2008 R'000	2007 R'000
Up to 3 months	13 622	3 530	3 700
3 to 6 months	1 264	2 000	4 789
More than 6 months	19 961	8 857	6 737
	34 847	14 387	15 226

Impairment – other receivables:

At 31 March 2009, other receivables of R0,8 million (2008: R1,7 million and 2007: R0,3 million) were impaired. The amount of the provision was R0,8 million as of 31 March 2009 (2008: R1,7 million and 2007: R0,3 million). The individually impaired receivables mainly relate to uncollectable and long outstanding debtors.

Movements on the provision for impairment of other receivables are as follows:

	2009 R'000	2008 R'000	2007 R'000
Balance at 1 April	1 740	335	(6 049)
Provision for receivables impairment	83	1 405	5
Receivables written off during the year as uncollectible	(1 067)	–	(9)
Unused amounts reversed	–	–	6 388
Balance at 31 March	756	1 740	335

For both trade and other receivables the creation and release of provision for impaired receivables have been included in other expenses in the income statement (note 37). There is no unwind of discount. Amounts charged to the provision account are written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables and management fee receivables do not contain past due or impaired assets.

The value of the loan to Umgeni River Bird Park (Pty) Ltd has been impaired in full as the entity is making losses.

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

	2009 R'000	2008 R'000	2007 R'000
SA Rand	299 719	341 960	293 733
US dollars	28 630	17 930	8 046
Euro	10 152	11 173	10 345
Tanzanian Shilling	280	2 066	2 283
Mozambiquan Meticals	5 511	4 976	3 890
Zambian Kwacha	5 582	6 177	4 683
Seychelles Rupee	4 207	4 046	2 203
	354 081	388 328	325 183

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

	2009 R'000	2008 R'000	2007 R'000

17. CASH AND CASH EQUIVALENTS

	2009 R'000	2008 R'000	2007 R'000
Current accounts	410 076	171 742	114 349
Call accounts	41 955	138 246	49 055
Cash	54 101	32 956	50 233
	506 132	342 944	213 637

Certain of the Group's bank accounts have been pledged as security for the Group's borrowings (refer note 19).

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

18. ORDINARY SHARE CAPITAL AND PREMIUM

	2009 R'000	2008 R'000	2007 R'000
Authorised			
306 000 000 "A" class ordinary shares of 0.01 cent each	31	31	31
294 000 000 "B" class ordinary shares of 0.01 cent each	29	29	29
120 000 000 "C" class shares of 0.01 cent each	12	12	12
	72	72	72
Issued			
127 500 000 "A" class ordinary shares of 0.01 cent each	13	13	13
122 500 000 "B" class ordinary shares of 0.01 cent each	12	12	12
	25	25	25

The "A", "B" and "C" class ordinary shares rank pari passu in all respects in terms of the Articles of Association of the Company.

	2009 R'000	2008 R'000	2007 R'000
Unissued shares under the control of the directors			
178 500 000 "A" class ordinary shares of 0.01 cent each	18	18	18
171 500 000 "B" class ordinary shares of 0.01 cent each	17	17	17
120 000 000 "C" class shares of 0.01 cent each	12	12	12
	47	47	47
Share premium	1 074 087	1 074 087	1 074 087
Total ordinary share capital and premium	1 074 112	1 074 112	1 074 112

19. BORROWINGS

(Excluding leases and preference share capital and premium)

At amortised cost:

	2009 R'000	2008 R'000	2007 R'000
Bank borrowings	3 186 048	654 218	1 086 374
Minority shareholders	99 000	99 000	99 000
	3 285 048	753 218	1 185 374
Current portion of borrowings	(1 115 459)	(425 701)	(532 558)
Long and medium-term borrowings	2 169 589	327 517	652 816
Secured	3 164 048	610 218	803 406
Unsecured	121 000	143 000	381 968
	3 285 048	753 218	1 185 374

	2009 R'000	2008 R'000	2007 R'000

19. BORROWINGS (continued)

The following represents the book amount of the security for these borrowings:

	2009 R'000	2008 R'000	2007 R'000
Property, plant and equipment (refer note 6)	2 680 180	170 904	154 220
Pledge of cash in bank accounts	225 061	–	–
Cession of Gold Reef Resorts Limited shares	369 901	–	–
Guarantees (residual after pledge of above assets)	54 737	590 655	780 726
Representing lenders' gross exposures	3 329 879	761 559	934 946

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

Carrying amount

Analysis of long and medium-term borrowings:

	2009 R'000	2008 R'000	2007 R'000
Bank borrowings	2 070 589	228 517	553 816
Minority shareholders	99 000	99 000	99 000
	2 169 589	327 517	652 816

The fair value of current borrowings approximates their carrying amount as the impact of discounting is not significant. The fair values of long and medium-term borrowings are based on cash flows discounted using commensurate variable rates chargeable by the lenders of the above loans ranging between 10,70% and 12,24% (2008: 10,56% to 15,05% and 2007: 9,77% to 12,25%).

	2009 R'000	2008 R'000	2007 R'000
Total borrowings:			
At fixed rates	25 119	51 943	678 784
At floating rates	3 259 929	701 275	506 590
	3 285 048	753 218	1 185 374
The Group has the following committed direct facilities (from banks and minority lenders):			
Expiring within 1 year	1 356 504	1 145 009	1 197 448
Expiring beyond 1 year	4 069 579	629 554	859 170
	5 426 083	1 774 563	2 056 618

The undrawn facility of the committed direct bank amounted to R2 141 million (2008: R1 021 million and 2007: R871 million).

The carrying amounts of the Group's borrowings are denominated in the following currencies:

Analysis by currency:

	2009 R'000	2008 R'000	2007 R'000
SA Rand	3 274 965	733 655	1 162 694
US Dollar	10 083	19 563	22 680
	3 285 048	753 218	1 185 374
	%	%	%
Weighted average effective interest rates (excluding leases)	12,69	9,43	9,03

	2009 R'000	2008 R'000	2007 R'000

20. PREFERENCE SHARE CAPITAL AND PREMIUM

	2009 R'000	2008 R'000	2007 R'000
At amortised cost			
By subsidiary company:			
Authorised and issued			
240 (2008 and 2007: 240) redeemable cumulative non-participating shares of R1 each	*	*	*
Premium of R999 999 per share	240 000	240 000	240 000
	240 000	240 000	240 000

* Amount less than R1 000.

Shares were subscribed for on 30 May 2006. Dividends accrue on a quarterly basis at rates linked to the three-month JIBAR rate. Dividends are declared and paid end of September and March annually. The preference shares are redeemable by 31 May 2011. The Group shall be entitled, but not obliged, on not less than 30 days' prior written notice to that effect given to the holder of the preference shares to redeem all or any of the preference shares for the redemption amount provided that various conditions apply.

Preference share capital and premium is denominated in ZAR.

The fair value of preference share capital and premium approximates the carrying amount, as the impact of discounting is not significant, The fair values are based on cash flows discounted using a rate based on the year-end borrowing rate of 9,57% (2008: 9,33% and 2007: 7,81%).

21. RETIREMENT BENEFIT INFORMATION

Pension

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

Medical aid

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

	2009 R'000	2008 R'000	2007 R'000
Present value of funded obligations	33 547	31 612	38 042
Fair value of plan assets	(21 380)	(18 835)	(18 286)
	12 167	12 777	19 756
Unrecognised actuarial gains	6 205	7 015	3 446
Unrecognised past service costs	6 509	6 269	(1 448)
Liability per the balance sheet	24 881	26 061	21 754
The movement in the defined benefit obligation is as follows:			
Defined benefit obligation at start of year	31 612	38 042	29 709
Current service cost	589	2 026	1 311
Interest cost	2 706	2 916	2 738
Past service cost	–	(6 813)	–
Actuarial losses/(gains)	393	(3 178)	5 654
Expected employer benefit payments	(1 753)	(1 381)	(1 370)
Defined benefit obligation at end of year	33 547	31 612	38 042
The movement in the fair value of plan assets is as follows:			
Fair value of plan assets at start of year	(18 835)	(18 286)	(15 859)
Expected return on plan assets	(1 751)	(1 539)	(1 091)
Actuarial gains	(2 547)	(391)	(2 706)
Expected benefit payments from plan assets	1 753	1 381	1 370
Fair value of plan assets at end of year	(21 380)	(18 835)	(18 286)

21. RETIREMENT BENEFIT INFORMATION (continued)

The assets of the medical aid scheme comprises cash for 2009, 2008 and 2007 with fair values of R21,4 million, R18,8 million and R18,3 million, respectively.

The expected long-term rate of return on medical aid assets is 10%. This is determined by considering the weighted expected return of each asset class within the fund.

The fund is actively managed and returns are based on both the expected performance of the asset class and the performance of the fund managers.

No contributions are expected to be paid into the Group's defined benefit scheme during the annual period after 31 March 2009 (2008 and 2007: Rnil).

	2009 R'000	2008 R'000	2007 R'000
The amounts recognised in the income statement under other operating expenses are as follows:			
Current service cost	589	2 026	1 311
Interest on obligation	2 707	2 917	2 738
Expected return on plan assets	(1 751)	(1 539)	(1 091)
Net actuarial gains	(2 965)	–	(1 711)
Past service cost	240	904	904
Total included in employee costs	(1 180)	4 308	2 151
Actual return on plan assets	2 545	1 699	1 166
The principal actuarial assumptions used for the valuation were:	%	%	%
Discount rate	9,00	8,75	7,75
Healthcare cost inflation	7,25	7,50	6,75
Expected return on plan assets	10,00	9,75	8,75
Remuneration inflation	6,75	7,00	6,25

	Decrease R'000	Increase R'000
At 31 March 2009, the effects of a 1% movement in the assumed medical cost trend rate were as follows:		
Effect on the current service cost and interest cost	2 577	3 308
Effect on the post-retirement medical aid liability	26 691	33 846

	2009 R'000	2008 R'000	2007 R'000	2006 R'000	2005 R'000
Five-year historical information: At 31 March					
Present value of defined benefit obligations	33 547	31 612	30 798	29 121	24 948
Fair value of plan assets	(21 380)	(18 835)	(18 286)	(15 450)	(13 567)
Deficit	12 167	12 777	12 512	13 671	11 381
Experience adjustments on plan liabilities	(2 384)	1 641	2 786	(821)	5 547
Experience adjustments on plan assets	2 547	391	2 976	1 019	(430)

	2009 R'000	2008 R'000	2007 R'000
22. OBLIGATIONS UNDER FINANCE LEASE			
Total liability	65 523	67 462	70 207
Short-term portion transferred to current liabilities	(3 121)	(1 931)	(3 135)
	62 402	65 531	67 072
The minimum lease payments under the lease liabilities are due as follows:			
Not later than 1 year	10 827	10 003	10 589
Later than 1 year and not later than 5 years	54 963	50 181	44 802
Later than 5 years	35 221	51 155	59 921
	101 011	111 339	115 312
Future finance charges	(35 488)	(43 877)	(45 105)
Present value of finance lease liabilities	65 523	67 462	70 207
The present value of finance lease liabilities are as follows:			
Not later than 1 year	10 195	9 416	10 626
Later than 1 year and not later than 5 years	38 180	34 776	35 454
Later than 5 years	17 148	23 270	24 127
	65 523	67 462	70 207

Two properties of the Group have been financed by means of finance leases with banking institutions. Interest rates vary from 12,16% to 12,1% and the leases expire between calendar years 2015 and 2016. On expiry of these leases, all the risks and rewards of ownership of the properties will transfer to the Group. Refer to note 6 for details of book values of leased land and buildings.

23. LONG-TERM INCENTIVE LIABILITIES

The Group operates long-term incentive plans. Liabilities equal to the current fair values are recognised at each balance sheet date. The moves in the fair value of these liabilities are expensed.

The fair value is expensed over the period as services are rendered by the employees. In terms of the rules, the fair values of the payments are determined using the application of an Earnings Before Interest, Tax and Amortisation (pre-exceptional items) ("EBITDA") based formula as described in note 7.

The two long-term incentive payment plans are as follows:

23.1 The Tsogo Sun Group Share Incentive Plan which closed out during the 2009 financial year, was a long-term incentive plan whereby participants received a cash settlement on exercise and delivery of options. Share options were granted at the fair value price of the shares on the date of the grant less a discount of 2%, and were exercisable at that price. Options only began to vest from three years after they were allocated. After three years 25% vested, an additional 25% vested after four years, and after five years the remaining options fully vested. Options expired after a maximum period of eight years. The charge was not reversed if the options were not exercised where the market value of the shares was lower than the option price at the date of grant. When an option was exercised the option holder received the differential between the strike/grant price and the fair value of the underlying shares in cash which fair value was determined by reference to a pre-determined formula, as noted above.

The Group recognised a total expense of R37,9 million (2008: R106,9 million and 2007: R238,6 million) related to long-term incentive transactions during the year and at 31 March 2009 the Group has recorded liabilities of R nil million (2008: R288,8 million and 2007: R326 million) in respect of this long-term incentive plan. The current portion of this liability is R nil million (2008: R288,8 million and 2007: R125,4 million).

23. LONG-TERM INCENTIVE LIABILITIES (continued)

23.1 (continued)

Movements in the number of share options during the year and their related weighted average exercise prices were as follows:

	2009		2008		2007	
	Number of shares	Weighted average exercise price per share R	Number of shares	Weighted average exercise price per share R	Number of shares	Weighted average exercise price per share R
Outstanding at beginning of year	5 108 686	8,92	7 491 762	8,92	13 227 216	8,92
Exercised during the year	(5 108 686)	72,87	(2 383 076)	69,40	(5 735 454)	45,44
Outstanding at end of year	–		5 108 686		7 491 762	
Exercisable at end of year	–		5 108 686		2 497 254	

23.2 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 notional growth in the Group'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. The 2009 allocation vests in full three years after date of allocation.

The Group recognised a reversal of R5,9 million (2008: R17,9 million expense and 2007: R8,4 million expense) related to the bonus appreciation plan during the year and at 31 March 2009 the Group has recorded liabilities of R20,3 million (2008: R31,8 million and 2007: R13,9 million) in respect of this plan. The current portion of this liability is R7,7 million (2008: R5 million and 2007: R nil).

	2009 R'000	2008 R'000	2007 R'000
24. NON-CURRENT PROVISIONS AND LIABILITIES			
Straight-lining of operating leases	271 588	261 761	247 319
Accrual for intangible – bid costs	23 000	71 000	–
Less: Current portion	(30 515)	(52 220)	(3 312)
	264 073	280 541	244 007

25. DEFERRED INCOME

Previously the Group accounted for its customer loyalty programmes in terms of *IFRIC 13 Customer Loyalty Programmes* however the liability on the balance sheet was allocated as provisions. This has now been reallocated, in terms of IFRIC 13, to deferred revenue. Accordingly comparative figures have been restated.

	2009 R'000	2008 R'000	2007 R'000
Frequent guest programme			
At beginning of year	35 481	31 645	39 717
Created during the year	21 781	50 262	38 341
Utilised during the year	(21 950)	(46 426)	(46 413)
At the end of year	35 312	35 481	31 645
The expected timing of the utilisation of the above provisions is as follows:			
Frequent guest programme – within three years:			
– non-current	3 667	20 637	18 406
– current	31 645	14 844	13 239
	35 312	35 481	31 645

	2009 R'000	2008 R'000	2007 R'000

26. TRADE AND OTHER PAYABLES

	2009 R'000	2008 R'000	2007 R'000
Trade payables	112 411	100 411	95 777
VAT payable	17 626	42 933	37 119
Capital payables	2 459	28 485	17 629
Payroll related payables	37 089	35 094	38 320
Current portion of non-current provisions and liabilities	30 515	52 220	3 312
Other, including sundry accruals	558 382	374 265	365 272
	758 482	633 408	557 429

27. PROVISIONS

	2009 R'000	2008 R'000	2007 R'000
At beginning of year			
Incentives	69 050	65 158	53 346
Jackpot provisions	10 326	17 892	13 125
	79 376	83 050	66 471
Created during the year			
Incentives	42 185	76 417	68 879
Jackpot provisions	33 091	49 695	58 837
	75 276	126 112	127 716
Utilised during the year			
Incentives	(37 631)	(72 525)	(57 067)
Jackpot provisions	(35 456)	(57 261)	(54 070)
	(73 087)	(129 786)	(111 137)
At the end of year			
Incentives	73 604	69 050	65 158
Jackpot provisions	7 961	10 326	17 892
	81 565	79 376	83 050

Incentive and jackpot provisions – due to the nature of these provisions the timing of their utilisations is uncertain, however it is not expected to be longer than twelve months.

28. CONTINGENT LIABILITIES

	2009 R'000	2008 R'000	2007 R'000
Staff loans and guarantees	500	500	500
Operating lease guarantees	14 881	28 674	36 727
	15 381	29 174	37 227

29. COMMITMENTS

	2009 R'000	2008 R'000	2007 R'000
Operating lease commitments (see note 30)	1 379 814	1 462 706	1 514 951

The present value of the contingencies and commitments per notes 28 and 29 above is R711,2 million (2008: R752,3 million and 2007: R837,3 million).

	2009 R'000	2008 R'000	2007 R'000

30. OPERATING LEASE ARRANGEMENTS

Operating lease arrangements where the Group is a lessee

At the balance sheet date the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2009 R'000	2008 R'000	2007 R'000
Due within 1 year	138 391	134 890	132 436
Due after 1 year but before 5 years	461 292	511 635	547 405
Due after 5 years	780 131	816 181	835 110
	1 379 814	1 462 706	1 514 951

The operating lease commitments relate mainly to leases of property within the Group's portfolio of hotels, as well as its convention centre and head office.

Operating lease arrangements where the Group is a lessor

The Group rents out shops in its gaming and hotels properties. Property rental income earned during the year was R54 million (2008: R55 million and 2007: R37 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:

	2009 R'000	2008 R'000	2007 R'000
Due within 1 year	26 023	19 537	14 462
Due after 1 year but before 5 years	64 374	57 474	26 323
Due after 5 years	2 709	3 902	3 827
	93 106	80 913	44 612

31. FUTURE CAPITAL EXPENDITURE

	2009 R'000	2008 R'000	2007 R'000
Authorised by directors but not yet contracted for:			
Property, plant and equipment	842 029	987 810	815 029
Intangible assets: software	68 971	60 266	53 800
	911 000	1 048 076	868 829
Authorised by directors and contracted to be expended:			
Property, plant and equipment	663 000	17 108	110 540
Intangible assets: software	–	3 002	1 800
	663 000	20 110	112 340

32. BUSINESS COMBINATIONS

32.1 Effective control over The Cullinan Hotel (Pty) Ltd ("Cullinan")

On 1 April 2008 the Group obtained effective control in Cullinan which was previously accounted for as a joint venture. The Group holds 50% of the share capital of Cullinan. Effective control of Cullinan was obtained through revised management contracts giving the Group control of the operating and financial policies of the business. The consolidation of Cullinan contributed revenues of R170,7 million and a profit after tax of R9,9 million to the Group from the date of effective control of 1 April 2008 to 31 March 2009.

The asset revaluation reserve of R131 million recognised in equity is attributable to the revaluation of assets, liabilities and contingent liabilities on 1 April 2008 being the date the entity was accounted for as a subsidiary and no longer as a joint venture. There was no flow of cash on the obtaining of effective control.

32. BUSINESS COMBINATIONS (continued)

32.2 Details of the net assets acquired and goodwill at date of conversion:

	Fair value of assets on conversion R'000	Original carrying value of assets R'000
Non-current assets		
Property, plant and equipment	531 484	184 284
Current assets		
Inventories	1 389	1 389
Trade and other receivables	28 928	28 928
Cash and cash equivalents	32 786	32 786
Current liabilities		
Deferred tax liabilities	(100 381)	(15 841)
Trade and other payables	(52 834)	(52 834)
Taxation payable	(17 376)	(17 376)
	423 996	161 336
Minority share of net assets of Cullinan	(211 998)	
Group share of net assets recognised on change in control	211 998	
Group carrying value of investment in Cullinan	(223 458)	
Goodwill recognised on change in control	11 460	

	2009 R'000	2008 R'000	2007 R'000
33. REVENUE			
Hotel revenue	1 743 531	1 441 224	1 140 533
Food and beverage revenue	552 408	469 893	412 262
Management fees earned	291 546	123 104	91 410
Other revenue	89 317	241 546	182 601
	2 676 802	2 275 767	1 826 806
34. GAMING LEVIES AND VAT			
Gaming taxes	287 091	284 364	256 938
VAT	365 051	362 915	329 093
Other	4 062	3 761	3 320
	656 204	651 040	589 351

	2009 R'000	2008 R'000	2007 R'000

35. AMORTISATION AND DEPRECIATION

	2009 R'000	2008 R'000	2007 R'000
Amortisation of intangibles			
Management contract	–	6 662	73 125
Bid costs	13 138	13 925	14 817
Trademarks	456	456	418
Computer software	16 690	13 595	23 933
	30 284	34 638	112 293
Depreciation			
Owned assets			
Properties	54 899	98 676	79 149
Plant, vehicles and equipment	289 534	174 013	136 938
	344 433	272 689	216 087
Leased assets			
Properties	1 990	1 609	1 609
Total depreciation	346 423	274 298	217 696
Total amortisation and depreciation	376 707	308 936	329 989

36. PROPERTY AND EQUIPMENT RENTALS

	2009 R'000	2008 R'000	2007 R'000
Properties	152 093	147 339	142 227
Plant, vehicles and equipment	30 127	26 141	19 431
	182 220	173 480	161 658

	2009 R'000	2008 R'000	2007 R'000

37. OTHER OPERATING EXPENSES

Other operating expenses comprise the following:

	2009 R'000	2008 R'000	2007 R'000
Employee benefit expense	1 148 224	1 114 940	1 173 313
Salaries and wages	1 026 378	912 464	849 673
Termination benefits	474	123	12 900
Pension – defined contribution plans	75 558	65 966	60 341
Other post-retirement benefits (medical aid, etc)	13 750	11 574	3 406
Long-term incentive charges	32 064	124 813	246 993
Auditors' remuneration	10 815	8 583	8 093
Audit fees	8 153	7 418	6 784
Tax services	554	178	762
Other services and expenses	2 108	987	547
Administration fees	588	588	1 455
External consultants remuneration	39 677	30 009	18 586
Food and beverage costs	211 276	196 672	164 570
Impairment charge for bad and doubtful debts	5 765	4 441	3 252
Impairment reversal for non-current receivable	–	–	(6 388)
Information technology related costs	30 647	18 378	17 152
Net foreign exchange losses/(gains)	4 770	(14 446)	7 358
Property costs – rates, water and electricity	139 109	108 030	92 785
Repairs and maintenance expenditure	171 027	157 416	131 302
Rooms departmental expenses	129 815	118 947	108 892
Other expenses	752 323	663 609	542 563
Fair value loss on derivative	132 008	58 871	–
Gain on sale of associate	–	(24 826)	–
Impairment charge for property, plant and equipment	3 271	2 500	–
Profit on disposal of property, plant and equipment	(11 252)	(38 127)	(1 648)
Total other operating expenses	2 768 063	2 405 585	2 261 285

38. INTEREST INCOME

	2009 R'000	2008 R'000	2007 R'000
Interest income on available-for-sale financial assets	–	156	152
Interest received from banks and collective investment institutions	18 776	7 442	18 704
Interest received from minority shareholders	15 176	13 449	9 491
Preference dividends	680	2 240	1 932
Interest income – other	832	1 985	824
	35 464	25 272	31 103

39. FINANCE COSTS

	2009 R'000	2008 R'000	2007 R'000
Finance costs in respect of interest bearing debt	354 720	72 068	107 700
Interest paid to minority shareholders	–	13 449	9 491
Preference dividends	23 925	20 698	14 496
Interest on finance leases	8 029	6 830	8 192
Finance costs – other	696	–	11
Less: Interest capitalised	(5 067)	–	(19 221)
	382 303	113 045	120 669

	2009 R'000	2008 R'000	2007 R'000

40. INCOME TAX EXPENSE

	2009 R'000	2008 R'000	2007 R'000
Current – current year	492 687	594 264	480 055
Current – prior year	(71 507)	14 923	4 016
Deferred – current year	13 815	(1 757)	(3 739)
Deferred – prior year	4 382	8 704	651
Secondary Tax on Companies	133 350	33 378	102 737
Capital Gains Tax	–	5 172	504
Withholding taxes	6 715	4 248	–
Deferred tax rate change (1%)	–	550	–
	579 442	659 482	584 224

Income tax reconciliation

	2009 R'000	%	2008 R'000	%	2007 R'000	%
Profit before income tax and share of profit of associates and joint ventures	1 590 245		1 871 943		1 315 594	
Income tax thereon at 28% (2008 and 2007: 29%)	445 269	28,0	542 863	29,0	381 522	29,0
Disallowed expenditure	69 281	4,4	69 617	3,9	105 643	8,0
Exempt income	(3 435)	(0,2)	(19 606)	(1,0)	(10 483)	(0,8)
Prior year charges	(67 125)	(4,2)	23 627	1,3	4 667	0,4
Secondary Tax on Companies	133 350	8,4	33 378	1,8	102 737	7,8
Capital Gains Tax	–	–	5 172	0,3	504	–
Withholding taxes	6 715	0,4	4 248	0,2	–	–
Foreign tax rate differential	(4 613)	(0,3)	(366)	–	(366)	–
Deferred tax rate change (1%)	–	–	549	–	–	–
Income tax charge	579 442	36,5	659 482	35,2	584 224	44,4

41. RECONCILIATION OF EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY TO HEADLINE EARNINGS AND ADJUSTED EARNINGS

	2009		2008		2007	
	Gross R'000	Net R'000	Gross R'000	Net R'000	Gross R'000	Net R'000
Earnings attributable to equity holders of the Company		908 456		1 122 314		652 774
IAS 16 gains on disposal of property	(10 734)	(10 734)	(38 099)	(28 163)	(3 100)	(2 600)
IAS 16 loss on disposal of plant and equipment	(518)	(917)	(28)	(171)	1 452	1 027
IAS 16 Impairment of plant and equipment	3 271	1 120	2 500	772	–	–
IAS 28 gains on disposal of associate	–	–	(24 826)	(22 912)	–	–
IAS 36 reversal of loan impairment	–	–	–	–	(6 388)	(6 388)
Excess of fair value of assets acquired of associate	–	–	4 489	4 489	(9 420)	(9 420)
Headline earnings		897 925		1 076 329		635 393
Re-branding costs	–	–	15 745	12 478	1 220	2 252
Pre-opening expenses	–	–	2 814	1 998	3 506	8 675
Fair value loss on derivative	132 008	132 008	58 871	58 871	–	–
Adjusted earnings		1 029 933		1 149 676		646 320
Adjusted earnings – (decrease)/increase		(10,4%)		77,9%		18,0%
Basic and diluted headline earnings per share (cents)		359		431		254
Basic and diluted earnings per share (cents)		363		449		261

42. EARNING BEFORE INTEREST, INCOME TAX, DEPRECIATION, AMORTISATION AND PROPERTY RENTALS ("EBITDAR")

	2009 R'000	2008 R'000	2007 R'000
Group EBITDAR pre exceptional items is made up as follows:			
Operating profit	1 937 084	1 959 716	1 405 160
Add:			
Property rentals	152 093	147 339	142 227
Amortisation and depreciation	376 707	308 936	329 989
Long-term incentives	32 064	124 813	246 993
	2 497 948	2 540 804	2 124 369
Add/(Less): Exceptional losses/(profits)	124 027	21 466	(12 730)
Capital profit on assets	(11 252)	(62 953)	(1 648)
Fair value loss on financial instruments	132 008	58 871	–
Impairment of property, plant and equipment	3 271	2 500	–
Re-branding costs	–	15 745	1 220
Pre-opening expenses	–	2 814	3 506
Reversal of Impairment	–	–	(6 388)
Excess of fair vale of assets acquired	–	4 489	(9 420)
EBITDAR – pre-exceptional items and long-term incentives	2 621 975	2 562 270	2 111 639

	2009 R'000	2008 R'000	2007 R'000

43. DIVIDENDS PAID

	2009 R'000	2008 R'000	2007 R'000
Paid			
Ordinary dividend – final (declared and paid June)	325 000	197 000	32 000
Ordinary dividend – special (declared August 2008 and paid September 2008) (July 2006)	1 000 000	–	657 000
Ordinary dividend – interim (declared and paid December)	–	209 000	110 000
	1 325 000	406 000	799 000

The final dividend declared and paid was 130 cents (2008: 78,8 cents and 2007: 12,8 cents). Special dividend declared and paid in September 2008 was 400 cents (2008: nil cents and 2007: 262,8 cents). No interim dividend was paid for the 2009 financial year (2008: 83,6 cents and 2007: 44,0 cents).

44. CASH GENERATED FROM OPERATIONS

	2009 R'000	2008 R'000	2007 R'000
Profit before interest and income tax	1 937 084	1 959 716	1 405 160
Adjusted for non-cash movements:			
– amortisation	30 284	34 638	112 293
– depreciation	346 423	274 298	217 696
– capital profits on property, plant and equipment	(11 252)	(38 127)	(1 648)
– gain on disposal of associate	–	(24 826)	–
– fair value loss on derivative	132 008	58 871	–
– asset impairments	3 271	2 500	(6 388)
– bad debts written off	5 765	4 441	3 252
– excess of fair value of assets acquired	–	4 489	(9 420)
– translation impact on the income statement	(2 204)	(15 570)	(7 141)
– operating equipment usage	13 136	10 049	912
– straight-lining of operating leases and other lease adjustments	11 255	21 066	24 329
– amortisation of rental income	–	(9 028)	
– revaluation of available for sale assets	(88)	(46)	–
– long and short-term incentive charges	74 249	201 230	246 993
	2 539 931	2 483 701	1 986 038
Working capital movements			
Increase in inventories	(26 640)	(18 985)	(11 405)
Decrease/(Increase) in trade and other receivables	43 708	(62 693)	(99 837)
Decrease in payables and provisions	(494 616)	(227 174)	(97 290)
	2 062 383	2 174 849	1 777 506

45. INCOME TAX PAID

	2009 R'000	2008 R'000	2007 R'000
Tax liability at beginning of year	(156 384)	(126 393)	(200 990)
Acquisition activity	(17 376)	–	–
Current tax provided	(561 245)	(651 985)	(587 312)
Currency translation	(649)	(2 376)	224
Tax liability at end of year	108 777	156 384	126 393
	(626 877)	(624 370)	(661 685)

	2009 R'000	2008 R'000	2007 R'000

46. DIVIDENDS PAID TO THE COMPANY'S SHAREHOLDERS

	2009 R'000	2008 R'000	2007 R'000
Dividends provided at beginning of year	–	–	–
Ordinary dividends declared	(1 325 000)	(406 000)	(799 000)
Dividends provided at end of year	–	–	–
	(1 325 000)	(406 000)	(799 000)

47. OTHER LOANS AND INVESTMENTS

	2009 R'000	2008 R'000	2007 R'000
Loans to associates and joint ventures	–	(733)	(34 629)
Associates and joint ventures repayment of loans	–	30 455	615
Loan repaid on disposal of associate	–	16 515	–
Redemption of preference shares	8 320	6 491	–
Loan investments repaid	7 947	(2 746)	8 258
Loan investments made	(8 375)	–	(106 000)
Other investments redeemed	2 610	–	(27 047)
	10 502	49 982	(158 803)

48. RELATED PARTY TRANSACTIONS

The Group is controlled by Tsogo Investment Holding Company (Proprietary) Limited (incorporated in South Africa), which owns 51% of the Company's shares and whose ultimate holding company is Hosken Consolidated Investments Limited, a company listed on the JSE. The remaining 49% of the shares are held by SABSA Holdings (Proprietary) Limited whose ultimate holding company is SABMiller plc. The shares of both ultimate holding companies are widely held.

As detailed below the Group has concluded certain transaction with related parties. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

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

48.1 Purchases/(Sales) of services

	2009 R'000	2008 R'000	2007 R'000
Associates and joint ventures – management fees received	–	(34 773)	(28 015)
Administration fees paid to:			
– Tsogo Investment Holding Company (Pty) Ltd	250	225	300
– SABSA Holdings (Pty) Ltd	312	312	288
Purchases from shareholders' Group companies:			
SABMiller plc	18 090	20 277	21 153
	18 652	(13 959)	(6 274)

48.2 Key management compensation

Directors of the Group are considered to be key management.

48.3 Loans to related parties

	2009 R'000	2008 R'000	2007 R'000
Loans to directors and key management of the Group (and their families)	–	–	–
Loans to associates and joint ventures	59 037	61 244	67 089

	2009 R'000	2008 R'000	2007 R'000

48. RELATED PARTY TRANSACTIONS (continued)

48.4 Trade (payables)/receivables from/(to) related parties

	2009 R'000	2008 R'000	2007 R'000
SABMiller plc	(172)	(862)	(856)
Associates and joint ventures	2 189	50 625	46 311
	2 017	49 763	45 455

48.5 Contingencies

The Group has guaranteed 47.4% of the lease obligations of its associate, Hotel Formula 1 (SA) (Pty) Ltd. This share amounts to R14,9 million (the present value is R11,9 million).

49. POST-BALANCE SHEET EVENTS

Except for the matters noted below in notes 50 and 51, the directors are not aware of any matter or circumstance arising since the end of the 2009 financial year, not otherwise dealt with within the financial information, that would affect the operations or results of the Group significantly.

50. BUSINESS COMBINATION

Effective 100% control over Century Casinos Africa (Pty) Ltd comprising 100% interest in Century Casinos Caledon (Pty) Ltd, Century Casinos Newcastle (Pty) Ltd and Celebration Accommodation and Food Services Management (Pty) Ltd

With effect from 30 June 2009, the Group acquired a 100% effective interest in Century Casinos Africa (Pty) Ltd and Celebration Accommodation and Food Services Management (Pty) Ltd. This acquisition gave effective ownership of 100% in Century Casinos Caledon (Pty) Ltd and 60% of Century Casinos Newcastle (Pty) Ltd. In addition the Group acquired the remaining 40% of Century Casinos Newcastle (Pty) Ltd from Winlen Casino Operators (Pty) Ltd. These companies carry on the businesses of casinos, hotels and food and beverage services. The acquired businesses contributed revenues of R53 million and net profit of R6 million to the Group for the period 30 June 2009 to 30 September 2009. If the acquisition had occurred on 1 April 2009, Group revenue would have increased by R105 million and profit after tax would have increased by R13 million excluding the funding impact of the acquisition. These amounts have been calculated using the Group's accounting policies.

	R'000
Details of net assets acquired and goodwill are as follows:	
Purchase consideration	
Cash paid	432 784
Direct costs relating to the acquisition	3 224
Total purchase consideration	436 008
Fair value of net assets acquired	(167 541)
Goodwill	268 467

The goodwill is attributable to the gaming licenses.

Details of the net assets and goodwill acquired:

	Original carrying amount R'000	**Fair value R'000**
Non-current assets		
Property, plant and equipment	206 922	226 922
Bid costs	80 692	10 859
Current assets		
Inventories	1 591	1 591
Trade and other receivables	10 927	10 927
Cash and cash equivalents	7 549	7 549
Current liabilities		
Deferred tax liabilities	(10 887)	(13 687)
Borrowings	(45 527)	(45 527)
Trade and other payables	(27 627)	(27 627)
Taxation payable	(3 466)	(3 466)
Net assets acquired	220 174	167 541

51. ACQUISITION OF MINORITY INTEREST

The Group has with effect from 7 October 2009, concluded a purchase agreement of a 100% interest in The Millennium Casino Limited which holds an effective 30% interest in Tsogo Sun KwaZulu-Natal (Pty) Ltd, a subsidiary of the Group.

This acquisition increased the effective economic interest in Tsogo Sun KwaZulu-Natal (Pty) Ltd from 43.5% to 73.5%. Tsogo Sun KwaZulu-Natal (Pty) Ltd owns and operates the Suncoast Casino and Entertainment World. If the acquisition had occurred on 1 April 2009, Group revenue would have been unchanged and profit attributable to equity holders of the company would have increased by R59 million excluding the funding impact of the acquisition. These amounts have been calculated using the Group's accounting policies.

	R'000
Details of the purchase consideration are as follows :	
Purchase consideration	
Cash paid	1 006 004
Contingency payment dependent on future results	330 000
Direct costs relating to the acquisition	1 931
Total purchase consideration	1 337 935
Carrying value of minority interest and fair value of net assets acquired	(448 078)
Goodwill	889 857
Details of the net assets and minority interest acquired are as follows:	
Current assets	
Trade and other receivables	1 420
Cash and cash equivalents	13 853
Current liabilities	
Other liabilities	(1 499)
Net assets	13 774
Minority interests acquired	434 304
Net assets acquired	448 078

This acquisition was funded through the issue of 1 000 redeemable cumulative preference shares of R0,10 each by Tsogo Sun Gaming (Pty) Ltd to Johnnic Holdings Ltd (510 shares) and SABSA Holdings (Pty) Ltd (490 shares) for a total consideration of R1 billion.

Tsogo Sun Gaming (Pty) Ltd shall be obliged to redeem the preference shares on the fifth anniversary of the issue date. Preference dividends are payable within three business days of each annual dividend declaration date of 31 March each year. The preference dividend is linked to the twelve-month JIBAR rate set at 31 March each year.

52. SUBSIDIARY COMPANIES

The followings information relates to the Company's financial interest in its principal subsidiaries:

31 March Subsidiary	Issued share capital 2009, 2008 and 2007 R'000	Interest in ordinary capital Direct 2009, 2008 and 2007 %	Interest in ordinary capital Indirect 2009, 2008 and 2007 %	Shares at cost 2009, 2008 and 2007 R'000	Amounts owing by/(to) subsidiaries 2009 R'000	Amounts owing by/(to) subsidiaries 2008 R'000	Amounts owing by/(to) subsidiaries 2007 R'000
Tsogo Sun Gaming (Pty) Ltd	*	100	–	*	676 804	626 804	676 804
Southern Sun Hotels (Pty) Ltd	*	100	–	*	400 000	450 000	400 000
Southern Sun Offshore (Pty) Ltd	*	100	–	*	94 155	94 155	94 155
Tsogo Sun (Pty) Ltd	*	100	–	*	263 521	181 871	144 353
Tsogo Sun Holdings (Pty) Ltd – Cell No. 42	25	100	–	100	–	–	–
Tsogo Sun Holdings (Pty) Ltd – Cell No. 129	25	100	–	100	–	–	–
Tsogo Sun Casinos (Pty) Ltd	2	–	100	–	(1 066)	122	111
Tsogo Sun KwaZulu-Natal (Pty) Ltd	1	–	43.5	–	–	–	–
Tsogo Sun Emonti (Pty) Ltd	1	–	80	–	–	–	–
Monyaka Gaming Machine Supply (Pty) Ltd	2	–	100	–	–	–	–
Ripple Effect 31 (Pty) Ltd	1	–	72.5	–	–	–	–
Southern Sun Middle East Investments Holdings (Pty) Ltd	*	–	100	–	–	–	–
Southern Sun Africa	120	–	100	–	–	–	–
Southern Sun Hotel Interests (Pty) Ltd	2 145	–	100	–	(18 555)	(14 413)	(11 380)
Southern Sun Secretarial Services (Pty) Ltd	*	–	100	–	–	–	–
				200	1 414 859	1 338 539	1 304 043

* Amounts less than R1 000

In addition to the above mentioned subsidiaries, Tsogo Sun Holdings (Pty) Limited has interests in other indirectly held subsidiaries. A register detailing such information in respect of all subsidiaries of the Company is available for inspection at the registered office of the Company, which may be inspected by members or their duly authorised agents.

All of the above subsidiaries are unlisted and with the exception of Southern Sun Africa which is incorporated in Mauritius, are incorporated in South Africa.

The holding company's interest in the aggregate profits earned and losses incurred by subsidiaries amounted to R1 171,0 million (2008: R1 341,5 million and 2007: R1 295,6 million) and R28,5 million (2008: R31,5 million and 2007: R103,5 million), respectively, before inter-Group dividends and consolidation adjustments.

	2009 R	2008 R	2007 R
53. NET ASSET VALUE AND NET TANGIBLE ASSET VALUE PER SHARE			
Net asset value per share	9,79	10,91	7,78
Net tangible asset value per share	7,77	8,93	5,81

The net asset value and net tangible asset per share has been calculated using the capital and reserves attributable to the equity holders of the Company.

REVIEWED INTERIM FINANCIAL INFORMATION OF TSOGO SUN HOLDINGS (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

I INTRODUCTION

The condensed consolidated interim financial results of Tsogo Sun Holdings (Proprietary) Limited ("Tsogo") for the six months ended 30 September 2009 are set out below. The condensed consolidated interim financial results of Tsogo are the responsibility of the directors of Tsogo and HCI.

II COMMENTARY

The financial results for the six months ended 30 September 2009 represented an acceptable performance with Group income of R2 876 million (1% below the prior year) and earnings before interest, tax, depreciation, amortisation and rentals ("EBITDAR"), pre non trading items, of R1 092 million (12% decline on the prior year). This was achieved despite the economic slow down impacting hotels and gaming and was assisted by the inclusion of three months trading of the two newly acquired Century Casinos.

The Tsogo Sun Gaming division continued to outperform other operators in South Africa in terms of EBITDAR margin. Total income of R1 982 million and EBITDAR (pre-non-trading items) of R805 million were achieved during the half year. Montecasino once again successfully hosted numerous high profile events at the Teatro and the Outdoor Events Arena and remains the premier entertainment destination in Johannesburg. The KwaZulu-Natal market performed better than other provinces during the period under review, with the Suncoast casino further benefiting from additional slot machines and new parking created at this unit to assist peak period capacity. The Group's other casino interests in Nelspruit, Emalahleni (Witbank) and East London performed satisfactorily during the year.

Southern Sun Hotels in South Africa together with the general tourism and hospitality industry continue to be affected during the period by the contraction in the local economy and a consequential decline in demand from the corporate and government segments. The South African hotels division recorded a revenue decline of 11% to R787 million during the year with EBITDAR (pre-non-trading items) decline of 29% to R283 million.

The Hotels Offshore division, achieved total revenue of R124 million, representing a 10% decline on the prior period with EBITDAR (pre-non-trading items and foreign exchange losses) of R41 million ending some R3 million down on last year. The divisions results were impacted by the stronger average Rand/US$ and Rand/Euro translation rates during the period and in addition the division incurred a R37 million foreign exchange loss.

Earnings attributable to ordinary shareholders of R408 million ended 42% above last year. The prior period included a fair value adjustment in respect of the Groups investment in Gold Reef Resorts Limited, prior to the investment being treated as an associate of R137 million.

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

- the addition of seven hotels to the portfolio (StayEasy Rustenburg, Southern Sun Hyde Park and the StayEasy Witbank – all opened and Southern Sun Montecasino, Southern Sun Ikoyi (Nigeria), Stay Easy Pietermartizberg and Garden Court Umhlanga, – all under construction); and
- the mixed use development at Montecasino, now officially named The Pivot, which is under construction and includes offices, parking and the Southern Sun Hotel mentioned above.

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

III REVIEWED INTERIM FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS

	30 September 2009 R'000	31 March 2009 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	5 458 036	4 960 993
Goodwill	628 015	360 956
Other intangible assets	134 688	143 698
Investments in associates	1 532 683	1 433 697
Investments in joint ventures	109 183	118 563
Available-for-sale financial assets	1 906	1 906
Non-current receivables	138 257	142 347
Deferred income tax assets	78 770	63 220
	8 081 538	7 225 380
Current assets		
Inventories	127 489	126 613
Trade and other receivables	657 404	354 081
Available-for-sale financial assets	9 714	4 990
Current income tax assets	–	1 657
Cash and cash equivalents	364 248	506 132
	1 158 855	993 473
Total assets	9 240 393	8 218 853
EQUITY		
Capital and reserves attributable to owners of the Company		
Ordinary share capital and premium	1 074 112	1 074 112
Cash flow hedging reserve	(36 758)	(39 515)
Foreign currency translation reserve	71 697	157 125
Surplus arising on change in control in joint venture	130 878	130 425
Retained earnings	1 532 408	1 124 561
	2 772 337	2 446 708
Minority interest in equity	795 193	671 658
Total equity	3 567 530	3 118 366
LIABILITIES		
Non-current liabilities		
Borrowings	2 332 210	2 169 589
Preference share capital and premium	240 000	240 000
Post-retirement medical aid liability	24 881	24 881
Deferred income tax liabilities	195 107	160 004
Obligations under finance lease	60 226	62 402
Liability for long-term incentives	5 248	12 540
Provisions and other liabilities	266 070	264 073
Deferred revenue	3 667	3 667
Derivative financial instrument	5 051	31 087
	3 132 460	2 968 243
Current liabilities		
Trade and other payables	847 436	758 482
Current income tax liabilities	31 545	110 434
Borrowings	1 494 722	1 115 459
Obligations under finance lease	3 901	3 121
Liability for long-term incentives	15 746	7 743
Provisions	70 083	81 565
Deferred revenue	30 968	31 645
Derivative financial instrument	46 002	23 795
	2 540 403	2 132 244
Total liabilities	5 672 863	5 100 487
Total equity and liabilities	9 240 393	8 218 853

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENTS
for the six months ended 30 September

	2009 R'000	2008 R'000
Revenue	1 216 448	1 316 695
Net gaming win	1 659 932	1 582 449
Income	2 876 380	2 899 144
Gaming levies and VAT	(335 814)	(319 938)
Depreciation and amortisation	(210 710)	(180 254)
Property and equipment rentals	(94 322)	(90 143)
Other operating expenses	(1 434 537)	(1 499 968)
Operating profit	800 997	808 841
Interest income	15 138	8 169
Finance costs	(186 255)	(68 116)
Share of profit of associates and joint ventures	35 103	5 555
Profit before income tax	664 983	754 449
Income tax expense	(132 458)	(390 443)
Profit for the period	532 525	364 006
Profit attributable to:		
Owners of the Company	407 847	287 334
Minority interest	124 678	76 672
	532 525	364 006
Number of ordinary shares in issue (thousand)	250 000	250 000
Basic and diluted earnings per share (cents)	163,1	114,9
Basic and diluted headline earnings per share (cents)	163,1	110,6

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 September

	2009 R'000	2008 R'000
Profit for the period	**532 525**	**364 006**
Other comprehensive income for the period, net of tax	**(83 361)**	**332 479**
Cash flow hedges	3 829	(11 087)
Currency translation differences	(87 023)	(6 738)
Subsidiary previously accounted for as joint venture – surplus arising on change in control in joint venture	905	347 200
Income tax relating to components of other comprehensive income	(1 072)	3 104
Total comprehensive income for the period	449 164	696 485
Total comprehensive income attributable to:		
Owners of the Company	325 629	446 098
Minority interest	123 535	250 387
	449 164	696 485

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Ordinary share capital R'000	Ordinary share premium R'000	Cash flow hedge reserve R'000	Foreign currency translation reserve R'000	Surplus arising on change in control in joint venture R'000	Retained earnings R'000	Total R'000	Minority interest R'000	Total equity R'000
Balance at 31 March 2008	**25**	**1 074 087**	**841**	**111 576**	**–**	**1 541 105**	**2 727 634**	**308 486**	**3 036 120**
Total comprehensive income for the six months ended 30 September 2008	–	–	(7 983)	(6 853)	173 600	287 334	446 098	250 387	696 485
Subsidiary previously accounted for as joint venture – at acquisition minority reserves	–	–	–	–	–	–	–	86 468	86 468
Ordinary dividends	–	–	–	–	–	(1 325 000)	(1 325 000)	(9 000)	(1 334 000)
Balance at 30 September 2008	**25**	**1 074 087**	**(7 142)**	**104 723**	**173 600**	**503 439**	**1 848 732**	**636 341**	**2 485 073**
Total comprehensive income for the six months ended 31 March 2009	–	–	(32 373)	52 402	(43 175)	621 122	597 976	47 817	645 793
Ordinary dividends	–	–	–	–	–	–	–	(12 500)	(12 500)
Balance at 31 March 2009	**25**	**1 074 087**	**(39 515)**	**157 125**	**130 425**	**1 124 561**	**2 446 708**	**671 658**	**3 118 366**
Total comprehensive income for the six months ended 30 September 2009	–	–	2 757	(85 428)	453	407 847	325 629	123 535	449 164
Balance at 30 September 2009	**25**	**1 074 087**	**(36 758)**	**71 697**	**130 878**	**1 532 408**	**2 772 337**	**795 193**	**3 567 530**

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENTS

for the six months ended 30 September

	2009 R'000	2008 R'000
Cash flows from operating activities		
Cash generated from operations	1 195 615	745 379
Interest received	15 138	8 169
Interest paid	(187 139)	(68 610)
Income tax paid	(208 092)	(302 003)
Dividends paid to shareholders	–	(1 325 000)
Dividends paid to minorities	–	(9 000)
	815 522	(951 065)
Cash flows from investment activities		
Purchase of property, plant and equipment	(545 578)	(394 172)
Proceeds from disposals of property, plant and equipment	4 658	13 491
Additions to intangible assets	(2 420)	(4 166)
Investment made in subsidiary	(275 891)	–
Cash acquired with subsidiary	7 550	–
Cash acquired with subsidiary previously accounted as associate	–	32 786
Investment made in associate	(332 974)	–
Other loans and investments	(298 417)	(371 643)
Dividends received	42 061	11 362
Net cash used in investment activities	(1 401 011)	(712 342)
Cash flows from financing activities		
Borrowings raised	482 466	1 687 585
Borrowings repaid	(27 951)	(22 000)
Repayments of finance leases	(1 397)	(3 061)
Net cash from financing activities	453 118	1 662 524
Net decrease in cash and cash equivalents	(132 371)	(883)
Cash and cash equivalents at beginning of period	506 132	342 944
Foreign currency translation	(9 513)	(2 321)
Cash and cash equivalents at end of period	364 248	339 740

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 September 2009

1. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 September 2009 have been prepared in accordance with IAS 34, Interim Financial Reporting. The consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2009, which have been prepared in accordance with International Financial Reporting Standards.

2. ACCOUNTING POLICIES

Except as described below, the accounting policies of the Group are consistent with those applied for the year ended 31 March 2009, as described in those financial statements.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2009:

- IAS 1 (revised) Presentation of Financial Statements The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 April 2009, but are not currently relevant for the Group:

- IFRS 2 (amendment), 'Share-based Payment'.
- IAS 23 (amendment), 'Borrowing Costs'.
- IAS 32 (amendment), 'Financial Instruments: Presentation'.
- IAS 39 (amendment), 'Financial Instruments: Recognition and Measurement'.
- IFRIC 15, 'Agreements for the Construction of Real Estate'.
- IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation'.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 April 2009 and have not been early adopted:

- IFRS 3 (revised) 'Business Combinations' and consequential amendments to IAS 27, 'Consolidated and Separate Financial Statements', IAS 28, 'Investments in Associates' and IAS 31, 'Interests in Joint Ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates and joint ventures on the Group.

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) to all business combinations from 1 April 2010.

3. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Group's board of directors. The board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the Group's board of directors at the board meetings which are used to make strategic decisions.

The board considers the business from both a geographical basis and business type, being hotels and gaming.

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 is 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 from hotel and gaming operations.

The Group's board of directors assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, depreciation, amortisation and property rentals ("EBITDAR"). The measure excludes the effects of long-term incentives and the effects of non-recurring expenditure such as rebranding and preopening expenses. 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.

The reconciliation of the Group's adjusted earnings before interest and tax ("EBIT") to the Group's profit after tax is shown in the segmental analysis.

The total assets and total liabilities of the segments presented in the segmental analysis includes inter-Group and shareholder funding provided by the Group's treasury function and the holding company which is included in the Corporate segment. The elimination of the intergroup and shareholder funding is shown in the eliminations column.

All revenue for Gaming and Hotel operations shown below is derived from external customers.

No one customer contributes more than 10% to the Group's total revenue.

3. SEGMENT INFORMATION (continued)

The segment results for the six months ended 30 September 2009 are as follows:

	Montecasino precinct R'000	Suncoast precinct R'000	Other Gaming operations R'000	Total Gaming operations R'000	South African Hotel Division R'000	Offshore Hotel Division R'000	Corporate R'000	Group R'000
Revenue	143 455	59 648	118 962	322 065	787 060	123 797	36 421	1 269 343
Less: Inter-segmental revenue	–	–	–	–	(16 474)	–	(36 421)	(52 895)
Net gaming win	754 086	529 978	375 868	1 659 932	–	–	–	1 659 932
Group income from external customers	**897 541**	**589 626**	**494 830**	**1 981 997**	**770 586**	**123 797**	**–**	**2 876 380**
Gaming levies and VAT	(152 140)	(117 814)	(65 860)	(335 814)	–	–	–	(335 814)
Net foreign exchange losses	–	–	–	–	–	(36 659)	–	(36 659)
EBITDAR	**312 677**	**242 479**	**249 290**	**804 446**	**283 212**	**4 307**	**362**	**1 092 327**
Property rentals	–	–	(29 888)	(29 888)	(47 914)	–	1 812	(75 990)
Depreciation and amortisation	(57 749)	(45 760)	(38 327)	(141 836)	(62 541)	(4 747)	(1 586)	(210 710)
EBIT	**254 928**	**196 719**	**181 075**	**632 722**	**172 757**	**(440)**	**588**	**805 627**
Long-term incentive costs								(3 954)
Pre-opening cost								(840)
Net gain on disposals of property, plant and equipment								164
Interest income								15 138
Finance costs								(186 255)
Share of profit from associates and joint ventures								35 103
Profit before taxation								664 983
Taxation								(132 458)
Profit for the period								**532 525**

3. SEGMENT INFORMATION (continued)

The segment results for the six months ended 30 September 2008 are as follows:

	Montecasino precinct R'000	Suncoast precinct R'000	Other Gaming operations R'000	Total Gaming operations R'000	South African Hotel Division R'000	Offshore Hotel Division R'000	Corporate R'000	Group R'000
Revenue	138 572	57 077	115 260	310 909	885 822	136 937	33 061	1 366 729
Less: Inter-segmental revenue	–	–	–	–	(16 973)	–	(33 061)	(50 034)
Net gaming win	745 711	508 996	327 742	1 582 449	–	–	–	1 582 449
Group income from external customers	**884 083**	**566 073**	**443 002**	**1 893 358**	**868 849**	**136 937**	**–**	**2 899 144**
Gaming levies and VAT	(150 450)	(112 987)	(56 501)	(319 938)	–	–	–	(319 938)
Net foreign exchange losses	–	–	–	–	–	(8 372)	–	(8 372)
EBITDAR	**323 145**	**238 796**	**249 597**	**811 538**	**398 089**	**35 304**	**(603)**	**1 244 328**
Property rentals	–	–	(30 087)	(30 087)	(47 290)	–	1 677	(75 700)
Depreciation and amortisation	(58 544)	(40 715)	(23 810)	(123 069)	(49 251)	(6 895)	(1 039)	(180 254)
EBIT	**264 601**	**198 081**	**195 700**	**658 382**	**301 548**	**28 409**	**35**	**988 374**
Long-term incentive costs								(53 244)
Net gain on disposal of property, plant and equipment								10 435
Fair value loss on derivative								(135 368)
Fair value adjustment on non-current assets and liabilities								(1 356)
Interest income								8 169
Finance costs								(68 116)
Share of profit from associates and joint ventures								5 555
Profit before taxation								754 449
Taxation								(390 443)
Profit for the period								**364 006**

3. SEGMENT INFORMATION (continued)

The segment assets and liabilities at 30 September 2009 and capital expenditure during the six months then ended are as follows:

	Montecasino precinct R'000	Suncoast precinct R'000	Other Gaming operations R'000	Total Gaming operations R'000	South African Hotel Division R'000	Offshore Hotel Division R'000	Corporate R'000	Adjustment for eliminations R'000	Group R'000
Total assets	**1 918 786**	**1 089 172**	**4 194 861**	**7 202 819**	**1 973 873**	**699 511**	**5 823 878**	**(6 459 687)**	**9 240 394**
Total assets includes: Associates and joint ventures	–	2 318	1 482 147	1 484 465	48 217	109 184	–	–	1 641 866
Additions to non-current assets (other than financial instruments and deferred tax assets)	62 245	39 645	336 927	438 817	108 621	1 041	162	–	548 641
Total liabilities	**112 642**	**508 602**	**5 081 102**	**5 702 346**	**1 189 250**	**534 044**	**4 706 911**	**(6 459 687)**	**5 672 864**
Total assets	**1 504 825**	**1 141 318**	**1 519 723**	**4 165 866**	**1 929 109**	**701 707**	**3 873 510**	**(4 026 026)**	**6 644 166**
Total assets includes: Associates and joint ventures	–	1 675	27 420	29 095	32 689	114 568	–	–	176 352
Additions to non-current assets (other than financial instruments and deferred tax assets)	55 653	23 329	102 558	181 540	156 156	6 555	4 696	–	348 947
Total liabilities	**94 145**	**507 730**	**2 986 491**	**3 588 366**	**1 326 426**	**536 482**	**2 733 847**	**(4 026 026)**	**4 159 095**

4. BUSINESS COMBINATION EFFECTED DURING THE SIX MONTHS ENDED 30 SEPTEMBER 2009

Effective 100% control over Century Casinos Africa (Pty) Ltd comprising 100% interest in Century Casinos Caledon (Pty) Ltd, Century Casinos Newcastle (Pty) Ltd and Celebration Accommodation and Food Services Management (Pty) Ltd

With effect from 30 June 2009, the Group acquired a 100% effective interest in Century Casinos Africa (Pty) Ltd and Celebration Accommodation and Food Services Management (Pty) Ltd. This acquisition gave effective ownership of 100% in Century Casinos Caledon (Pty) Ltd and 60% of Century Casinos Newcastle (Pty) Ltd. In addition the Group acquired the remaining 40% of Century Casinos Newcastle (Pty) Ltd from Winlen Casino Operators (Pty) Ltd. These companies carry on the businesses of casinos, hotels and food and beverage services. The acquired businesses contributed revenues of R53 million and net profit of R6 million to the Group for the period 30 June 2009 to 30 September 2009. If the acquisition had occurred on 1 April 2009, Group revenue would have increased by R105 million and profit after tax would have increased by R13 million excluding the funding impact of the acquisition. These amounts have been calculated using the Group's accounting policies.

	R'000
Details of net assets acquired and goodwill are as follows:	
Purchase consideration	
Cash paid	432 784
Direct costs relating to the acquisition	3 224
Total purchase consideration	436 008
Fair value of net assets acquired	(167 541)
Goodwill	268 467

The goodwill is attributable to the gaming licenses.

Details of the net assets and goodwill acquired:

	Original carrying amount R'000	**Fair value R'000**
Non-current assets		
Property, plant and equipment	206 922	226 922
Bid costs	80 692	10 859
Current assets		
Inventories	1 591	1 591
Trade and other receivables	10 927	10 927
Cash and cash equivalents	7 549	7 549
Current liabilities		
Deferred tax liabilities	(10 887)	(13 687)
Borrowings	(45 527)	(45 527)
Trade and other payables	(27 627)	(27 627)
Taxation payable	(3 466)	(3 466)
Net assets acquired	220 174	167 541
Goodwill recognised on acquisition		268 467
Purchase consideration settled in cash		436 008
Cash balances acquired		(7 549)
Net cash outflow on acquisition		428 459
Less: Amount owing at 30 September 2009		(152 568)
Net cash outflow for the six months ended 30 September 2009		275 891

5. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Except for the matter noted below, the directors are not aware of any matter or circumstance arising since the end of 30 September 2009, not otherwise dealt with within the interim financial statements that would affect the operations or results of the Group significantly.

The Group has with effect from 7 October 2009, concluded a purchase agreement of a 100% interest in The Millennium Casino Limited which holds an effective 30% interest in Tsogo Sun KwaZulu-Natal (Pty) Ltd, a subsidiary of the Group.

This acquisition increased the effective economic interest in Tsogo Sun KwaZulu-Natal (Pty) Ltd from 43.5% to 73.5%. Tsogo Sun KwaZulu-Natal (Pty) Ltd owns and operates the Suncoast Casino and Entertainment World. If the acquisition had occurred on 1 April 2009, Group revenue would have been unchanged and profit attributable to equity holders of the company would have increased by R59 million excluding the funding impact of the acquisition. These amounts have been calculated using the Group's accounting policies.

	R'000
Details of the purchase consideration are as follows:	
Purchase consideration	
Cash paid	1 006 004
Contingency payment dependent on future results	330 000
Direct costs relating to the acquisition	1 931
Total purchase consideration	1 337 935
Carrying value of minority interest and fair value of net assets acquired	(448 078)
Goodwill	889 857
Details of the net assets and minority interest acquired are as follows:	
Current assets	
Trade and other receivables	1 420
Cash and cash equivalents	13 853
Current liabilities	
Other liabilities	(1 499)
Net assets	13 774
Minority interests acquired	434 304
Net assets acquired	448 078

This acquisition was funded through the issue of 1 000 redeemable cumulative preference shares of R0,10 each by Tsogo Sun Gaming (Pty) Ltd to Johnnic Holdings Ltd (510 shares) and SABSA Holdings (Pty) Ltd (490 shares) for a total consideration of R1 billion.

Tsogo Sun Gaming (Pty) Ltd shall be obliged to redeem the preference shares on the fifth anniversary of the issue date. Preference dividends are payable within three business days of each annual dividend declaration date of 31 March each year. The preference dividend is linked to the twelve month JIBAR rate set at 31 March each year.

6. RECONCILIATION OF EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY TO HEADLINE EARNINGS FOR THE SIX MONTHS ENDED 30 SEPTEMBER

	2009		2008	
	Gross R'000	**Net R'000**	**Gross R'000**	**Net R'000**
Earnings attributable to equity holders of the company		407 847		287 334
IAS 16 gains on disposal of property	–	–	(10 751)	(10 751)
IAS 16 (gain)/loss on disposal of plant and equipment	(164)	(178)	316	7
Headline earnings		407 669		276 590
Headline earnings per share (cents)		163,1		110,6

7. EARNINGS BEFORE INTEREST, INCOME TAX, DEPRECIATION, AMORTISATION AND PROPERTY RENTALS ("EBITDAR") FOR THE SIX MONTHS ENDED 30 SEPTEMBER

	2009 R'000	2008 R'000
Group EBITDAR pre-exceptional items and long-term incentives is made up as follows:		
Operating profit	800 997	808 841
Add:		
Property rentals	75 990	75 700
Amortisation and depreciation	210 710	180 254
Long-term incentives	3 954	53 244
	1 091 651	1 118 039
Add: Exceptional losses	676	126 289
Capital profit on assets	(164)	(10 435)
Fair value loss on financial instruments	–	136 724
Pre-opening expenses	840	–
EBITDAR – pre-exceptional items and long-term incentives	1 092 327	1 244 328

	2009 R	2008 R
8. NET ASSET VALUE ANDNET TANGIBLE ASSET VALUE PER SHARE		
Net asset value per share	11.09	9.79
Net tangible asset value per share	8.04	7.77

The net asset value and net tangible asset per share has been calculated using the capital and reserves attributable to the equity holders of the Company.

SELECTED FINANCIAL INFORMATION OF TSOGO SUN HOLDINGS (PROPRIETARY) LIMITED AND ITS SUBSIDIARIES FOR THE YEARS ENDED 31 MARCH 2009, 2008, 2007 AND 2006 AS REQUIRED BY THE SRP CODE

The selected information shown in this annexure is extracted from the audited annual financial statements of Tsogo Sun Holdings (Proprietary) Limited for the years ended 31 March 2006, 2007, 2008 and 2009. The annual financial statements were audited by PricewaterhouseCoopers Inc who issued an unqualified audit opinion for each of the respective financial years. These annual financial statements are available for inspection as set out in paragraph 26 of the circular.

TSOGO SUN HOLDINGS (PROPRIETARY) LIMITED

SELECTED FINANCIAL INFORMATION

for the year ended	31 March 2009 R'000	31 March 2008 R'000	31 March 2007 R'000	31 March 2006 R'000
Revenue	5 920 278	5 498 757	4 747 443	4 075 072
Profit before income tax	1 654 544	1 918 886	1 334 414	942 549
Taxation	(579 442)	(659 482)	(584 224)	(338 390)
Profit after tax	1 075 102	1 259 404	750 190	604 159
Outside shareholders' interests	166 646	137 090	97 416	70 338
Dividends	1 325 000	406 000	799 000	66 200
Interim	–	209 000	110 000	33 200
Final	325 000	197 000	32 000	33 000
Special	1 000 000	–	657 000	–
Dividends per share (cents)	530	162	320	26
Headline earnings adjustments – net of tax and minorities*				
Capital (profits)/losses on property, plant and equipment	(11 651)	(28 334)	(1 573)	11 251
Impairment loss on property, plant and equipment	1 120	772	–	–
Gain on disposal of associate	–	(22 912)	–	–
Loan impairment	–			
Reversal of loan impairment	–	–	(6 388)	–
Excess of fair value of assets acquired of associate	–	4 489	(9 420)	–
Total headline earnings adjustments	(10 531)	(45 985)	(17 381)	11 251
Rebranding costs	–	12 478	2 252	2 688
Pre-opening expenses	–	1 998	8 675	–
Fair value loss on derivative	132 008	58 871	–	–
Adjusted earnings adjustments	121 477	27 362	(6 454)	13 939

* Represents profit/income in the income statement.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE FINANCIAL INFORMATION OF TSOGO SUN HOLDINGS (PROPRIETARY) LIMITED

"The Directors
Hosken Consolidated Investments Limited
Block B, Longkloof Studios
Darters Road
Gardens
Cape Town
8001

17 March 2010

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF TSOGO SUN HOLDINGS (PROPRIETARY) LIMITED ("TSOGO")

INTRODUCTION

Hosken Consolidated Investments Limited ("HCI") is issuing a circular to shareholders ("the Circular") regarding the sale by Tsogo Investment Holding Company (Proprietary) Limited, a subsidiary of HCI, of all its shares in Tsogo to Gold Reef Resorts Limited ("Gold Reef") in exchange for shares in Gold Reef.

At your request and for the purpose of the Circular to be dated on or about 29 March 2010, we have audited the historical financial information of Tsogo presented in the Report of Historical Financial Information ("the Financial Information") which comprises the consolidated balance sheets as at 31 March 2009, 31 March 2008 and 31 March 2007, and the income statements, statements of changes in equity and cash flow statements for the years then ended, and a summary of significant accounting policies and other explanatory notes, as presented in Annexure 1A to the Circular, in compliance with the JSE Limited ("JSE") Listings Requirements.

RESPONSIBILITY

Directors' Responsibility

The directors of HCI are responsible for the preparation, contents and presentation of the Circular including the financial information. The directors of Tsogo are responsible for the fair presentation of the Financial Information in accordance with International Financial Reporting Standards and in the manner required by the JSE Listings Requirements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting Accountant's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on

the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Financial Information.

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

Opinion

In our opinion, the Financial Information of Tsogo as set out in Annexure 1A to the Circular, presents fairly, in all material respects, for the purposes of the Circular, the consolidated financial position of Tsogo at 31 March 2009, 31 March 2008 and 31 March 2007, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards and in the manner required by the JSE Listings Requirements.

Yours faithfully

PricewaterhouseCoopers Inc

Director: F Tonelli
Accredited Auditor

2 Eglin Road
Sunninghill, 2157, South Africa
(Private Bag X36, Sunninghill, 2157, South Africa)"

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE INTERIM FINANCIAL INFORMATION OF TSOGO SUN HOLDINGS (PROPRIETARY) LIMITED

"The Directors
Hosken Consolidated Investments Limited
Block B, Longkloof Studios
Darters Road
Gardens
Cape Town
8001

17 March 2010

Dear Sirs

REVIEW REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE INTERIM FINANCIAL INFORMATION OF TSOGO SUN HOLDINGS (PROPRIETARY) LIMITED ("TSOGO") FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

Introduction

At your request and for the purpose of the Circular in connection with Tsogo Investment Holding Company (Proprietary) Limited's sale of its shares in Tsogo to Gold Reef Resorts Limited ("Gold Reef") in exchange for Gold Reef shares to be dated on or about 29 March 2010 ("the Circular"), we have reviewed the condensed consolidated balance sheet of Tsogo as of 30 September 2009 and the related condensed consolidated income statement and statements of comprehensive income, changes in equity and cash flows for the six-month period then ended ("Condensed Consolidated Interim Financial Information"), presented in Annexure 1B to the Circular, in compliance with the JSE Limited ("JSE") Listings Requirements.

Directors' responsibility

The directors of Hosken Consolidated Investments Limited are responsible for the preparation, contents and presentation of the Circular including the Condensed Consolidated Interim Financial Information. The directors of Tsogo are responsible for the preparation and presentation of the Condensed Consolidated Interim Financial Information presented in Annexure 1B to the Circular in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Reporting accountant's responsibility

Our responsibility is to express a conclusion on the Condensed Consolidated Interim Financial Information presented in Annexure 1B to the Circular based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Condensed Consolidated Interim Financial Information for the six months ended 30 September 2009 as set out in Annexure 1B to the Circular, has not been prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" and in the manner required by the JSE Listings Requirements.

Yours faithfully

PricewaterhouseCoopers Inc

Director: F Tonelli
Accredited Auditor

2 Eglin Road
Sunninghill, 2157, South Africa
(Private Bag X36, Sunninghill, 2157, South Africa)"

EXTRACTS FROM THE AUDITED CONSOLIDATED HISTORICAL ANNUAL FINANCIAL INFORMATION ON GOLD REEF FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2008, 2007 AND 2006 AND THE UNAUDITED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2009

I. INTRODUCTION

The historical financial information of Gold Reef Resort Limited ("Gold Reef") set out below has been extracted from the audited annual financial statements of Gold Reef for the years ended 31 December 2008, 2007 and 2006. The annual financial statements were audited by PricewaterhouseCoopers Inc and reported on without qualification.

The historical financial information of Gold Reef is the responsibility of the directors of Gold Reef as set out in their annual reports for the years ended 31 December 2008, 2007 and 2006..

Group Balance Sheet

R'm	Unaudited as at 30 June 2009	Audited as at 31 December 2008	Audited as at 31 December 2007	Audited as at 31 December 2006
ASSETS				
Non-current assets	**3 903**	**3 924**	**3 728**	**2 064**
Property plant and equipment	2 506	2 545	2 280	1 278
Leasehold improvements	153	123	104	102
Intangible assets	1 186	1 187	1 189	473
Deferred income tax assets	6	5	47	55
Investments in associates	25	31	42	
Investments in joint ventures				36
Financial assets – available for sale				95
Derivative financial instruments			43	
Share scheme	27	33	23	25
Current assets	**395**	**499**	**426**	**139**
Inventories	18	19	18	8
Trade and other receivables	38	30	75	20
Current tax assets	13	7	1	–
Cash and cash equivalents	326	443	332	106
Amounts owing by related parties	*	*	*	5
Total assets	**4 298**	**4 423**	**4 154**	**2 203**
EQUITY				
Capital and reserves				
Ordinary share capital	6	6	6	4
Share premium	1 860	1 860	1 860	499
Treasury shares	(72)	(71)	(99)	(75)
	1 794	1 795	1 767	428
Share-based payment reserve	385	382	378	26
Reserves	(566)	(565)	(493)	14
Retained earnings	759	799	718	720
Total equity attributable to equity holders of Gold Reef	**2 372**	**2 411**	**2 370**	**1 188**
Minority interest	37	43	32	197
Total equity	**2 409**	**2 454**	**2 402**	**1 385**

R'm	Unaudited as at 30 June 2009	Audited as at 31 December 2008	Audited as at 31 December 2007	Audited as at 31 December 2006
LIABILITIES				
Non-current liabilities	**1 503**	**1 581**	**1 363**	**443**
Interest-bearing borrowings	1418	1 506	1 309	394
Deferred income tax liabilities	58	54	54	49
Derivative financial instruments	26	21		
Other non current liabilities	1			
Current liabilities	**386**	**388**	**389**	**375**
Trade and other payables	137	135	136	145
Provisions	60	57	55	47
Current income tax liabilities	1	8	42	59
Current portion of interest-bearing borrowings	188	188	139	77
Amounts owing to related parties	*	*	2	4
Bank overdraft		*	15	43
Total liabilities	**1 889**	**1 969**	**1 752**	**818**
Total equity and liabilities	**4 298**	**4 423**	**4 154**	**2 203**
Number of shares in issue ('000)	291 990	291 990	291 990	220 603
Net asset value per share (cents)	812.4	880.0	994.2	582.6
Net tangible asset value per share (cents)	406.2	419.2	404.5	324.6

* Amounts less than R1 million.

Group Income Statement

R'm	Unaudited results for the six months ended 30 June 2009	Audited year ended 31 December 2008	Audited year ended 31 December 2007	Audited year ended 31 December 2006
Revenue	**1 087**	**2 197**	**1 702**	**1 517**
Net gaming win	1 017	2 042	1 566	1 381
Theme Park	28	67	67	58
Food and beverage	15	32	21	34
Other	27	56	48	44
Other income	1	1	8	9
	1 088	2 198	1 710	1 526
Gaming levies and VAT	(204)	(410)	(310)	(271)
Employee costs	(249)	(463)	(362)	(315)
Promotional and marketing costs	(59)	(133)	(95)	(114)
Depreciation and amortisation	(90)	(161)	(153)	(102)
Other operating expenses	(175)	(326)	(376)	(218)
Operating profit	**311**	**705**	**414**	**506**
Finance income	28	80	33	12
Finance costs	(96)	(214)	(56)	(37)
Profit before equity accounted earnings	**243**	**571**	**391**	**481**
Share of loss of associate	(3)	(8)	(1)	1
Profit before taxation	**240**	**563**	**390**	**482**
Taxation expense	(94)	(188)	(195)	(159)
Profit for the period	**146**	**375**	**195**	**323**
Attributable to:				
Equity holders of Gold Reef	140	358	146	254
Minority interests	6	17	49	69
	146	**375**	**195**	**323**
Basic earnings per share (cents)	50,9	130,6	61,2	124,7
Diluted earnings per share (cents)	50,9	130,6	61,2	124,7
Headline earnings per share (cents)	50.9	130.5	77.1	127.4
Dividends per share (cents)	0.0	65.0	100.0	55.0

* Amounts less than R1 million

Group Cash Flow Statement

R'm	Unaudited six months 30 June 2009	Audited year ended 31 December 2008	Audited year ended 31 December 2007	Audited year ended 31 December 2006
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before taxation	240	563	390	482
Non-cash items and other adjustments	167	339	285	137
	407	902	675	619
(Increase)/Decrease in net current assets	(1)	45	(63)	49
Cash flow from operating activities	406	947	612	668
Finance income	31	45	32	12
Finance costs	(96)	(214)	(56)	(37)
Taxation paid	(104)	(186)	(200)	(227)
Dividends paid	(180)	(277)	(150)	(104)
Net cash generated from operating activities	**57**	**315**	**238**	**312**
CASH FLOW FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment	(48)	(422)	(1 065)	(351)
Additions to leasehold improvements	(33)	(23)	(5)	(7)
Proceeds from the disposal of property, plant and equipment	*	3	10	4
Investment in intangibles		*	*	*
Investment in associate			*	
Investment in subsidiaries				(379)
Investment in available for sale financial instruments				(95)
Loans repaid/(advanced to) associate	3	3	(43)	1
Loans repaid/(advanced to) joint venture				(36)
Loans repaid/(advanced to) related parties	*	(2)	2	95
Net cash effect of share exchange and top up transaction			(139)	
Net cash effect of ALI refinancing				36
Net cash used in investing activities	**(78)**	**(441)**	**(1 240)**	**(732)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Shares repurchased by share scheme	(1)	(34)	3	–
Issue of shares as part of share exchange and top-up transaction			287	–
Decrease in share scheme loans	6	46	2	7
Dividend and loan repayments to outside shareholders	(12)	(6)	(13)	(44)
(Decrease)/Increase in long-term borrowings	(89)	246	977	411
Net cash (utilised in)/generated from financing activities	**(96)**	**252**	**1 256**	**374**
Net (decrease)/increase in cash and cash equivalents	(117)	126	254	(46)
Cash and other cash equivalents at beginning of period/year	443	317	63	109
Cash and cash equivalents at end of period/year	**326**	**443**	**317**	**63**

* Amounts less than R1 million

1. ACCOUNTING POLICIES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The consolidated annual financial statements have been prepared in accordance with IFRS as well as the AC 500 standards as issued by the Accounting Practices Board. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings,

available-for-sale financial assets, and financial assets and financial liabilities, including derivative instruments at fair value through profit or loss. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

The term IFRS includes International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS") and Interpretations originated 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").

1.2 Standards, amendments and interpretations

1.2.1 Standards, amendments and interpretations effective in 2008

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the group's financial statements.

1.2.2 Standards, amendments and interpretations effective in 2008 but not relevant to the group

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2008 but are not relevant to the group's operations:

- IFRIC 12, Service concession arrangements;
- IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction;
- IFRIC 15, Agreements for the construction of real estate; and
- IFRIC 16, Hedges of a net investment in a foreign operation.

1.2.3 Standards, amendments and interpretations that have been early adopted by the group

- IFRIC 13, 'Customer loyalty programmes' (effective from1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple element arrangement, and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The group now deducts the cost of loyalty points from net gaming revenue rather than including this cost in promotional and marketing costs. Comparatives for 2007 have been restated.
- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group has applied IAS 23 (Amendment) to all qualifying assets during the 2008 financial year.

1.2.4 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the group

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 January 2009 or later periods but which the group has not early adopted. These are:

- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14, 'Segment reporting' and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This statement only requires additional disclosure and the group is currently evaluating the impact on its financial statements. The group will apply IFRS 8 from 1 January 2009.
- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

  This statement only requires additional disclosure and the group is currently evaluating the impact on its financial statements. The group will apply IAS 1(Revised) from 1 January 2009.
- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions.

  These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The group will apply IFRS 2 (Amendment) from 1 January 2009. It is not expected to have a material impact on the group's financial statements.
- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The group will apply IAS 32 and IAS 1(Amendment) from 1 January 2009. It is not expected to have any impact on the group's financial statements.
- IFRS 1 (Amendment) 'First-time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements'(effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The group will apply IFRS 1 (Amendment) from 1 January 2009. The amendment will not have any impact on the group's financial statements.
- IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.
- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date,

with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the 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. All acquisition-related costs should be expensed. The group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRS. The group will apply IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The group will apply IAS 28 (Amendment) to impairment tests relating to investments in associates and any related impairment losses from 1 January 2009.
- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculations should be made. The group will apply IAS 28 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.
- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The group will apply IAS 38 (Amendment) from 1 January 2009.
- IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognised, IAS 19 has been amended to be consistent. The group will apply the IAS 19 (Amendment) from 1 January 2009.
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition. The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes the example of a segment so that the guidance is consistent with IFRS 8, 'Operating segments', which requires disclosure for segments to be based on information reported to the chief operating decision-maker. Currently, for segment reporting purposes, each subsidiary designates contracts with group treasury as fair value or cash flow hedges so that the hedges are reported in the segment to which the hedged items relate. This is consistent with the information viewed by the chief operating decision-maker. After the amendment is effective, the hedge will continue to be reflected in the segment to which the hedged items relate (and information provided to the chief operating decision-maker), but the group will not formally document and test this relationship. When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) is used. The group will apply IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the group's income statement.

- IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008.The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively.The group will apply IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the group's financial statements. There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting', which are part of the IASB's annual improvements project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the group's accounts and have therefore not been analysed in detail.

1.2.5 Standards, amendments and interpretations that are not yet effective and not relevant to the group

IAS 19 (Amendment), 'Employee benefits'

IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows')

IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies'

IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16, 'Property, plant and equipment')

IAS 41 (Amendment), 'Agriculture'

IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance'

1.2.6 Standards, Amendments and Interpretations Issued Subsequent to 31 December 2008

IFRS 7 'Amendments to IFRS 7 – Financial Instruments: Disclosures' (effective January 2009)

IAS 19 (AC 116), The limit on defined benefit asset, minimum funding requirements and their interaction in the South African pension fund environment' (effective 1 April 2009)

Revised AC 503, 'Accounting for black economic empowerment (BEE) transactions' (effective 1 January 2009)

1.3 Consolidation

The group recognises investments in subsidiaries and associates as per the accounting policies detailed below. The company recognises these categories of investment at historical cost, The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

1.3.1 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which Gold Reef has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Minority interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The acquiree's identifiable assets, liabilities and contingent assets and liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as

held-for-sale in accordance with IFRS 5, which are recognised and measured at fair value less costs to sell. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent assets and liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent assets and liabilities recognised.

The group applies a policy of treating transactions with minority interests as transactions with equity owners of the group. For purchases from minority interests, the difference between the consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.3.2 Associates

An associate is an entity over which Gold Reef has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent assets and liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss. The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against 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 obligations or made payments on behalf of the associate. 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.

1.3.3 Joint venture undertakings

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control, that is when the strategic, financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Where a group entity undertakes its activities under joint venture arrangements directly, the group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/or from the group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held-for-sale, in which case it is accounted for under IFRS 5. The group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the group's interest in a jointly controlled entity is accounted for in accordance with the group's accounting policy for goodwill arising on the acquisition of a subsidiary.

Where the group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the group's interest in the joint venture.

1.3.4 Accounting for Black Economic Empowerment transactions

In accordance with AC 503 equity instruments granted at a discount to a BEE partner are expensed. BEE credentials acquired as part of a business combination are subsumed in goodwill and not recognised as a separate intangible asset. Where the BEE transaction includes service conditions, the fair value of the equity instruments is measured at grant date and the expense recognised over the period of the service conditions. Where the BEE transaction includes no service conditions, the fair value of the equity instruments is measured at grant date and the expense recognised immediately on grant date.

1.4 Property, plant and equipment

Land and buildings comprise mainly casino buildings and offices. Property, plant and equipment are shown at historical cost, less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives.

During the current year, "Capital Work in Progress" has been disclosed separately as a non-depreciable category of property, plant and equipment. Comparatives for 2007 have been restated accordingly. All significant assets' residual values and remaining useful lives are reviewed annually, and estimated useful lives are adjusted if appropriate, at each balancesheet date. The following estimated useful lives were used in the preparation of these accounts:

- Buildings 50 years
- Plant and machinery 5 – 15 years
- Casino equipment 5 – 6 years
- Theme Park rides 6 – 26 years
- Vehicles 5 years
- Furniture, fittings and other equipment 5 – 10 years
- Computer equipment and software 2 – 6 years
- Computer mainframes and servers 5 years

Professional valuations of the residual values of land and buildings are updated at least once every three years. At each balance sheet date, these residual values are compared to market values of 50-year old properties and adjusted accordingly. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount and the reduction is charged as an expense in the income statement. Leasehold improvements are depreciated using the straight-line method over the period of the lease, adjusted for any decommissioning costs to be incurred at the end of the lease period. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within operating profit in the income statement.

1.5 Borrowing costs

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 or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. 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. Borrowing costs incurred on the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.6 Intangible assets

1.6.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the net fair value of the group's share of the identifiable assets, liabilities and contingent assets and liabilities of the acquired subsidiary, associate or jointly controlled entity recognised at the date of acquisition. Goodwill on acquisitions of subsidiaries

and jointly controlled entities is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill is allocated to each of Gold Reef's cash-generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The group considers each existing business operation to be a cash-generating unit. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit, prorate on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

1.6.2 Trademarks

Acquired trademarks are recognised at cost. Trademarks have a definite useful life 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. The estimated useful lives of the group's trademarks are between three and 10 years.

1.6.3 Bid costs and casino licences

Capitalised bid costs that relate to the exclusivity period of the casino licence are amortised over the exclusivity period. Bid costs incurred that relate to the casino licence are amortised over the period of the license, or over 50 years for permanent licenses.

1.6.4 Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives. Expenditure on research activities relating to developing or maintaining computer software programmes is recognised as an expense in the period in which it is incurred. Research and development expenditure previously recognised as an expense is not recognised as an asset in subsequent periods. Internally generated intangible assets are recognised when it is probable that the project to which the expenditure relates will be a success, considering its commercial and technical feasibility and costs can be reliably measured. These intangible assets are amortised on a straight-line basis over their estimated useful lives. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Expenditure that is directly associated with the development of identifiable and unique software products controlled by the group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the software development employee costs and an appropriate portion of the relevant overheads or as soon as this becomes evident. Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years). Where items of property, plant and equipment cannot operate without software, that software is recognised as a component of the property, plant and equipment.

1.7 Impairment of tangible and definite-lived intangible assets excluding goodwill

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 cash-generating unit 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 (cash generating units). If the recoverable amount of a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the

cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.8 Financial assets

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

1.8.1 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. 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 finance income/(costs) 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 payment is established.

1.8.2 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, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The group's loans and receivables are included in 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet. Refer to notes 19 and 20.

1.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and related costs that have been incurred in bringing the inventories to their present location and condition. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable marketing, selling and distribution expenses.

1.10 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, 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 original 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 (more than 30 days' overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within "other operating expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "other operating expenses" in the income statement.

1.11 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are disclosed separately under current liabilities.

1.12 Share capital

Ordinary shares are classified as equity. 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 are accounted for as treasury shares.

1.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1.14 Taxation

The SA normal tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Secondary Tax on Companies ("STC') is calculated in respect of dividend payments net of dividends received. Income tax expense represents the sum of SA normal tax, STC and deferred tax. Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at tax rates enacted or substantially enacted in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity, Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The normal South Africa tax rate used for the year ending 31 December 2008 was 28% (2007: 29%). Deferred tax assets and liabilities at 31 December 2008 have been calculated using this rate as this is the rate that the group expects to apply to the period when the assets are realised or the liabilities are settled. STC is calculated at the prevailing rate. This rate was changed from 12,5% to 10% with effect from 1 October 2007. Capital Gains Tax is calculated at 50% of the company tax rate.

1.15 Employee benefits

1.15.1 Share-based payments – Gold Reef Share Scheme

The group operates an equity-settled, share-based compensation plan. Options are granted to permanent employees at the discretion of the directors in terms of which shares in Gold Reef may be acquired based on prices prevailing at the dates of granting the options. Delivery of the shares so acquired is in 3 equal tranches vesting over 4 years; one-third after 2 years, one-third after 3 years and one-third after 4 years. On a group level the Gold Reef Share Scheme is consolidated. Upon vesting of the options the subscription value is credited to share capital (nominal value) and share premium and debited to a non-current asset. The 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 fair value of the employee services received by the company's associate in exchange for the grant of the options is recognised as an increase in the investment in associate. The fair value of the employee services received by the company's joint ventures in exchange for the grant of the options is recognised as an expense to the extent that the joint venture is consolidated, any remaining portion is included in the investment in joint venture. 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 nonmarket vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date the entity revises its estimates of the number of options that are expected to become exercisable. It recognises

the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity over the vesting period. This equity account is included in the share-based payment reserve of the company.

Fair value is measured 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.

1.15.2 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.

1.15.3 Bonus plans

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

1.15.4 Retirement benefit costs

The group operates a defined contribution plan. The group's contribution to the defined contribution provident plan is charged to the income statement in the period to which the contribution relates. Under the scheme the group pays contributions into a separate entity and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current or prior periods.

1.15.5 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 has been included in the accruals balance in the balance sheet.

1.16 Trade and other payables

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

1.17 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

1.18 Revenue recognition

Gaming revenue comprises the net gaming win generated by casino operations. In terms of accounting standards, contracts concluded under gaming operations meet the definition of derivatives and therefore income from gaming operations represents the net position arising from financial instruments. Net gaming win is measured as the net cash received from casino operations. Due to the short-term nature of the group's casino operations, all income is recognised in profit and loss, immediately, at fair value. During the current financial year the company

amended the accounting treatment applied to promotional allowances for complimentary beverages, meals and/or accommodation. The revenue and related expenses, previously recognised as part of food and beverage and hotel revenue, are now eliminated against the corresponding promotional costs recognised in gaming expenses. Comparatives for 2007 have been restated accordingly IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.

The group now deducts the cost of loyalty points from net gaming revenue rather than including this cost in promotional and marketing costs. Comparatives for 2007 have been restated accordingly. Revenue arising from entrance fees, theatre revenue, hotel revenue, parking revenue, rental income, management fees and commissions and food and beverage revenue are recorded on the accrual basis when the amount of revenue can be measured reliably and it is probable that future economic benefits will flow to the group. VAT and other taxes levied on casino winnings are included in net gaming win and are treated as direct costs as these are borne by the group and not customers. VAT on all other revenue transactions is excluded from revenue as this is considered to be a tax collected as an agent on behalf of the SARS. Other revenue earned by the group is recognised on the following bases:

- royalty income: on an accrual basis in accordance with the substance of the relevant agreement;
- interest income: as it accrues (taking into account the effective yield on the assets) unless collectability is in doubt; and
- dividend income: when the shareholders' rights to receive payment are established.

1.19 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Leases of property, plant and equipment where the group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased property and the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charge so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in interest-bearing borrowings. The interest element of the finance charge is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts are depreciated over the useful lives of the assets.

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 arising from the letting of premises to concessionaires (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

1.20 Financial guarantee contracts

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 are 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 'Other income' in the income statement.

1.21 Dividend distribution

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.

1.22 Segmental reporting

In terms of IAS 14, the group operates in one business and one geographic segment only. However, information has been disclosed in the Annual Report for the individual casino operations within the group.

EXTERNAL ADVICE FROM THE INDEPENDENT ADVISER

"The Directors
Hosken Consolidated Investments Limited
B Block
Longkloof Studios
Darters Road
Gardens
Cape Town
8001

16 March 2010

Dear Sirs

EXTERNAL ADVICE ON THE proposed MERGER OF TSOGO SUN HOLDINGS (PTY) LIMITED ("TSOGO") AND GOLD REEF RESORTS LIMITED ("GOLD REEF")

Introduction

We have agreed to provide the board of Hosken Consolidated Investments Limited ("HCI") with appropriate external advice on the proposed merger of the gaming and hotel businesses of Tsogo and Gold Reef ("the Proposed Transaction"). Tsogo is a 51% subsidiary of Tsogo Investment Holdings Company (Pty) Limited which is in turn a 74,67% subsidiary of HCI. Our external advice on the Proposed Transaction, which will be presented, as is customary, in the form of a fairness opinion, is required in terms of Rule 3 of Section D of the Securities Regulation Panel Code on Takeovers and Mergers ("the SRP Code") as the Proposed Transaction is an affected transaction as defined in the SRP Code because if approved by shareholders, it would constitute a disposal by HCI as contemplated in section 228 of the Companies Act.

Full details of the Proposed Transaction are set out in the circular to be issued to HCI shareholders on or about 29 March 2010 ("the circular"). Terms defined in the circular have, unless the context requires otherwise, the same meanings in this report as given to them elsewhere in the circular.

- **Responsibility**

  The circular and compliance with the JSE Listings Requirements and the SRP Code are the responsibility of the directors of HCI. Our responsibility is to provide appropriate external advice to the directors of HCI on the terms and conditions of the Proposed Transaction.

- **Meaning of fairness**

  In terms of Schedule 5 of the JSE Listings Requirements, fairness is primarily based on quantitative issues. For illustrative purposes, in the case of a disposal of an asset, such disposal may be said to be fair if the consideration to be received for the asset is equal to or greater than the fair market value of that asset.

  In preparing our opinion for purposes of complying with the SRP Code we will apply the aforementioned principle.

Sources of information

We have relied on information from the following sources in arriving at our opinion:

- The annual financial statements of Tsogo for the year ended 31 March 2009.
- The annual financial statements of Gold Reef for the year ended 31 December 2008.
- The unaudited consolidated interim results of Gold Reef for the six months ended 30 June 2009.
- The unaudited management accounts of Tsogo for the ten months ended 31 January 2010.
- The Tsogo five year cash flow forecasts for the financial years ending 31 March 2011 to 31 March 2015 as prepared by management.
- The Exchange Agreement entered into between Tsogo and Gold Reef on 17 February 2010.
- The management representation letter provided to us in respect of this fairness opinion.

- Discussions with the directors of HCI and Tsogo.
- Discussions with HCI and Tsogo's investment bankers, Investec Corporate Finance.
- The mandate request by the management of Tsogo to the shareholders of Tsogo to pursue the Proposed Transaction ("the mandate request").
- Various other items of publicly available information with regards the gaming and hotel industries, being mainly various analysts reports.
- The historical share price history of Gold Reef shares.
- The circular.

Where practical, we have corroborated the reasonability of the information provided to us for the purposes of our opinion, including publicly available information, whether in writing or obtained in discussion with the directors of HCI and Tsogo. Where possible, such information has been substantiated by reference to supporting documentation and other corroborating evidence. Whilst our work has involved an analysis of the financial information, as provided to us, our engagement does not constitute, nor does it include an audit or review in accordance with International Standards on Auditing. We have not and we do not assume responsibility or liability for such information.

Scope and factors considered

In arriving at our opinion we have:

- Reviewed the historic financial information of Tsogo and Gold Reef detailed above.
- Reviewed the terms and conditions of the Proposed Transaction as detailed in the Exchange Agreement.
- Considered the rationale for the Proposed Transaction as detailed in the mandate request and in the circular.
- Reviewed the Tsogo five year cash flow forecasts for the financial years ending 31 March 2011 to 31 March 2015.
- Reviewed Tsogo management's five year cash flow forecasts for Gold Reef as included in the mandate request.
- Obtained an understanding of the basis on which the forecasts were prepared, reviewed the assumptions applied for reasonableness and checked the arithmetical accuracy of the models.
- Performed independent valuations of the equity in Tsogo and Gold Reef. The valuations were performed using discounted free cash flow methodology. We valued the equity in Tsogo and Gold Reef at R16,92 billion and R5,40 billion, respectively.

  Key assumptions applied in performing the valuations were as follows:
  - Discount rates of 16.5% to 17.5% p.a.; and
  - A nominal growth of 10% p.a.
- Considered the swap ratio in terms of which TIH will receive 453 013 124 Gold Reef Consideration Shares representing 41,3% of the merged entity in exchange for its 51% interest in Tsogo.
- Compared the values of TIH's investment before and after the Proposed Transaction. On this basis we are of the view that a swap ratio that would result in TIH's shareholding in the merged entity being between 39.9% and 42.4% to be fair.
- Considered the potential benefit to HCI shareholders as a result of the reverse listing of Tsogo as listed shares will typically trade at a premium to their unlisted counterparts.
- Considered the *pro forma* financial effects of the Proposed Transaction.

Opinion

Our opinion is based on the economic, regulatory, market and other conditions in effect on, and information made available to us, at 16 March 2010. Subsequent developments may affect this opinion which we are under no obligation to update, review or re-affirm.

Our opinion on the Proposed Transaction is provided to the directors of HCI in connection with and for the purpose of their consideration of the Proposed Transaction and may not be reproduced in any form, save with our prior written consent.

Based upon and subject to the foregoing we are of the opinion, at 16 March 2010, that the terms and conditions of the Proposed Transaction are fair to the shareholders of HCI.

An individual shareholder's decision may be influenced by his or her particular circumstances. This fairness opinion does not purport to cater for each shareholder's circumstances and risk profile, but rather the general body of shareholders taken as a whole. Should a shareholder be in any doubt as to what action to take, he or she should consult an independent advisor.

Conclusion

We record that the directors of PKF Corporate Finance (Pty) Ltd have no interests in:

- the issued share capital of HCI; or
- the success or failure of the Proposed Transaction.

We hereby consent to the inclusion of this letter in its entirety in the circular to be issued to shareholders of HCI on or about 24 March 2010.

Yours faithfully

PKF Corporate Finance (Pty) Ltd
Per: Duncan Church
Registration number 1998/018420/07

42 Wierda Road West
Wierda Valley
2196"

UNAUDITED *PRO FORMA* CONSOLIDATED INFORMATION OF HCI

The unaudited *pro forma* financial effects of HCI set out in this annexure has been prepared for illustrative purposes only to assist HCI shareholders to assess how the Proposed Transaction might impact on the financial position and results of HCI.

The unaudited *pro forma* financial effects have been disclosed in terms of the JSE Listings Requirements and because of their nature may not fairly reflect HCI's financial position or results. The unaudited *pro forma* financial effects are the responsibility of the directors of HCI.

The unaudited *pro forma* financial effects presented in the tables below differ to those disclosed in the SENS announcement to HCI shareholders on 18 February 2010 due to:

- an increase in the estimated transaction costs for the Proposed Transaction; and
- the settlement of the Gold Reef executives' Service Agreement as explained in note 6 below.

Pro forma financial effects after the Nafhold transaction

The *pro forma* financial effects below are shown assuming that that the Nafhold transaction which was announced on 14 December 2009 is implemented.

Income statements

The consolidated income statement for the period ended 30 September 2009, the effects of the Nafhold transaction and the effects of the Proposed Transaction are set out below:

	Column A 30 September 2009 R'000	Column B Effects of the Nafhold transaction R'000	Column C After the Nafhold transaction and before the Proposed Transaction R'000	Column D Effects of the Proposed Transaction R'000	Column E After the Nafhold transaction and the Proposed Transaction R'000
Revenue	4 167 261	–	4 167 261	(1 216 448)	2 950 813
Net gaming win	1 785 377	–	1 785 377	(1 659 932)	125 445
Group revenue	5 952 638	–	5 952 638	(2 876 380)	3 076 258
Other operating expenses	(4 500 680)	–	(4 500 680)	1 864 673	(2 636 007)
EBITDA	1 451 958	–	1 451 958	(1 011 707)	440 251
Depreciation and amortisation	(372 539)	–	(372 539)	210 710	(161 829)
	1 079 420	–	1 079 420	(800 997)	278 423
Investment income	34 087	(18 976)	15 111	(15 138)	(27)
Finance costs	(324 788)	(20 663)	(345 451)	186 255	(159 196)
Share of profits of associates and joint ventures	83 573	–	83 573	223 833	307 406
Investment surplus	15 000	–	15 000	–	15 000
Other impairment reversals	1 608	–	1 608	–	1 608
Gain on loss of control of subsidiary	–	–	–	6 607 191	6 607 191
Impairment of goodwill, investments and receivables	(26 149)	–	(26 149)	–	(26 149)
Profit before taxation	862 751	(39 639)	823 112	6 201 144	7 024 255
Taxation	(240 015)	–	(240 015)	(792 549)	(1 032 563)
Profit for the year from continuing operations	622 736	(39 639)	583 097	5 408 595	5 991 692
Discontinued operations	(161 732)	–	(161 732)	–	(161 732)
Profit for the period	461 004	(39 639)	421 365	5 408 595	5 829 960
Attributable to:					
Equity holders of the parent	125 028	19 083	144 111	5 651 386	5 795 497
Minority interest	335 976	(58 722)	277 254	(242 791)	34 463
	461 004	(39 639)	421 365	5 408 595	5 829 960
Earnings per share (cents)					
– Basic	100.09	15.28	115.37	4 524.15	4 639.52
– Headline	104.02	15.28	119.30	(24.65)	94.64
Weighted average number of shares in issue ('000)	124 916	124 916	124 916	124 916	124 916
Diluted earnings per share (cents)					
– Basic	96.87	14.79	111.65	4 378.58	4 490.23
– Headline	100.67	14.79	115.46	(23.86)	91.59
Weighted average number of shares in issue ('000)	129 069	129 069	129 069	129 069	129 069

Balance sheets

The consolidated balance sheet at 30 September 2009, the effects of the Nafhold transaction and the effects of the Proposed Transaction are set out below:

	Column A 30 September 2009 R'000	Column B Effects of the Nafhold transaction R'000	Column C After the Nafhold transaction and before the Proposed Transaction R'000	Column D Effects of the Proposed Transaction R'000	Column E After the Nafhold transaction and the Proposed Transaction R'000
ASSETS					
Non-current assets	14 502 535	586 917	15 089 452	(1 332 302)	13 757 149
Property, plant and equipment	9 545 900	–	9 545 900	(6 677 599)	2 868 301
Investment properties	166 937	–	166 937	–	166 937
Goodwill	1 528 925	586 917	2 115 842	(1 855 625)	260 217
Interest in associates and joint ventures	2 114 020	–	2 114 020	7 554 543	9 668 563
Other financial assets	67 902	–	67 902	(1 906)	65 996
Other intangible assets	604 334	–	604 334	(134 688)	469 646
Deferred taxation	273 474	–	273 474	(78 770)	194 704
Operating lease equalisation asset	5 112	–	5 112	–	5 112
Non-current receivables	195 931	–	195 931	(138 257)	57 674
Current assets	3 577 240	(700 000)	2 877 240	(1 158 855)	1 718 385
Other	2 903 151	–	2 903 151	(794 607)	2 108 544
Bank balances and deposits	674 089	(700 000)	(25 911)	(364 248)	(390 159)
Non-current assets held for sale	245 009	–	245 009	–	245 009
Total assets	18 324 784	(113 083)	18 211 701	(2 491 157)	15 720 543
EQUITY AND LIABILITIES					
Equity	7 809 423	(613 083)	7 196 340	2 610 373	9 806 713
Equity attributable to equity holders of the parent	4 163 141	–	4 163 141	4 850 959	9 014 099
Minority interest	3 646 283	(613 083)	3 033 200	(2 240 586)	792 614
Non-current liabilities	5 729 611	500 000	6 229 611	(2 561 125)	3 668 485
Deferred taxation	640 395	–	640 395	376 228	1 016 622
Borrowings	4 595 908	500 000	5 095 908	(2 632 436)	2 463 472
Operating lease equalisation liability	290 769	–	290 769	(266 070)	24 699
Other	202 539	–	202 539	(38 847)	163 692
Current liabilities	4 693 830	–	4 693 830	(2 540 405)	2 153 425
Non-current liabilities held for sale	91 920	–	91 920	–	91 920
Total equity and liabilities	18 324 784	(113 083)	18 211 701	(2 491 157)	15 720 543
Actual number of shares in issue (net of treasury shares) ('000)	125 239	125 239	125 239	125 239	125 239
Net asset value per share (cents)	3 324	–	3 324	3 873	7 198
Net tangible asset value per share (cents)	1 621	(469)	1 152	5 463	6 615

Notes to the *pro forma* financial information:

The unaudited *pro forma* financial information of the transactions are indicative only and have been based on the assumptions set out below:

1. The published unaudited consolidated interim results of HCI for the six-month period ended 30 September 2009 have been used.
2. The Nafhold transaction and the Proposed Transaction were effected on 1 April 2009 for income statement purposes and on 30 September 2009 for balance sheet purposes.
3. The effects of the Proposed Transaction have been calculated using the unaudited consolidated interim results of Gold Reef for the six-month period ended 30 June 2009.
4. It has been assumed that after the implementation of the Proposed Transaction HCI will hold an effective 41% of Gold Reef (which is HCI's effective holding post the implementation of the Nafhold transaction) and will exert significant influence over Gold Reef. As a result, it is assumed that TSH is accounted for as an associate and will no longer be consolidated as a subsidiary of HCI.
5. Transaction costs of R43 million, which are once-off in nature. If the effect of these once-off transaction costs and the costs referred to in note 6 are excluded, the Proposed Transaction would result in a 2.9% increase in headline earnings per share.
6. Costs of R42.8 million (after tax effects) incurred by Gold Reef, which arise from the No Fault Termination (as defined in the Gold Reef executives' Service Agreements) of the Gold Reef executives' Service Agreements based on the assumption of the No Fault Termination being on 31 December 2010, and at the Gold Reef pre-cautionary share price, which are once-off in nature. If the effect of these once-off costs and the once-off transaction costs referred to in note 5 are excluded, the Proposed Transaction would result in a 2.9% increase in headline earnings per share.
7. A market value of R19.25 per Gold Reef share, being the closing price on 29 January 2010 which is the day the HCI cautionary announcement was released, has been used to calculate the *pro forma* gain on the loss of control ("*pro forma* gain") of TSH. A corporate tax rate of 28% with the Capital Gains Tax inclusion rate of 50% is assumed.
8. The *pro forma* gain arises as a result of TSH no longer being consolidated, and the investment in the associate being accounted for at its fair value at the transaction date. The *pro forma* gain is calculated as the difference between the fair value of the Gold Reef shares received as consideration for the NAV of TSH which is no longer consolidated as a subsidiary. The *pro forma* gain is excluded from headline earnings per share and accounts for the difference in the effect on earnings and headline earnings per share.
9. The increase in NAV is attributable to the net effect of the gain on the loss of control and the deconsolidation of TSH.

Notes relating to the Nafhold transaction:

10 Separate disclosure of the effects of the Nafhold transaction are shown based on assumptions which are consistent with those used in the announcement released on SENS on 14 December 2009:

   (a) The cash portion of the TIH repurchase consideration would otherwise have been invested with financial institutions at daily call rates. An average call rate of 7.53%, after deducting taxation of 28%, was used for the period.

   (b) The coupon on the preference shares to be issued as part of the TIH repurchase consideration has been assumed to be 8.27%. It has been assumed that TIH will have sufficient STC credits at the relevant dividend dates.

***Pro forma* financial effects excluding the Nafhold transaction**

The *pro forma* financial effects below are shown excluding the effect of the Nafhold transaction which was announced on 14 December 2009.

Income statements

The consolidated income statement for the period ended 30 September 2009 and the effects of the Proposed Transaction are set out below:

	Column A 30 September 2009 R'000	Column B Effects of the Proposed Transaction R'000	Column C After the Proposed Transaction R'000
Revenue	4 167 261	(1 216 448)	2 950 813
Net gaming win	1 785 377	(1 659 932)	125 445
Group revenue	5 952 638	(2 876 380)	3 076 258
Other operating expenses	(4 500 680)	1 864 673	(2 636 007)
EBITDA	1 451 958	(1 011 707)	440 251
Depreciation and amortisation	(372 539)	210 710	(161 829)
	1 079 420	(800 997)	278 423
Investment income	34 087	(15 138)	18 949
Finance costs	(324 788)	186 255	(138 533)
Share of profits of associates and joint ventures	83 573	223 833	307 406
Investment surplus	15 000	–	15 000
Other impairment reversals	1 608	–	1 608
Gain on loss of control of subsidiary	–	6 607 191	6 607 191
Impairment of goodwill, investments and receivables	(26 149)	–	(26 149)
Profit before taxation	862 751	6 201 144	7 063 894
Taxation	(240 015)	(792 549)	(1 032 563)
Profit for the year from continuing operations	622 736	5 408 595	6 031 331
Discontinued operations	(161 732)	–	(161 732)
Profit for the period	461 004	5 408 595	5 869 599
Attributable to:			
Equity holders of the parent	125 028	4 219 701	4 344 729
Minority interest	335 976	1 188 895	1 524 871
	461 004	5 408 595	5 869 599
Earnings per share (cents)			
– Basic	100.09	3 378.03	3 478.12
– Headline	104.02	(18.41)	85.61
Weighted average number of shares in issue ('000)	124 916	124 916	124 916
Diluted earnings per share (cents)			
– Basic	96.87	3 269.34	3 366.21
– Headline	100.67	(17.82)	82.85
Weighted average number of shares in issue ('000)	129 069	129 069	129 069

Balance sheets

The consolidated balance sheet at 30 September 2009 and the effects of the Proposed Transaction are set out below:

	Column A 30 September 2009 R'000	Column B Effects of the Proposed Transaction R'000	Column C After the Proposed Transaction R'000
ASSETS			
Non-current assets	14 502 535	(1 332 302)	13 170 232
Property, plant and equipment	9 545 900	(6 677 599)	2 868 301
Investment properties	166 937	–	166 937
Goodwill	1 528 925	(1 268 708)	260 217
Interest in associates and joint ventures	2 114 020	6 967 626	9 081 646
Other financial assets	67 902	(1 906)	65 996
Other intangible assets	604 334	(134 688)	469 646
Deferred taxation	273 474	(78 770)	194 704
Operating lease equalisation asset	5 112	–	5 112
Non-current receivables	195 931	(138 257)	57 674
Current assets	3 577 240	(1 158 855)	2 418 385
Other	2 903 151	(794 607)	2 108 544
Bank balances and deposits	674 089	(364 248)	309 841
Non-current assets held for sale	245 009	–	245 009
Total assets	18 324 784	(2 491 157)	15 833 626
EQUITY AND LIABILITIES			
Equity	7 809 423	2 610 373	10 419 796
Equity attributable to equity holders of the parent	4 163 141	3 411 472	7 574 613
Minority interest	3 646 283	(801 099)	2 845 183
Non-current liabilities	5 729 611	(2 561 125)	3 168 485
Deferred taxation	640 395	376 228	1 016 622
Borrowings	4 595 908	(2 632 436)	1 963 472
Operating lease equalisation liability	290 769	(266 070)	24 699
Other	202 539	(38 847)	163 692
Current liabilities	4 693 830	(2 540 405)	2 153 425
Non-current liabilities held for sale	91 920	–	91 920
Total equity and liabilities	18 324 784	(2 491 157)	15 833 626
Actual number of shares in issue (net of treasury shares) ('000)	125 239	125 239	125 239
Net asset value per share (cents)	3 324	2 724	6 048
Net tangible asset value (cents	1 620	3 845	5 465

Notes:

The unaudited *pro forma* financial information of the transactions are indicative only and have been based on the assumptions set out below:

1. The published unaudited consolidated interim results of HCI for the six-month period ended 30 September 2009 have been used.
2. The Proposed Transaction was effected on 1 April 2009 for income statement purposes and on 30 September 2009 for balance sheet purposes.
3. The effects of the Proposed Transaction have been calculated using the unaudited consolidated interim results of Gold Reef for the six-month period ended 30 June 2009.
4. It has been assumed that after the implementation of the Proposed Transaction HCI will hold an effective 31% of Gold Reef and will exert significant influence over Gold Reef. As a result, it is assumed that TSH is accounted for as an associate and will no longer be consolidated as a subsidiary of HCI.
5. Transaction costs of R43 million, which are once-off in nature. If the effect of these once-off transaction costs and the costs referred to in note 6 are excluded the transaction would result in a 2.5% increase in headline earnings per share.
6. Costs of R42.8 million (after tax effects) incurred by Gold Reef, which arise from the No Fault Termination (as defined in the Gold Reef executives' Service Agreements) of the Gold Reef executives' Service Agreements based on the assumption of the No Fault Termination being on 31 December 2010, and at the Gold Reef pre-cautionary share price, which are once-off in nature. If the effect of these once-off costs and the once-off transaction costs referred to in note 5 are excluded, the Proposed Transaction would result in a 2.5% increase in headline earnings per share.
7. A market value of R19.25 per Gold Reef share, being the closing price on 29 January 2010 which is the day the HCI cautionary announcement was released, has been used to calculate the *pro forma* gain on the loss of control ("*pro forma* gain") of TSH. A corporate tax rate of 28% with the Capital Gains Tax inclusion rate of 50% is assumed.
8. The *pro forma* gain arises as a result of TSH no longer being consolidated, and the investment in the associate being accounted for at its fair value at the transaction date. The *pro forma* gain is calculated as the difference between the fair value of the Gold Reef shares received as consideration for the NAV of TSH which is no longer consolidated as a subsidiary. The *pro forma* gain is excluded from headline earnings per share and accounts for the difference in the effect on earnings and headline earnings per share.
9. The increase in NAV is attributable to the net effect of the *pro forma* gain and the deconsolidation of TSH.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE FINANCIAL INFORMATION OF HCI

"The Directors
Hosken Consolidated Investments Limited
B Block
Longkloof Studios
Darters Road
Gardens
Cape Town
8001

1 April 2010

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS LIMITED ASSURANCE REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF HOSKEN CONSOLIDATED INVESTMENTS LIMITED ("HCI")

We have performed our limited assurance engagement in respect of the *pro forma* financial information set out in paragraph 7, and Annexure 5 to the circular to shareholders of HCI to be dated on or about 29 March 2010 ("the Circular"). Terms used herein and defined in the Circular have the meaning assigned to them in the Circular unless otherwise indicated.

The *pro forma* financial information has been prepared in accordance with the requirements of the JSE Limited ("the JSE") Listings Requirements, for illustrative purposes only, to provide information about how the Proposed Transaction might have affected the reported historical financial information presented, had the corporate action been undertaken at the commencement of the period or at the date of the *pro forma* balance sheet being reported on.

Directors' responsibility

The directors are responsible for the compilation, contents and presentation of the *pro forma* financial information contained in the Circular and for the financial information from which it has been prepared. Their responsibility includes determining that:

- the *pro forma* financial information has been properly compiled on the basis stated;
- the basis is consistent with the accounting policies of HCI;
- the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

Reporting accountants' responsibility

Our responsibility is to express our limited assurance conclusion on the *pro forma* financial included in the Circular to the HCI shareholders.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and the *Guide on Pro Forma Financial Information* issued by The South African Institute of Chartered Accountants. This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* financial information, beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Sources of information and work performed

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the *pro forma* adjustments in light of the accounting policies of HCI, considering the evidence supporting the *pro forma* adjustments, and discussing the adjusted *pro forma* financial information with the directors and management of the company in respect of the corporate action that is the subject of the Circular.

In arriving at our conclusion, we have relied upon financial information prepared by the directors and management of HCI and other information from various public, financial and industry sources.

While our work performed has involved an analysis of the historical published audited financial information, and other information provided to us, our assurance engagement does not constitute an audit or review of any of the underlying financial information conducted in accordance with *International Standards on Auditing* or *International Standards on Review Engagements* and accordingly, we do not express an audit opinion or review conclusion.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our examination of the evidence obtained, nothing has come to our attention, which causes us to believe that in term of Sections 8.17 and 8.30 of the JSE Listings Requirements:

- the *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of HCI;
- the adjustments are not appropriate for the purposes of the *pro forma* financial information as disclosed.

Consent

This report on the *pro forma* financial information is included solely for the information of the HCI shareholders. We consent to the inclusion of our report on the *pro forma* financial information and the references thereto, in the form and context in which they appear.

Yours faithfully

PKF (Jhb) Inc
Duncan Church
Registration number 1994/001166/21
Registered Auditors
Chartered Accountants (SA)

42 Wierda Road West
Wierda Valley
Sandton"

TRADING HISTORY OF HCI SHARES ON THE JSE

	High (cents)	Low (cents)	Close (cents)	Value traded (Rm)	Volume traded (shares)
Quarterly					
2007					
January – March	6 200	5 500	6 035	156	2 595 662
April – June	8 500	6 040	7 949	125	1 788 030
July – September	8 200	6 800	7 450	146	1 956 100
October – December	9 000	7 107	7 900	301	3 876 866
2008					
January – March	8 000	6 300	7 700	313	4 342 956
April – June	7 850	6 001	6 500	379	5 163 803
July – September	6 500	5 200	5 599	106	1 785 017
October – December	5 575	3 700	4 000	100	2 180 381
2009					
January – March	4 475	3 303	4 021	149	3 590 911
April – June	4 650	3 550	4 550	108	2 653 863
July – September	6 200	4 401	6 140	87	1 621 508
October – December	7 565	6 100	7 124	118	1 741 340
2010					
January – March	7 950	6 500	7 800	145	2 090 627
Monthly					
2009					
February	4 475	4 079	4 177	39	903 332
March	4 176	3 303	4 021	20	493 952
April	4 480	3 900	4 480	23	581 966
May	4 500	3 550	4 400	55	1 403 860
June	4 650	4 250	4 550	30	668 037
July	5 200	4 401	5 200	35	702 456
August	5 975	5 000	5 287	15	290 063
September	6 200	5 200	6 140	36	628 989
October	7 565	6 100	7 300	55	800 537
November	7 280	6 151	6 600	40	578 500
December	7 200	6 300	7 124	24	362 303
2010					
January	7 150	6 500	6 750	44	636 652
Daily					
February 2010					
1	6 700	6 600	6 685	1	19 553
2	6 748	6 650	6 725	43	635 460
3	6 884	6 700	6 784	1	16 352
4	6 801	6 700	6 800	2	27 917
5	7 280	6 800	7 000	3	37 736
8	7 300	6 700	7 300	2	36 496
9	6 900	6 700	6 899	2	33 820
10	7 045	6 861	7 000	26	372 617
11	–	–	7 000	–	–
12	7 100	6 712	7 100	3	36 584
15	7 001	7 001	7 001	0	170

	High (cents)	Low (cents)	Close (cents)	Value traded (Rm)	Volume traded (shares)
Daily					
February 2010					
16	7 200	7 015	7 200	1	8 731
17	7 499	7 050	7 200	1	10 487
18	7 950	7 200	7 950	7	95 766
19	7 950	7 950	7 950	3	37 027
22	7 900	7 602	7 900	0	4 611
23	7 950	7 700	7 800	6	80 648
24	7 900	7 900	7 900	0	3 632
25	7 945	7 600	7 600	0	4 490
26	–	–	7 600	–	–
March 2010					
1	7 700	7 510	7 510	1	14 712
2	7 695	7 510	7 512	3	34 615
3	7 560	7 512	7 550	2	28 495
4	7 555	7 510	7 555	3	43 750
5	7 600	7 550	7 600	0	875
8	7 825	7 600	7 725	1	15 065
9	7 700	7 695	7 699	1	13 777
10	7 750	7 699	7 750	0	1 319
11	7 750	7 605	7 605	0	76
12	7 700	7 605	7 700	2	30 153
15	8 195	7 750	8 000	6	75 815
16					
17					
18					
19					

DETAILS OF VENDORS

The names and addresses of the vendors of material assets acquired by HCI and its subsidiaries during the three years preceding the publication of the circular, and the amounts paid to the vendors including any warranties and restraint of trade payments, are detailed below:

Name and address of vendor/s	Asset purchased	Warranties and restraint of trade	Consideration (determined through negotiations)
Acquisition of Johnnic minority shareholders			
A variety of minority shareholders	Those shares in Johnnic Holdings Limited, not already owned by HCI	None	Approximately R919 million
Increase of indirect interest in Gold Reef			
Clidet No 754 (Pty) Limited Protea Place, Sandown	41 876 046 Gold Reef shares	None	R942 million
Clidet No 755 (Pty) Limited Protea Place, Sandown			
Parmtro Investments No 95 (Pty) Ltd Block G Pinmill Farm Office Park Katherine Street, Sandton			
Platoon Trade and Invest 15 (Pty) Ltd Gold Reef City Northern Parkway, Ormonde			
Reygrande Investment Holdings (Pty) Ltd 61 Long Street, Morreesburg			
Saddlepath Props 20 (Pty) Ltd 15a Gibson Road, Beccleuch			
Saffron Balm Trading 29 (Pty) Ltd 2 Pioneer Road, Caledon			
Y Investments (Pty) Ltd 272 The Hillside Road, Menlo Park			

Name and address of vendor/s	Asset purchased	Warranties and restraint of trade	Consideration (determined through negotiations)
Acquisition of Caledon Casino, Hotel and Spa and Century Casino Newcastle by TSG			
Century Resorts Limited, Level 6, One Cathedral Square Jules Koenig Street Port Louis, Republic of Mauritius Winlen Casino Operators (Proprietary) Limited 3rd Floor, Clifton Place 19 Hurst Grove Musgrave	100% of Caledon Casino, Hotel and Spa 60% of Century Casino Newcastle 40% of Century Casino Newcastle	Standard warranties for a transaction of this nature	R471 million including take on debt
Transaction between Johnnic Holdings Limited, a wholly-owned subsidiary of HCI, and TSG pursuant to which the HCI group decreases its indirect interest in Tsogo Sun KwaZulu-Natal (Proprietary) Limited			
Johnnic Holdings Limited, Block B, Longkloof Studios, Darters Road, Gardens, Cape Town, 8001	100% of Millennium Casino Limited giving and indirect additional 30% effective stake in Tsogo Sun KwaZulu-Natal (Proprietary) Limited ("TSKZN"), the licensee and operator of Suncoast Casino and Entertainment World	The purchase agreement stipulated an "agterskot" of R330 million which is payable based on agreed targets in terms of gaming win achieved in the years ending 31 March 2010, 2011 and 2012	R1,006 million plus "agterskot" described above, including take on debt
Specific repurchase of TIH shares by TIH from Nafhold			
NAFCOC Investment Holding Company (Proprietary) Limited Nafhold House 1st Floor 44 Wierda Road Wierda Valley Sandton, 2146	25% interest in TIH	None	R1,200 million

Note: In certain circumstances where there were multiple vendors, more detailed information is unobtainable because of the nature of the transaction

Where appropriate, the relevant assets acquired have been transferred into the name of HCI or the relevant subsidiary within the HCI group.

DETAILS OF MATERIAL BORROWINGS

All of the HCI debt arose in the ordinary course of business, in order to fund the operations or expansion of HCI.

	Lender	Amount outstanding at 31 March 2009 (R'000)	Interest rate	Secured	Security	Repayment terms
1.	ABSA	400 000	66% of prime + STC credit	Secured	Guarantees and suretyships issued by HCI and its intermediate investment holding subsidiaries	R80 million on 22 December 2011 R80 million on 22 December 2010 R240 million on 24 December 2012
2.	ABSA/Nedbank/RMB (joint term loan)	2 100 000	10.70%	Secured	Mortgage and notarial bonds, cession of SA cash, pledge of securities and inter-group guarantees	Interest payable quarterly; capital repayable in March 2014
3.	ABSA/Nedbank/RMB (joint term loan)	200 000	11.10%	Secured		Interest payable quarterly; R233 million capital repayable biannually from 30 March 2010
4.	ABSA/Nedbank/RMB (joint revolver)	500 301 353 664	10.69% (JIBAR based) 10.50% (Overnight based)	Secured		Interest payable quarterly; capital repayable on 364-day notice
5.	Standard Bank	234 352	Prime less 1.5%	Yes	A first mortgage bond registered for R131 000 000 and secured by land and buildings with a carrying value of R151 150 000	Monthly instalments.
6.	ABSA	200 000	66% of prime + STC credit	Yes	Guarantees and suretyships issued by HCI and its intermediate investment holding subsidiaries	R40 million on 22 December 2010 R40 million on 22 December 2011 R120 million on 24 December 2012
7.	RMB	400 000	63% of prime + STC credit	Yes	Guarantees and suretyships issued by HCI and its intermediate investment holding subsidiaries	R80 million on 22 December 2010 R80 million on 22 December 2011 R240 million on 24 December 2012

	Lender	Amount outstanding at 31 March 2009 (R'000)	Interest rate	Secured	Security	Repayment terms
8.	Investec	200 000	3-month JIBAR + 2.8%	Yes	Guarantees and suretyships issued by HCI and its intermediate investment holding subsidiaries	Commencing on 4 July 2011, 4 instalments of R16 million with the balance payable on the 5th and final instalment

Notes:

1. None of the loans have conversion or redemption rights.
2. Repayments of loans due within the next 12 months will be funded from cash flows from operations and/or from unutilised facilities.

Hosken Consolidated Investments Limited

(Incorporated in the Republic of South Africa)
(Registration number 1973/007111/06)
Share code: HCI ISIN: ZAE000003257

NOTICE OF GENERAL MEETING OF SHAREHOLDERS

Unless otherwise stated or as is required by the context, all terms as defined in the "Definitions" section of the circular to which this notice of general meeting is attached and forms an integral part thereof, shall bear the same meanings in this notice of general meeting.

Notice is hereby given that a general meeting of shareholders of HCI will be held in the boardroom, at Block B, Longkloof Studios, Darters Road, Gardens, Cape Town, South Africa on Monday, 26 April 2010 at 10:00 for the purpose of considering and, if deemed fit, of passing with or without modification, the special and ordinary resolutions contained in this notice of general meeting.

SPECIAL RESOLUTION NUMBER 1

"Resolved that in accordance with section 228 of the Companies Act and the JSE Listings Requirements, the sale by HCI's subsidiary, TIH, of its shares in TSH to Gold Reef in exchange for shares in Gold Reef and on the further terms and conditions set out in the Exchange Agreement (a signed copy of the relevant agreements having been initialled by the chairman of this general meeting for identification purposes and tabled at this meeting) be and are hereby ratified and approved."

The reason for Special Resolution Number 1 is to approve the disposal of TIH's shares held in TSH as required by section 228 of the Companies Act.

The effect of special resolution number 1 is to ratify and approve the sale by HCI's subsidiary, TIH, of its shares in TSH.

ORDINARY RESOLUTION NUMBER 1

"Resolved that in accordance with the JSE Listings Requirements, the Category 1 transaction, being the sale by HCI's subsidiary TIH of its shares in TSH to Gold Reef in exchange for shares in Gold Reef and on the further terms and conditions set out in the Exchange Agreement, be and is hereby ratified and approved."

ORDINARY RESOLUTION NUMBER 2

"Resolved that each of the directors of the Company be authorised and is hereby authorised to do all things, perform all acts and sign all documentation necessary to effect the implementation of the resolutions adopted at this general meeting."

VOTING

Each ordinary shareholder of the Company who, being an individual shareholder holding certificated shares or dematerialised shares and elected own name registration is present in person or by proxy; or being a body corporate holding certificated shares or dematerialised shares and elected own name registration is present by proxy or duly represented at the general meeting; or being a shareholder holding dematerialised shares and not elected own name registration is present in person (in the case of an individual or represented in the case of a company) or by proxy with the necessary Letter of Representation from his/her CSDP or broker; is entitled to vote at the general meeting.

On a poll, each ordinary shareholder entitled to vote at the general meeting shall be entitled to that proportion of the total votes in the Company that the aggregate amount of the nominal value of the ordinary shares held by him/her bears to the aggregate amount of the nominal value of all the ordinary shares issued by the Company.

PROXIES

The attached form of proxy is only for the use of registered shareholders of certificated ordinary shares in HCI and the holders of dematerialised ordinary shares registered in their own name. Forms of proxy must be completed and delivered to the Company's transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) or facsimile 011 370 5390, and to the Company's registered office, Block B, Longkloof Studios, Darters Road, Gardens, Cape Town, 8001 to reach them by no later than 10:00 on Friday, 23 April 2010.

Shareholders who have dematerialised their shares with their CSDP or broker and have not elected own name registration, must arrange with their CSDP or broker to provide them with the necessary Letter of Representation to attend the general meeting or the shareholders must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned in the manner and by the cut-off time stipulated by their CSDP or broker.

By order of the board

HOSKEN CONSOLIDATED INVESTMENTS LIMITED

HCI Managerial Services (Proprietary) Limited
Company Secretary

3 April 2010

Registered office
Block B, Longkloof Studios
Darters Road, Gardens
Cape Town, 8001
(PO Box 5251, Cape Town, 8000)

Transfer secretaries
Computershare Investor Services (Proprietary) Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

sappi
triple green™
sugar cane fibre. chlorine-free. sustainable afforestation.

PRINTED BY INCE (PTY) LTD

W2CF09198

Hosken Consolidated Investments Limited

(Incorporated in the Republic of South Africa)
(Registration number 1973/007111/06)
Share code: HCI ISIN: ZAE000003257

FORM OF PROXY

All terms in the circular to which this form of proxy is attached, shall bear the same meanings in the form of proxy.

FOR USE BY CERTIFICATED SHAREHOLDERS AND "OWN NAME" DEMATERIALISED SHAREHOLDERS AT THE GENERAL MEETING OF HCI TO BE HELD AT BLOCK B, LONGKLOOF STUDIOS, DARTERS ROAD, GARDENS, CAPE TOWN AT 10:00 ON MONDAY, 26 APRIL 2010 OR AT ANY ADJOURNMENT THEREOF.

Shareholders who have dematerialised their shares, other than "own name" dematerialised shareholders, with a CSDP or broker should advise their CSDP or broker as to what action they wish to take. This must be done in terms of the agreement entered into between them and the CSDP or broker. Shareholders who have dematerialised their shares must **not** return this form of proxy to the transfer secretaries and the Company at its registered office. Their instructions must be sent to their CSDP or broker for action.

I/We (please print full names) ______________________________

of (address) ______________________________

being the holder(s) of [ ] HCI ordinary shares, do hereby appoint (see note 2):

1. ______________ of ______________ or failing him/her,

2. ______________ of ______________ or failing him/her,

3. the chairman of the general meeting,

as my/our proxy to attend, speak on my/our behalf at the general meeting to be held at Block B, Longkloof Studios, Darters Road, Gardens, Cape Town at 10:00 on Monday, 26 April 2010 and at any adjournment thereof, and to vote or to abstain from voting on my behalf on the special and ordinary resolutions to be proposed at the general meeting, as follows:

	Number of ordinary shares *		
	For	**Against**	**Abstain**
Special resolution 1 Section 228 approval for transaction			
Ordinary resolution 1 Category 1 transaction			
Ordinary resolution 2 Authority granted to directors			

* Note: On a poll, a HCI shareholder is entitled to one vote for each ordinary share held.

Signed at ______________ on ______________ 2010

Signature ______________________________

Assisted by (where applicable) ______________________________

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and vote in place of that shareholder at the general meeting.

Please read the notes on the reverse hereof.

Notes:

1. This form of proxy must only be used by shareholders who hold ordinary shares that are not dematerialised or who hold dematerialised ordinary shares in their own name.
2. A shareholder entitled to attend and vote may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the general meeting". A proxy need not be a shareholder of the Company. The person whose name stands first on this form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. A shareholder is entitled to one vote on a show of hands and on a poll, a HCI shareholder is entitled to one vote for each HCI ordinary share held. A shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the shareholder in the appropriate box. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he/she deems fit in respect of all the shareholder's votes.
4. A vote given in terms of an instrument of proxy shall be valid in relation to the general meeting, notwithstanding the death of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the vote is given, unless an intimation in writing of such death, revocation or transfer is received by the transfer secretaries, not less than 24 hours before the commencement of the general meeting.
5. If a shareholder does not indicate on this form of proxy that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the general meeting be proposed, the proxy shall be entitled to vote as he/she thinks fit.
6. The chairman of the general meeting may reject or accept any form of proxy which is completed and/or received, other than in compliance with these notes.
7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company or unless this requirement is waived by the chairman of the general meeting.
9. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the Company.
10. Where there are joint holders of ordinary shares:
    - any one holder may sign this form of proxy;
    - the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Company's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
11. Forms of proxy should be lodged with or mailed to:

    Hand deliveries to:

    Computershare Investor Services (Proprietary) Limited
    Ground Floor, 70 Marshall Street
    Johannesburg, 2001

    Postal deliveries to:

    Computershare Investor Services (Proprietary) Limited
    PO Box 61051
    Marshalltown, 2107

    and to the Company's registered office, Block B, Longkloof Studios, Darters Road, Gardens, Cape Town, 8001 to be received by no later than 10:00 on Friday, 23 April 2010 (or 24 hours before any adjournment of the general meeting which date, if necessary, will be released on SENS and published in the press).
12. Any alteration or correction made to this form of proxy, other than the deletion of alternatives, must be initialled by the signatory/ies.