



TSOGO SUN GROUP

Hotels, Gaming & Entertainment

GOLD REEF RESORTS LIMITED

**ANNUAL GROUP FINANCIAL STATEMENTS
for the year ended 31 March 2011**

GOLD REEF RESORTS LIMITED

ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

CONTENTS	Page
Approval of the annual financial statements	2
Report of the audit and risk committee	3
Independent auditor's report	4
Directors' report	5 - 10
Balance sheet	11
Income statement	12
Statement of comprehensive income	13
Statement of changes in equity	14
Cash flow statement	15
Notes to the annual financial statements	16 - 125
Directorate	126

GOLD REEF RESORTS LIMITED

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

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

The directors have reviewed the group's budget and cash flow forecast for the year to 31 March 2012. On the basis of this review, and in the light of the current financial position and existing borrowing facilities, the directors are satisfied that the group is a going concern and they have accordingly adopted the going concern basis in preparing the annual financial statements. The group's independent auditors, PricewaterhouseCoopers Inc. have audited the annual financial statements and their unqualified report appears on page 4. PricewaterhouseCoopers Inc. was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

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

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

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

These annual financial statements for the year ended 31 March 2011 which appear on pages 5 to 125 were approved by the board of directors on 19 July 2011 and are signed on its behalf by:



JA MABUZA
Chief Executive Officer



MN VON AULOCK
Chief Financial Officer



GOLD REEF RESORTS LIMITED

REPORT OF THE AUDIT AND RISK COMMITTEE for the year ended 31 March 2011

The committee reports that it has adopted formal terms of reference as its Audit and Risk Committee Charter, and that it has discharged all of its responsibilities for the year in compliance with the charter.

The committee is satisfied that an adequate system of internal control is in place to reduce significant risks to which the group is exposed to an acceptable level, and that these controls have been effective during the period under review. The system is designed to manage, rather than eliminate, the risk of failure and to maximise opportunities to achieve business objectives. This can provide only reasonable, but not absolute assurance.

The committee has evaluated the annual group financial statements of Gold Reef Resorts Limited for the year ended 31 March 2011 and based on the information provided to the committee, considers that it complies, in all material respects, with the requirements of the various acts governing disclosure and reporting in the annual financial statements. The committee has evaluated the independence of the external auditors and the committee is satisfied that the external auditors have remained independent. The committee therefore recommends the adoption of the annual financial statements by the board.

The committee has also considered and satisfied itself of the appropriateness of the expertise and experience of the financial director.



RG TOMLINSON
Chairperson: Audit and Risk Committee

19 July 2011



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOLD REEF RESORTS LIMITED

We have audited the group annual financial statements of Gold Reef Resorts Limited, which comprise the consolidated balance sheet as at 31 March 2011, and the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 5 to 125.

Directors' Responsibility for the Financial Statements

The group's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of Gold Reef Resorts Limited as at 31 March 2011, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: NL Forster
Registered Auditor
Johannesburg
19 July 2011

PricewaterhouseCoopers Inc, 2 Eglin Road, Sunninghill 2157, Private Bag X36, Sunninghill 2157, South Africa
T: +27 (11) 797 4000, F: +27 (11) 797 5800, www.pwc.com/za

Executive: S P Kana (Chief Executive Officer) T P Blandin de Chalaïn D J Fölscher G M Khumalo S Subramoney F Tonelli
Resident Director in Charge: E R Mackeown
The Company's principal place of business is at 2 Eglin Road, Sunninghill where a list of directors' names is available for inspection.
VAT reg.no. 4950174682, Reg. no. 1998/012055/21

GOLD REEF RESORTS LIMITED

DIRECTORS' REPORT for the year ended 31 March 2011

1 Nature of business

The group is a South African group, engaged principally in the hotels and gaming industry.

2 Change of name

Shareholders were advised that at the Annual General Meeting of Gold Reef Resorts Ltd held on Wednesday, 15 June 2011 the special resolution to approve the change of the company's name proposed in the notice of shareholders dated 24 May 2011 was passed by the requisite majority of shareholders present or represented by proxy. The company's name will be changed to Tsogo Sun Holdings Limited, the JSE share code to TSH, the JSE short name to Tsogo Sun and the ISIN to ZAE000156238.

3 Group results

Introduction

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

In terms of IFRS 3 Business Combinations (Revised), the transaction is a reverse acquisition as the shareholders of Tsogo become the majority shareholders of Gold Reef. Accordingly Tsogo is treated as the acquirer for accounting purposes, whilst Gold Reef is the legal acquirer and remains the listed entity. Due to this reverse acquisition these group annual financial statements are a continuation of the Tsogo Group annual financial statements, in that the consolidated income statement and cash flow statement for the year ended 31 March 2011 represent eleven months of Tsogo trading (April 2010 to February 2011), and one month of the combined group trading (March 2011). The comparative information for the prior period represents the audited consolidated results of Tsogo for the year ended 31 March 2010.

Commentary

The past financial year saw growth in revenue across most of the group's casinos, albeit at low levels, with trading in the last quarter of the financial year reflecting stronger growth in casino win, particularly in Gauteng and KwaZulu-Natal. Southern Sun Hotels benefited from the FIFA 2010 Soccer World Cup in June and July 2010, although the benefit was diluted as a result of the substantial disruption to normal trading patterns in the time periods both during and adjacent to the tournament.

GOLD REEF RESORTS LIMITED

DIRECTORS' REPORT for the year ended 31 March 2011

3 Group results (continued)

Commentary (continued)

Total income of R6,5 billion was 12% above the prior period, assisted by the inclusion of R195 million income from Gold Reef in March 2011 and the opening of the Southern Sun Montecasino Hotel, parking and Pivot office development in April 2010, which contributed R75 million in income for the financial year under review.

Earnings before interest, income tax, depreciation, amortisation, property rentals, long-term incentives and exceptional items ("EBITDAR") at R2,5 billion reflected a 9% increase on the prior year. Additional EBITDAR from Gold Reef in March 2011 of R67 million and EBITDAR related to the new developments at Montecasino of R22 million, as well as a reduction in foreign exchange losses from R52 million in the prior year to R7 million in the current period assisted this growth. The overall group EBITDAR margin of 38,7% is 1% below last year, but a satisfactory achievement in the current environment.

As previously reported, the underlying operations of the group remain highly geared towards the South African consumer (in gaming) and the corporate market (in hotels). The group is poised for growth if these sectors of the South African economy continue to improve. However, regulatory risks represent a significant threat to the ability of the group to yield the potential benefits of an economic recovery, with a plethora of proposed changes to regulations affecting aspects of the business as diverse as marketing, consumer promotion and communications to slot machine certification, gaming related taxes and evolving Broad Based Black Economic Empowerment requirements. The group continues to engage with the various regulatory bodies and other government departments on a constructive basis to ensure that proposed changes are warranted and capable of implementation without destroying shareholder returns and consequently having a negative impact on employment levels and future investments in the industry. The group remains focused on its growth strategy and will continue to pursue opportunities, with the regulatory environment permitting.

Montecasino gaming win reflected growth of 5,7% against a Gauteng provincial growth of 2,3% for the year ended 31 March 2011. The consequential gain in market share arose as the Montecasino catchment area was again less affected than other Gauteng regions, with a higher prevalence of Privé play than Gold Reef City or Silverstar. Total income of R2 billion was 9% up on the last year including the new developments in the precinct. Montecasino continues to service high levels of footfall attracted by the entertainment and events on offer and remains the premier entertainment destination in Gauteng. EBITDAR pre internal management fees, at R792 million is 4% above the prior year as overheads increased by 13% including the costs associated with the new developments on the site.

The KwaZulu-Natal gaming market grew by 5,2% over the prior year with the Suncoast Casino and Entertainment World reflecting growth of 5,4% in gaming win and 5,5% in total income. EBITDAR pre internal management fees at R609 million is 4% above the prior year as overheads increased by 7%. The Suncoast EBITDAR margin pre internal management fees of 48,3% is 0,9% below last year.

GOLD REEF RESORTS LIMITED

DIRECTORS' REPORT for the year ended 31 March 2011

3 Group results (continued)

Commentary (continued)

The Ridge Casino in Emalahleni (Witbank) had a good year, with income growing by some 9%, assisted by the additional facilities of a Privé, a 135 room StayEasy hotel and additional cinemas opened on site in 2009. EBITDAR pre internal management fees at R161 million grew by 7% on last year.

The Hemingways Mall, attached to the Hemingways Casino in East London, opened in late 2009 and has assisted the casino to grow revenues during the year. However EBITDAR was flat on the prior period as the local East London economy remains subdued. Tsogo Sun Emonti (Pty) Ltd has been named as preferred bidder for the renewal of the ZONE 2 license in East London which currently expires in September 2011. In terms of the bid, an additional R400 million in capital expenditure will be incurred on this development over the next two years.

The Emnotweni Casino in Nelspruit experienced low income growth of 2% and consequential 5% decline in EBITDAR pre internal management fees. Plans for the refurbishment and extension of this casino remain on hold until greater certainty as to the economic and regulatory tax environment has been achieved.

The other Tsogo Sun Gaming operations, consisting of the Caledon Hotel and Spa, Blackrock Casino in Newcastle, the Sandton Convention Centre, management fee income and head office costs reflected EBITDAR of R281 million, some 12% up due to a full year's inclusion of the Caledon and Newcastle properties against nine months in the prior period.

The hotel industry in South Africa is still experiencing the dual impact of reduced demand and over supply and the Southern Sun Hotel Group is no exception. With little recovery in the core corporate and government segments, system-wide occupancies remain under pressure at 58,4% (2010: 58,0%). The group however managed to grow system-wide average room rates to R834 from a prior year R801, although virtually all growth in rate is attributable to the higher achieved rates during the World Cup period. Overall income grew by 4% to R1,6 billion during the year. Operating costs were again well-controlled with a 6% increase on the prior year, despite regulated utility costs and property rates increases and incremental overhead incurred for the World Cup. EBITDAR improved 1% to R562 million at a margin of 34,8%

The offshore division of the Southern Sun Hotel Group achieved total revenue of R271 million, representing 14% improvement on the prior year, assisted by the inclusion of Southern Sun Nairobi as a leased hotel (previously managed) with effect from 1 August 2010. EBITDAR (pre-foreign exchange losses) of R75 million was achieved.

The Rand remained strong during the year under review which impacted both the translation of US\$ and Euro earnings streams as well as resulting in a R7 million foreign exchange loss on the translation of offshore monetary items, being mainly cash and loans to associates.

GOLD REEF RESORTS LIMITED

DIRECTORS' REPORT for the year ended 31 March 2011

3 Group results (continued)

Commentary (continued)

Combined South African and Offshore Hotel trading statistics, reflecting the Tsogo Sun Gaming hotels as owned and excluding hotels managed on behalf of third parties are as follows:

	31 March 2011	31 March 2010
Occupancy (%)	58,4%	57,3%
Average Room rate (R)	855	831
Revpar (R)	499	478
Rooms Available ('000)	3 186	3 066
Rooms Revenue (Rm)	1 591	1 460

The corporate division reflected EBITDAR of R17 million as the group's captive insurance operations again benefited from the absence of any significant claims.

Included in other operating expenses are various costs associated with the Gold Reef merger and other exceptional items, totaling R420 million. These consist of a fair value impairment of the group's 25% investment in Gold Reef at the closure of the merger amounting to R299 million, merger transaction costs including management termination payments, advisor, economists and legal fees of R93 million and various net asset impairments and restructure costs of R28 million.

Amortisation and depreciation at R447 million, was 6% above last year on the back of capex spend and net finance costs of R391 million were 7% above the prior year due to higher average debt balances over the period. The group's share of associate and joint venture profits at R79 million reflected a 9% decrease on the prior year as the investment in Gold Reef was only equity accounted for eleven months for the year under review.

The effective tax rate for the year at 40,2% is affected by inter alia the non-deductibility of the majority of the exceptional items detailed above, and excluding these exceptional items is 30,5%. The effective tax rate is assisted by there being no secondary tax on companies ("STC") charge in the year, due to the declaration of the final dividend being delayed to May 2011. The group's long-term effective tax rate is expected to be higher than the statutory rate as a result of non-deductible expenditure such as casino building depreciation, preference share dividends relating to preference share capital of subsidiaries of the group, as well as STC.

Group adjusted headline earnings for the year at R1 billion were 17% above the prior year. This level of growth is higher than had the effects of the Gold Reef group being consolidated for the month of March and the lack of a normal STC charge been excluded, where growth of 10% in adjusted earnings would then have been reported.

GOLD REEF RESORTS LIMITED

DIRECTORS' REPORT for the year ended 31 March 2011

3 Group results (continued)

Commentary (continued)

In determining the closing and weighted average number of shares for the year under review and the prior comparative period, the group has used the consideration shares as the appropriate number of shares for calculating the earnings per share ("EPS"), headline earnings per share ("HEPS") and adjusted headline earnings per share ("Adjusted HEPS") for Tsogo and the actual shares in issue post the issue of the consideration shares, excluding treasury shares for the combined group. Adjusted HEPS is 15% above the prior year.

Cash generated from operations during the year was R2,3 billion, flat on the prior year after payment of the cash components of the various merger costs. Cash flows utilised for existing investment activities of R329 million consisted mainly of maintenance expenditure of R233 million and the balance of the Montecasino development of R86 million.

Interest-bearing debt net of cash at 31 March 2011 totaled R4,2 billion, a decrease of R313 million over the prior year, despite the take on of R814 million in Gold Reef related net debt on conclusion of the merger. The net debt position at March 2011 is low as a result of the delay of the payment of the final dividend, totaling R549 million from March 2011 to June 2011.

4 Prospects

The trading environment for gaming and hotels continues to be subdued, however the group remains highly cash generative. The merger with Gold Reef has seen Tsogo emerge as the largest gaming and hotel group in South Africa and the group remains focused on growth.

5 Dividend

The board of directors has declared a final cash dividend of 50 (fifty) cents per share in respect of the company's year end. The dividend has been declared in South African currency and was paid to shareholders recorded in the register of the company at close of business on Friday, 10 June 2011.

6 Associates, joint ventures and subsidiaries

Refer to notes 9 and 10 for details of associates and joint ventures respectively and note 51 for details of subsidiaries.

7 Directorate

Refer to page 126 for details of directorate.

GOLD REEF RESORTS LIMITED

DIRECTORS' REPORT for the year ended 31 March 2011

8 Company secretary

The secretary of the company is Wynand J van Wyngaardt with effect from 16 March 2011. Mr van Wyngaardt's business and postal addresses, which are also the company's registered addresses, are set out below:

Business address:
Palazzo Towers East
Montecasino Boulevard
Fourways, 2055

Postal address:
Private bag X200
Bryanston, 2021

9 Auditors

PricewaterhouseCoopers Inc. will continue in office in accordance with Section 270(2) of the Companies Act, 1973.

10 Majority shareholders

The group's majority shareholders are TIH and SABSA who own 41,3% and 39,7% respectively. No shareholder has a controlling interest in the group.

GOLD REEF RESORTS LIMITED

BALANCE SHEET as at 31 March

	Notes	2011 R'000	2010 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	8 098 648	5 583 638
Goodwill	7	1 856 338	1 535 553
Other intangible assets	8	4 220 746	140 264
Investments in associates	9	115 686	1 583 057
Investments in joint ventures	10	132 752	126 719
Available-for-sale financial assets	11	392	392
Non-current receivables	12	152 438	134 366
Deferred income tax assets	13	109 832	67 686
Derivative financial instruments	14	18 362	-
Share scheme	15.1	17 182	-
		14 722 376	9 171 675
Current assets			
Inventories	16	171 237	130 006
Trade and other receivables	17	383 313	285 375
Current income tax assets		61 595	-
Cash and cash equivalents	18	956 031	514 037
		1 572 176	929 418
Total assets		16 294 552	10 101 093
EQUITY			
Capital and reserves attributable to equity holders of the company			
Ordinary share capital and premium	19	4 751 016	1 074 112
Share based payment reserve		2 353	-
Surplus arising on change in control in joint venture		129 972	130 425
Other reserves	20	13 303	6 413
Retained earnings		2 176 597	1 570 907
Total shareholders' equity		7 073 241	2 781 857
Non-controlling interests		863 945	624 906
Total equity		7 937 186	3 406 763
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	13	1 481 233	202 728
Long-term incentive liabilities	15.5	11 392	15 964
Borrowings	21	2 813 968	2 299 000
Preference share capital and premium	22	1 000 000	1 000 000
Obligations under finance leases	23	51 868	57 736
Derivative financial instruments	14	-	18 836
Post-retirement medical aid liability	24	21 736	22 890
Other non-current liabilities	25	563 793	592 686
Deferred revenue	26	31 404	17 480
		5 975 394	4 227 320
Current liabilities			
Trade and other payables	27	798 781	633 361
Borrowings	21	1 237 797	1 619 527
Obligations under finance leases	23	5 972	4 710
Derivative financial instruments	14	72 106	52 663
Long-term incentive liabilities	15.5	19 377	24 322
Deferred revenue	26	25 388	19 204
Provisions	28	142 034	73 004
Current income tax liabilities		80 517	40 219
		2 381 972	2 467 010
Total liabilities		8 357 366	6 694 330
Total equity and liabilities		16 294 552	10 101 093

The notes on pages 16 to 125 form an integral part of these consolidated financial statements.

GOLD REEF RESORTS LIMITED

INCOME STATEMENT for the year ended 31 March

	Notes	2011 R'000	2010 R'000
Revenue	34	2 683 185	2 400 364
Net gaming win		3 803 715	3 409 651
Income		6 486 900	5 810 015
Gaming levies and VAT	35	(773 157)	(689 204)
Property and equipment rentals	36	(211 174)	(191 922)
Amortisation and depreciation	37	(446 872)	(423 197)
Employee costs	38	(1 434 076)	(1 234 086)
Other operating expenses	39	(2 136 296)	(1 563 590)
Operating profit		1 485 325	1 708 016
Interest income	40	24 345	39 882
Finance costs	41	(415 774)	(407 094)
Share of profit of associates and joint ventures	9, 10	78 819	87 656
Profit before income tax		1 172 715	1 428 460
Income tax expense	42	(440 069)	(400 354)
Profit for the year		732 646	1 028 106
Profit attributable to:			
Equity holders of the company		605 690	856 911
Non-controlling interests		126 956	171 195
		732 646	1 028 106
Basic earnings per share (cents)		66,9	96,5
Diluted earnings per share (cents)		66,9	96,5

The notes on pages 16 to 125 form an integral part of these consolidated financial statements.

GOLD REEF RESORTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 March

	2011 R'000	2010 R'000
Profit for the year	732 646	1 028 106
Other comprehensive income for the year, net of tax	6 568	(112 991)
Cash flow hedges	42 397	(6 426)
Currency translation adjustments	(24 034)	(108 364)
Income tax relating to components of other comprehensive income	(11 795)	1 799
Total comprehensive income for the year	739 214	915 115
Total comprehensive income attributable to:		
Equity holders of the company	612 580	745 714
Non-controlling interests	126 634	169 401
	739 214	915 115

The notes on pages 16 to 125 form an integral part of these consolidated financial statements.

GOLD REEF RESORTS LIMITED

STATEMENT OF CHANGES IN EQUITY for the year ended 31 March

	Attributable to equity holders of the company					Total R'000	Non-controlling interests R'000	Total equity R'000
	Ordinary share capital and premium R'000	Share-based payment reserve R'000	Other reserves R'000	Surplus arising on change in control in joint venture R'000	Retained earnings R'000			
Balance at 31 March 2009	1 074 112	-	117 610	130 425	1 124 561	2 446 708	671 658	3 118 366
Changes in equity for 2010								
Total comprehensive income for the year	-	-	(111 197)	-	856 911	745 714	169 401	915 115
Profit for the year	-	-	-	-	856 911	856 911	171 195	1 028 106
Cash flow hedges:								
- Fair value losses during year	-	-	(6 426)	-	-	(6 426)	-	(6 426)
- Deferred tax on fair value losses	-	-	1 799	-	-	1 799	-	1 799
Currency translation adjustments	-	-	(106 570)	-	-	(106 570)	(1 794)	(108 364)
Surplus arising on change in control in joint venture								
- At acquisition non-controlling interests	-	-	-	-	-	-	(1 366)	(1 366)
Acquisition of non-controlling interests	-	-	-	-	-	-	(194 543)	(194 543)
Ordinary dividends	-	-	-	-	(410 565)	(410 565)	(20 244)	(430 809)
Balance at 31 March 2010	1 074 112	-	6 413	130 425	1 570 907	2 781 857	624 906	3 406 763
Changes in equity for 2011								
Total comprehensive income for the year	-	-	6 890	-	605 690	612 580	126 634	739 214
Profit for the year	-	-	-	-	605 690	605 690	126 956	732 646
Cash flow hedges:								
- Fair value gains during year	-	-	42 397	-	-	42 397	-	42 397
- Deferred tax on fair value gains	-	-	(11 795)	-	-	(11 795)	-	(11 795)
Currency translation adjustments	-	-	(23 712)	-	-	(23 712)	(322)	(24 034)
Recognition of share-based payments	-	2 353	-	-	-	2 353	-	2 353
Release of reserve	-	-	-	(453)	-	(453)	(453)	(906)
Non-controlling interests' share of property brought into use (refer note 33.2)	-	-	-	-	-	-	93 338	93 338
Acquisition of non-controlling interests	-	-	-	-	-	-	(610)	(610)
Share capital and premium arising on reverse acquisition (refer note 33.1)	3 676 904	-	-	-	-	3 676 904	-	3 676 904
Non-controlling interests recognised on reverse acquisition (refer note 33.1)	-	-	-	-	-	-	45 572	45 572
Repayment of non-controlling interests' equity loans	-	-	-	-	-	-	(1 982)	(1 982)
Ordinary dividends	-	-	-	-	-	-	(23 460)	(23 460)
Balance at 31 March 2011	4 751 016	2 353	13 303	129 972	2 176 597	7 073 241	863 945	7 937 186

The notes on pages 16 to 125 form an integral part of these consolidated financial statements.

GOLD REEF RESORTS LIMITED

CASH FLOW STATEMENT for the year ended 31 March

	Notes	2011 R'000	2010 R'000
Cash flows from operating activities			
Cash generated from operations	46	2 288 533	2 284 761
Interest received		25 225	39 615
Interest paid		(417 910)	(397 522)
Income tax paid	47	(463 759)	(449 299)
Dividends paid to shareholders	48	-	(410 565)
Dividends paid to non-controlling interests		(23 460)	(20 245)
Dividends received		56 447	51 968
		<u>1 465 076</u>	<u>1 098 713</u>
Cash flows from investment activities			
Purchase of property, plant and equipment		(306 004)	(849 796)
Proceeds from disposals of property, plant and equipment		13 223	4 100
Purchase of intangible assets		(29 161)	(23 672)
Acquisition of subsidiaries, net of cash acquired	33	479 406	(1 439 127)
Investment made in associate		-	(332 887)
Other loans and investments	49	(7 191)	(22 274)
		<u>150 273</u>	<u>(2 663 656)</u>
Cash flows from financing activities			
Borrowings raised		-	803 785
Borrowings repaid		(1 071 421)	(305 126)
Issue of preference shares		1 000 000	1 000 000
Redemption of preference shares		(1 000 000)	-
Repayments of finance leases		(4 739)	(3 078)
Acquisition of non-controlling interests		(610)	-
Loan repayments to non-controlling interests		(1 982)	-
		<u>(1 078 752)</u>	<u>1 495 581</u>
Net cash (utilised in)/generated from financing activities			
		<u>536 597</u>	<u>(69 362)</u>
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of year		425 076	506 132
Foreign currency translation		(5 642)	(11 694)
		<u>956 031</u>	<u>425 076</u>
Cash and cash equivalents at end of year	18	<u>956 031</u>	<u>425 076</u>

The notes on pages 16 to 125 form an integral part of these consolidated financial statements.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

1 Accounting policies

The significant accounting policies adopted in the preparation of the group's financial statements are set out below. Except as described below, these policies have been consistently applied to all the years presented.

a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention, as modified by the revaluation to fair value of certain financial instruments as described in the accounting policies below. The term IFRS includes International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC"). The standards referred to are set by the International Accounting Standards Board ("IASB").

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

IFRS 3 (revised) *Business Combinations* and consequential amendments to IAS 27 revised *Consolidated and separate financial statements*, IAS 28 *Investments in associates* and IAS 31 *Interests in joint ventures* are 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. The group has applied these standards with effect from 1 April 2010.

b) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the group's board of directors. The board reviews the group's internal reporting in order to assess performance and allocate resources based on the reports reviewed by the group's board of directors at the board meetings which are used to make strategic decisions.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

1 **Accounting policies** (continued)

c) **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 non-controlling interests. Subsidiaries are included in the financial statements from the date control commences until the date control ceases. Increases in fair value of assets that occur on the group obtaining control of an entity previously accounted for as an associate or 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.

Subsidiaries accounting policies have been changed where necessary to ensure consistency with the policies adopted by the group.

ii) *Transactions with non-controlling interests*

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. Subsidiaries accounting policies have been changed where necessary to ensure consistency with the policies adopted by the group.

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

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



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

1 Accounting policies (continued)

c) Basis of consolidation (continued)

iii) Associates

Associates are entities over which the group has directly or indirectly significant influence but not control, generally accompanying a shareholding of 20% to 50%, where significant influence is the ability to influence the financial and operating policies of the entity.

Associates' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the group.

iv) Joint ventures

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

The post acquisition results of joint ventures are incorporated in the financial statements using the equity method. Joint ventures' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the group.

d) Business combinations

i) Subsidiaries

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

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

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 non-controlling interests.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

1 **Accounting policies** (continued)

d) **Business combinations** (continued)

ii) *Associates* (continued)

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

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

iii) *Joint ventures*

The group recognises its share of joint ventures' results as a one line entry before tax in the income statement, after taking account of the share of interest, tax and non-controlling interests.

Investments in joint ventures are accounted for using 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.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

1 Accounting policies (continued)

d) Business combinations (continued)

iii) Joint ventures (continued)

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.

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 and joint ventures is included in the carrying value of the investment in the respective associate and joint venture.

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



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

1 Accounting policies (continued)

e) Foreign currency translation

i) Functional and presentation currency

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

ii) Transactions and balances

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

iii) Foreign subsidiaries and associates - translation

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



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

1 Accounting policies (continued)

f) Property, plant and equipment

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

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

Land and buildings comprise mainly hotels and casinos.

i) Assets in the course of construction

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

ii) Assets held under finance leases

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



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

1 Accounting policies (continued)

f) Property, plant and equipment (continued)

iii) Depreciation

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

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

*These categories have been grouped together under “Plant and equipment” in note 6 Property, plant and equipment

iv) Profit or loss on disposal

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

v) Capitalisation of borrowing costs

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.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

1 Accounting policies (continued)

g) Intangible assets

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

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

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

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

i) *Computer software*

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

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

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



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

1 Accounting policies (continued)

g) Intangible assets (continued)

ii) Bid costs

Costs incurred during the bidding process for a casino licence are capitalised by the individual casino on the successful award of a casino licence, and amortised over the exclusivity period applicable to each licence – refer (g(iii)) below.

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

iii) Casino licences

Casino licences acquired separately or identified in business combinations are considered to have an indefinite life as these licences do not have an expiry date, and are tested annually for impairment, on the same basis as goodwill (refer note d(iv)).

iv) 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.

v) 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.

h) 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.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

1 **Accounting policies** (continued)

h) **Financial assets and financial liabilities** (continued)

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

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

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

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

Financial instruments at fair value through profit or loss are financial assets held for trading and/or designated by the entity upon initial recognition as fair value through 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. Derivatives are also categorised as held for trading unless they are designated as hedges.

ii) *Held-to-maturity investments*

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

iii) *Loans and receivables*

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

iv) *Available-for-sale investments*

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

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



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

1 Accounting policies (continued)

h) Financial assets and financial liabilities (continued)

Investments are initially recognised at fair value plus transaction costs for all financial assets that are not carried at fair value through profit or loss i.e. directly to other comprehensive income. Financial assets carried at fair value through profit or loss are initially recognised at fair value and, together with transaction costs, are expensed in the income statement. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through 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 or loss; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income 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.

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



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

1 Accounting policies (continued)

h) Financial assets and financial liabilities (continued)

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in 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 (i) below.

The company records its investments in subsidiaries at cost less any impairment charge.

i) 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.

j) 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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet (net investment hedge).



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

1 Accounting policies (continued)

k) Derivative financial assets and financial liabilities

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

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

For derivatives that are not designated to have a hedging relationship, all fair value movements thereon are recognised immediately in the income statement. See note (l) for the group's accounting policy on hedge accounting.

l) 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.

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 (net investment hedge).

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 twelve months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than twelve months. Trading derivatives are classified as a current asset or liability.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

1 Accounting policies (continued)

1) Hedge accounting (continued)

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

Gains or losses on hedging instruments that are regarded as highly effective are recognised in other comprehensive income. These largely offset foreign currency gains or losses arising on the translation of net investments that are recorded in other comprehensive income, 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 other comprehensive income are only recycled to the income statement upon disposal of the net investment.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

1 Accounting policies (continued)

l) Hedge accounting (continued)

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. When the hedge is discontinued due to ineffectiveness, hedge accounting is discontinued prospectively.

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.

m) Inventories

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

- Consumable stores are valued at invoice cost on a first-in-first-out (FIFO) basis.
- 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.

n) Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities (see note (p)).

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

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



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

1 Accounting policies (continued)

o) Trade payables

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

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

p) Borrowings and borrowing costs

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

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

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

q) Impairment

This policy covers all assets except goodwill (see note d(iv)), trade receivables (see note i), inventories (see note m), financial assets (see note h), non-current assets classified as held for sale (see note r), and deferred income tax assets (see note w).

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



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

1 Accounting policies (continued)

q) Impairment

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 (CGU's). If the recoverable amount of a CGU is estimated to be less than its carrying amount, the carrying amount of the CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

r) Non-current assets (or disposal groups) held for sale

Non-current assets and all assets and liabilities classified as held for sale 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.

s) 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.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

1 **Accounting policies** (continued)

s) **Provisions** (continued)

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

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

t) **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 is excluded from revenue. Revenue is recognised on the accruals basis.

ii) *Customer loyalty incentives*

Provision is made for the estimated liability arising from the issue of benefits under the group's customer loyalty incentive programmes, based on the value of rewards earned by the programme members, and the expected utilisation of these rewards. The fair value attributed to these awards is deferred as a liability included in deferred revenue in the balance sheet, and released to the income statement as the awards are redeemed.

iii) *Rental and management fee income*

Rental and royalty income, which are included in other revenue, and management fee income are recognised on an accrual basis in accordance with the relevant agreements.

iv) *Interest income*

Interest income is recognised using the effective interest method.

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

v) *Dividend income*

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



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

1 Accounting policies (continued)

u) Net gaming win

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

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)).

v) 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.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

1 Accounting policies (continued)

w) Income tax

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

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

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

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

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

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

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



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

1 **Accounting policies** (continued)

x) **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.

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 paid exceed dividends received within a cycle, STC is payable at the current STC rate on the net amount. Where dividends received exceed dividends declared within a cycle, there is no liability to pay STC. The potential tax benefit related to excess dividends received is carried forward to the next dividend cycle as 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.

y) **Dividend distributions**

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

z) **Employee benefits**

i) *Defined contribution plans*

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

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



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

1 **Accounting policies** (continued)

z) **Employee benefits** (continued)

ii) *Other post-employment obligations*

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

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

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

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

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

iii) *Termination benefits*

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



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

1 Accounting policies (continued)

iii) *Termination benefits* (continued)

iv) *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.

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.

vi) *Share-based payments*

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

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

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.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

1 Accounting policies (continued)

iii) *Termination benefits* (continued)

vi) *Share-based payments* (continued)

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

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

vii) *Goods or services settled in cash*

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

The fair value of the executive share appreciation scheme is determined at each balance sheet date by independent actuaries, using a Monte Carlo valuation model. These are adjusted for management's best estimate of the appreciation units expected to vest and management's best estimate of the performance criteria assumption.

The fair value of the long-term incentive plan liability is determined at each balance sheet date by independent actuaries, using a modified binomial tree valuation model, which takes into account the American nature of the appreciation units post vesting as well as incorporating employee exercise behaviour when applicable. These are adjusted for management's best estimates of the appreciation, bonus and performance units expected to vest and management's best estimate of the performance criteria assumption on the performance units.

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

viii) *Employee leave entitlement*

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



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

1 Accounting policies (continued)

aa) Financial guarantee contracts

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of the best estimate of the obligation and 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 the income statement.

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 (d). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. 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.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

2 Critical accounting estimates and judgements (continued)

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 (u) 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.

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 in.

vi) *Contingency payment for 100% control in The Millennium Casino Limited*

During the prior year the group acquired an effective 100% control in Millennium Casino Limited. Included in other non-current liabilities is an accrual for a maximum contingency payment of R330 million which is dependent on the future gaming win of a subsidiary of the group, Tsogo Sun KwaZulu-Natal (Pty) Limited (TS KZN). This is in terms of the purchase agreement and is based on the expected gaming win that TS KZN will achieve by 31 March 2012. The group acquired an additional effective 30% interest in TS KZN by this acquisition.

Subsequent to the year-end, an amount of R24 million was paid to the seller of the shares in part settlement of the liability based on gaming win for the twelve months to 31 March 2011.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

2 Critical accounting estimates and judgements (continued)

viii) *Fair value of derivatives and other financial instruments*

The fair value of derivatives that are not traded in an active market (for example over-the-counter derivatives) is determined by using valuation techniques. The group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The group has used discounted cash flow analysis for various available-for-sale financial assets that are not traded in active markets.

ix) *Cash-settled long-term incentive plan*

The fair value of the liabilities relating to the cash-settled long-term incentive plan is determined using valuation techniques performed by independent actuaries that are based on market conditions existing at each balance sheet date. The fair value of the liabilities are also dependent on management assumptions relating to the non-market conditions on the number of units that will ultimately be paid and management's best estimate of the performance criteria assumptions.

3 New Standards, Interpretations and Amendments to existing Standards issued that are not yet effective:

3.1.1 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 April 2011 or later periods which the group has not early adopted:

IFRS 3 (Amendment) Business Combinations - revised

- Amendments to transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS.
- Clarification on the measurement of non-controlling interests.
- Additional guidance provided on un-replaced and voluntary replaced share-based payment awards.

The group will apply the amendment to IFRS 3 (revised) prospectively to all business combinations from 1 April 2011.

IFRS 7 (Amendment) Financial Instruments: Disclosures - revised

- The amendment clarifies the intended interaction between qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments, and removed some disclosure items which were seen to be superfluous or misleading.
- Amendments require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

The group will apply IFRS 7 (revised) from annual period beginning 1 April 2011.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

3 New Standards, Interpretations and Amendments to existing Standards issued that are not yet effective: (continued)

IFRS 9 Financial Instruments

New standards that form the first part of a three-part project to replace *IAS39 Financial Instruments: Recognition and Measurement* (effective for periods beginning 1 January 2013) IFRS 9 specifies how an entity should classify and measure financial assets, including some hybrid contracts. They require all financial assets to be:

- Classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.
- Initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs.
- 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 annual periods beginning 1 April 2013.

IFRS 10 Consolidated financial statements

The IFRS supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation—Special Purpose Entities*. The standard has been issued to deal with divergence in practice in applying IAS 27 and SIC-12. The IFRS requires an entity that is a parent to present consolidated financial statements. A limited exemption is available to some entities. The IFRS defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. The IFRS also sets out the accounting requirements for the preparation of consolidated financial statements. The group will apply IFRS 10 for annual periods beginning on or after 1 April 2013.

IFRS 11 Joint arrangements

The IFRS supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities—Non-Monetary Contributions by Venturers*. The IFRS is concerned principally with addressing two aspects of IAS 31: first, that the structure of the arrangement was the only determinant of the accounting and second, that an entity had a choice of accounting treatment for interests in jointly controlled entities. IFRS 11 improves on IAS 31 by establishing principles that are applicable to the accounting for all joint arrangements.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

3 **New Standards, Interpretations and Amendments to existing Standards issued that are not yet effective:** (continued)

The IFRS requires a joint venture to recognise an investment and to account for that investment using the equity method in accordance with IAS 28 *Investments in Associates and Joint Ventures*, unless the entity is exempted from applying the equity method as specified in that standard. The group already accounts for its interests in joint ventures using the equity method. The group will apply IFRS 11 for annual periods beginning on or after 1 April 2013.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 addresses the need for improved disclosure of a reporting entity's interests in other entities when the reporting entity has a special relationship with those other entities. IFRS 12 combines the disclosure requirements for subsidiaries, joint ventures, associates and unconsolidated structured entities into one standard. The group will apply IFRS 12 for annual periods beginning on or after 1 April 2013.

IFRS 13 Fair Value Measurement

IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The IFRS applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. The IFRS explains how to measure fair value for financial reporting. It does not require fair value measurements in addition to those already required or permitted by other IFRSs and is not intended to establish valuation standards or affect valuation practices outside financial reporting. The group will apply IFRS 13 for annual periods beginning on or after 1 April 2013.

IAS 1 Presentation of Financial Statements – Revised

- The revised standard clarifies the statement of changes in equity. Before this amendment *IAS 1 Presentation of Financial Statements* required an entity to provide a reconciliation of changes in each component of equity. This amendment clarifies that an entity may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

The group will apply IAS 1 revised from annual periods beginning 1 April 2011.

IAS 27 Consolidated and Separate Financial Statements – Revised

- The revised standard clarifies the transition requirements for amendments arising as a result of IAS 27 Consolidated and Separate Financial Statements.

The group will apply IAS 1 from annual periods beginning 1 April 2011.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

3 **New Standards, Interpretations and Amendments to existing Standards issued that are not yet effective:** (continued)

3.1.2 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. These new standards, amendments and interpretations are effective for periods beginning on or after 1 July 2010 unless otherwise stated:

IAS 12 Income Taxes – Revised

- Rebuttable presumption introduced that an investment property will be recovered in its entirety through sale.

IAS 21 (Amendment) The Effects of Changes in Foreign Exchange Rates

- Consequential amendments from changes to *IAS 27 Consolidated and Separate Financial Statements* (Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation).

IAS 24 (Amendment) Related Party Disclosures

- Clarification of the definition of a related party
- Simplification of the disclosure requirements for government-related entities (effective for periods beginning 1 January 2011).

IAS 28 (Amendment) Investments in Associates

- Consequential amendments from changes to *IAS 27 Consolidated and Separate Financial Statements* (Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation).

IAS 31 (Amendment) Interests in Joint Ventures

- Consequential amendments from changes to *IAS 27 Consolidated and Separate Financial Statements* (Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation).

IAS 34 (Amendment) Interim Financial Reporting

- Clarification of disclosure requirements around significant events and transactions including financial instruments (effective for periods beginning 1 January 2011).



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

3 New Standards, Interpretations and Amendments to existing Standards issued that are not yet effective: (continued)

3.1.3 The new interpretations are as follows:

IFRIC 13 (Amendment) Customer Loyalty Programmes

- Clarification on the intended meaning of the term “fair value” in respect of credit awards (effective for periods beginning 1 January 2011).

IFRIC 14 Prepayments of a Minimum Funding Requirement

- 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 (effective for periods beginning 1 January 2011).

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

- Clarifies the requirements when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity’s shares or other equity instruments to settle the financial liability fully or partially (effective for periods beginning 1 July 2010).

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.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

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.

The group secures its debt denominated in US Dollar and/or Euros in the offshore entities with assets and cash flows of those offshore operations where the functional currency of these entities is US Dollars and/or Euros, 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 SA Rand applied during the year:

	Average rate		Reporting date closing rate	
	2011 R	2010 R	2011 R	2010 R
1 US Dollar is equivalent to				
1 Euro is equivalent to	7,19	7,83	6,77	7,30
	9,51	11,05	9,59	9,86

A 10% strengthening of the functional currency against the following currencies at 31 March would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes no hedging and that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2010.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

a) Market risk (continued)

i) Currency risk (continued)

	Profit/(loss)	
	2011	2010
	R'000	R'000
Local currency:		
Tanzanian Shilling	131	112
Mozabiquan Metical	(58)	(584)
Zambian Kwacha	(191)	(71)
Seychelles Rupee	(37)	(90)
Euro	5 348	3 981
Dollar	4 639	5 301
United Arab Emirates Dirham	(159)	166
Kenyan Shilling	234	-

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 non-controlling interests. Borrowings at variable rates expose the group to cash flow interest rate risk. Borrowings at fixed rates expose the group to fair value interest rate risk.

Group policy is to maintain at least 25% of its borrowings in fixed rate instruments over a twelve month rolling period.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

a) Market risk (continued)

ii) Interest rate risk (continued)

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.

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

	Carrying amount	
	2011 R'000	2010 R'000
Fixed rate instruments		
Financial assets	-	3 151
Financial liabilities	(57 840)	(62 384)
	<u>(57 840)</u>	<u>(59 233)</u>
Variable rate instruments		
Financial assets	1 015 631	566 271
Financial liabilities	(5 051 765)	(4 918 589)
	<u>(4 036 134)</u>	<u>(4 352 318)</u>

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 R40,4 million (2010: R43,5 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010, and excludes the effect of any hedges the group may have.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

a) Market risk (continued)

(iii) Other price risk

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

The group does not invest in listed securities and therefore does not have any equity price risk. The group is also not exposed to commodity price risk.

b) Credit risk

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

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

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 limits its exposure to financial institutions by setting credit limits based on their credit ratings and generally only with counterparties with a minimum credit rating of BBB- by Standard & Poors and Baa3 from Moody's. For banks with a lower credit rating, or with no international credit rating, limits are set by the audit committee of the board. The utilisation of credit limits is regularly monitored. To reduce credit exposures, the group has ISDA Master Agreements with most of its counterparties for financial derivatives, which permit net settlement of assets and liabilities in certain circumstances.

Trade receivables comprise a large, widespread customer base and the group performs ongoing credit evaluations of the financial condition of its customers. The utilisation of credit limits are regularly monitored. Refer note 17 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 that are settled by delivering cash or another financial asset.

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



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

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.

	2011 R'000	2010 R'000
Debt at beginning of year	(4 980 973)	(3 590 571)
Net increase in debt for the year	(128 632)	(1 390 402)
	<hr/>	<hr/>
Debt at end of year	(5 109 605)	(4 980 973)
Credit facilities ⁽¹⁾	6 631 508	6 274 018
	<hr/>	<hr/>
Headroom available	1 521 903	1 293 045
	<hr/> <hr/>	<hr/> <hr/>

⁽¹⁾ Includes funding facilities of R99 million from non – controlling interests and R1 billion preference share funding from ABSA/RMB/NEDBANK (2010: Johnnic (51%) and SABSA (49%)) together with finance lease contracts, but excludes indirect 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 twelve months equal their carrying balances including interest, as the impact of discounting is not significant.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

c) Liquidity risk (continued)

Inclusive of capital and interest:	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 2011				
Bank borrowings (including bank overdrafts)	1 323 792	856 748	1 925 069	488 759
Other non-current liabilities	24 440	327 988	-	-
Non-controlling interests	100 448	-	-	-
Preference share capital and premium	66 821	66 821	1 066 637	-
Obligations under finance leases	12 447	14 257	49 743	1 784
Derivative financial instruments	72 106	(468)	(17 894)	-
Trade and other payables	798 781	-	-	-
	<u>2 398 835</u>	<u>1 265 346</u>	<u>3 023 555</u>	<u>490 543</u>
At 31 March 2010				
Bank borrowings (including bank overdrafts)	1 795 961	660 054	1 992 302	-
Other non-current liabilities	-	-	387 398	-
Non-controlling interests	10 459	109 459	-	-
Preference share capital and premium	84 750	84 750	1 214 734	-
Obligations under finance leases	11 866	12 440	48 059	17 699
Derivative financial instruments	52 663	16 726	2 110	-
Trade and other payables	633 361	-	-	-
	<u>2 589 060</u>	<u>883 429</u>	<u>3 644 603</u>	<u>17 699</u>



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

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 twelve 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
Exclusive of interest:				
At 31 March 2011				
Interest rate swaps – cash flow hedges:				
- outflow	(72 106)	-	-	-
- inflow	-	468	17 894	-
	<u>(72 106)</u>	<u>468</u>	<u>17 894</u>	<u>-</u>
At 31 March 2010				
Interest rate swaps – cash flow hedges:				
- outflow	(52 663)	(16 726)	(2 110)	-
	<u>(52 663)</u>	<u>(16 726)</u>	<u>(2 110)</u>	<u>-</u>

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

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

4 Financial risk management (continued)

4.2 Financial instruments by category

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

	Loan and receivables R'000	Available- for-sale R'000	Derivatives used for hedging R'000	Other financial liabilities at amortised cost R'000	Not categorised as a financial instrument R'000	Total R'000	Non-current R'000	Current R'000
At 31 March 2011								
Assets								
Investments in associates	27 705	-	-	-	87 981	115 686	115 686	-
Investments in joint ventures	5 914	-	-	-	126 838	132 752	132 752	-
Available-for-sale financial assets	-	392	-	-	-	392	392	-
Non-current receivables	114 446	-	-	-	37 992	152 438	152 438	-
Derivative financial instruments	-	-	18 362	-	-	18 362	18 362	-
Trade and other receivables	316 986	-	-	-	66 327	383 313	-	383 313
Cash and cash equivalents	956 031	-	-	-	-	956 031	-	956 031
Liabilities								
Derivative financial instruments	-	-	72 106	-	-	72 106	-	72 106
Borrowings	-	-	-	4 051 765	-	4 051 765	2 813 968	1 237 797
Redeemable preference share capital and premium	-	-	-	1 000 000	-	1 000 000	1 000 000	-
Finance leases	-	-	-	57 840	-	57 840	51 868	5 972
Trade and other payables	-	-	-	707 545	91 236	798 781	-	798 781



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

4 Financial risk management (continued)

4.2 Financial instruments by category (continued)

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

	Loan and receivables R'000	Available- for-sale R'000	Derivatives used for hedging R'000	Other financial liabilities at amortised cost R'000	Not categorised as a financial instrument R'000	Total R'000	Non-current R'000	Current R'000
At 31 March 2010								
Assets								
Investments in associates	1 001	-	-	-	1 582 056	1 583 057	1 583 057	-
Investments in joint ventures	69 216	-	-	-	57 503	126 719	126 719	-
Available-for-sale financial assets	-	392	-	-	-	392	392	-
Non-current receivables	115 165	-	-	-	19 201	134 366	134 366	-
Trade and other receivables	253 683	-	-	-	31 692	285 375	-	285 375
Cash and cash equivalents	514 037	-	-	-	-	514 037	-	514 037
Liabilities								
Derivative financial instruments	-	-	71 499	-	-	71 499	18 836	52 663
Borrowings	-	-	-	3 918 527	-	3 918 527	2 299 000	1 619 527
Redeemable preference share capital and premium	-	-	-	1 000 000	-	1 000 000	1 000 000	-
Finance leases	-	-	-	62 446	-	62 446	57 736	4 710
Trade and other payables	-	-	-	596 779	36 582	633 361	-	633 361



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

4 Financial risk management (continued)

4.3 Capital risk management

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

The group defines capital as equity funding provided by shareholders and debt funding from external parties. Shareholder funding comprises permanent paid up capital, share premium, revenue reserves and other reserves as disclosed in the balance sheet, together with loans from shareholders and banking institutions.

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

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

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

During 2011 the group's strategy, which was unchanged from 2010, was to ensure that net debt⁽¹⁾ was no more than two times EBITDA⁽¹⁾ and that EBITDA covers net interest by at least 2,5 times. EBITDA, being the driver of profitability and equity contributor, is the critical measurement criteria used to manage debt and capital levels.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

4.3 Capital risk management (continued)

	2011 R'000	2010 R'000
Total borrowings ⁽¹⁾	3 919 416 ⁽²⁾	4 068 901 ⁽³⁾
Less: qualifying cash and cash equivalents ⁽¹⁾	(445 760)	(487 972)
Net debt	<u>3 473 656</u>	<u>3 580 929</u>
EBITDA ⁽¹⁾	2 342 466	2 183 500
Net debt ⁽¹⁾ /EBITDA ⁽¹⁾ (times)	1,5	1,6
Interest cover (times)	7,0	6,7

⁽¹⁾As defined by bank loan agreements.

⁽²⁾Includes bank preference share funding and excludes acquired debt.

⁽³⁾Excludes shareholder preference share funding.

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

4.4 Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. The group had no outstanding forward foreign exchange contracts at 31 March 2011.

	2011 R'000	2010 R'000
Fair value measurement using level 2 observable inputs:		
Derivative financial instrument – liability (net)	<u>53 744</u>	<u>71 499</u>

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

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

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



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

5 Segmental analysis

In terms of *IFRS 8 Operating Segments*, the chief operating decision maker has been identified as the group's board of directors. The board reviews the group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the group's board of directors at the board meetings which are used to make strategic decisions.

The board considers the business from both a geographical basis and business type, being hotels and gaming. All gaming segments and the South African Hotel division conducts business in South Africa, with the Offshore Hotel division having operations in other African countries, the Middle East and the Seychelles. Other gaming operations include the Blackrock Casino, Caledon Hotel and Spa, the Sandton Convention Centre and management fee income. The corporate segment includes the treasury and management function of the group, together with the group's captive insurance operations.

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

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

The group's board of directors assesses the performance of the operating segments based on earnings before 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.

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.

In order to improve reporting of segments as reviewed by the chief operating decision maker, The Ridge, Hemingways and Emnotweni precincts have been disclosed separately for 2011 together with the 2010 comparatives.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

5

Segmental analysis (continued)

The segment results for the year ended 31 March are as follows:

	Income		EBITDAR ⁽²⁾		EBITDAR margin		Amortisation & depreciation	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000	2011 %	2010 %	2011 R'000	2010 R'000
Montecasino	1 964 004	1 795 708	661 435	631 889	33,7	35,2	101 272	103 133
<i>EBITDAR pre internal management fees</i>			792 053	760 294	40,3	42,3		
<i>Less: internal management fees</i>			(130 618)	(128 405)				
Suncoast	1 260 934	1 195 484	523 394	504 264	41,5	42,2	93 563	94 321
<i>EBITDAR pre internal management fees</i>			609 415	587 821	48,3	49,2		
<i>Less: internal management fees</i>			(86 021)	(83 557)				
The Ridge	331 762	304 779	136 145	127 962	41,0	42,0	22 702	23 971
<i>EBITDAR pre internal management fees</i>			160 533	150 658	48,4	49,4		
<i>Less: internal management fees</i>			(24 388)	(22 696)				
Hemingways	269 095	255 470	97 596	96 748	36,3	37,9	17 447	19 517
<i>EBITDAR pre internal management fees</i>			116 857	115 419	43,4	45,2		
<i>Less: internal management fees</i>			(19 261)	(18 671)				



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

5

Segmental analysis (continued)

The segment results for the year ended 31 March are as follows:

	Income		EBITDAR ⁽²⁾		EBITDAR margin		Amortisation & depreciation	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000	2011 %	2010 %	2011 R'000	2010 R'000
Emnotweni	268 427	263 989	96 233	102 048	35,9	38,7	15 769	14 970
<i>EBITDAR pre internal management fees</i>			114 474	120 397	42,6	45,6		
<i>Less: internal management fees</i>			(18 241)	(18 349)				
Other gaming operations	341 202	241 092	281 086	250 042			32 804	26 384
Gold Reef	194 760	n/a	67 301	n/a	34,6	n/a	17 914	n/a
Total Gaming operations	4 630 184	4 056 522	1 863 190	1 712 953	40,2	42,2	301 471	282 296
South Africa Hotels division⁽¹⁾	1 617 112	1 548 816	562 439	554 571	34,8	35,8	134 300	129 462
Offshore Hotels division	270 512	236 763	67 479	20 742	24,9	8,8	8 432	8 550
<i>Pre foreign exchange losses</i>			74 783	72 376	27,6	30,6		
<i>Foreign exchange loss</i>			(7 304)	(51 634)				
Corporate	(30 908)	(32 086)	17 099	20 821			2 669	2 889
Group	6 486 900	5 810 015	2 510 207	2 309 087	38,7	39,7	446 872	423 197

⁽¹⁾ Includes R30,9 million (2010: R32,1 million) intergroup management fees.

⁽²⁾ Refer note 44.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

5 Segmental analysis (continued)

The segment associates and joint ventures and capital expenditure for the year ended 31 March are as follows:

	Associates and joint ventures		Capital expenditure	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Gaming operations	73 590	1 538 733	293 206	711 687
South African Hotels division	50 057	44 327	69 789	179 311
Offshore Hotels division	124 791	126 716	10 375	6 536
Corporate	-	-	372	590
Group	248 438	1 709 776	373 742	898 124



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

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
2011					
Net book amount at beginning of year	3 472 776	337 517	508 291	1 265 054	5 583 638
Additions	131 511	133	19 485	187 109	338 238
Capitalisation of borrowing costs	-	-	3 278	-	3 278
Acquisition of subsidiaries	1 766 460	150 429	-	700 270	2 617 159
Disposals	(5 633)	-	-	(1 876)	(7 509)
Depreciation charge	(105 572)	(3 552)	-	(293 480)	(402 604)
Impairments	-	(865)	-	(9 748)	(10 613)
Transfers	439 232	-	(495 071)	51 344	(4 495)
Currency translation	(14 322)	-	-	(4 122)	(18 444)
Net book amount at 31 March 2011	5 684 452	483 662	35 983	1 894 551	8 098 648
Cost	6 328 082	629 288	35 983	4 474 740	11 468 093
Accumulated depreciation	(643 630)	(145 626)	-	(2 580 189)	(3 369 445)
Net book amount at 31 March 2011	5 684 452	483 662	35 983	1 894 551	8 098 648



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

6

Property, plant and equipment (continued)

	Land and buildings R'000	Leased land and buildings R'000	Properties under construction R'000	Plant and equipment R'000	Total R'000
2010					
Net book amount at beginning of year	3 193 171	282 702	293 599	1 191 521	4 960 993
Additions	128 056	69 142	348 986	303 764	849 948
Capitalisation of borrowing costs	-	-	24 504	-	24 504
Acquisition of subsidiaries	196 883	-	6 876	32 837	236 596
Subsidiary previously accounted as joint venture	-	-	-	165	165
Disposals	-	-	-	(6 850)	(6 850)
Depreciation charge	(72 383)	(13 181)	-	(295 350)	(380 914)
Impairments	-	(1 146)	-	-	(1 146)
Transfers	101 497	-	(165 674)	59 762	(4 415)
Currency translation	(74 448)	-	-	(20 795)	(95 243)
	<u>3 472 776</u>	<u>337 517</u>	<u>508 291</u>	<u>1 265 054</u>	<u>5 583 638</u>
Net book amount at 31 March 2010	<u>3 472 776</u>	<u>337 517</u>	<u>508 291</u>	<u>1 265 054</u>	<u>5 583 638</u>
Cost	4 014 215	487 248	508 291	2 811 138	7 820 892
Accumulated depreciation	(541 439)	(149 731)	-	(1 546 084)	(2 237 254)
	<u>3 472 776</u>	<u>337 517</u>	<u>508 291</u>	<u>1 265 054</u>	<u>5 583 638</u>
Net book amount at 31 March 2010	<u>3 472 776</u>	<u>337 517</u>	<u>508 291</u>	<u>1 265 054</u>	<u>5 583 638</u>

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.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

6 Property, plant and equipment (continued)

Bank borrowings (refer note 21) are secured over the following assets:

	2011 Net book amount R'000	2010 Net book amount R'000
Land and buildings	3 703 330	2 104 549
Plant and equipment	1 373 730	849 437
	5 077 060	2 953 986

Refer to note 23 for details of assets held under finance leases.

7 Goodwill

	2011 R'000	2010 R'000
Opening carrying amount	1 535 553	360 956
Arising on acquisition of subsidiaries	320 785	1 174 597
	1 856 338	1 535 553

Impairment test for goodwill

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

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

Montecasino	260 426	260 426
Suncoast	889 983	889 983
Gold Reef City*	136 402	-
Silverstar*	84 917	-
Other Tsogo gaming operations	268 866	268 866
Other Gold Reef gaming operations*	99 466	-
South African hotels segment	93 820	93 820
Offshore hotels segment	22 458	22 458
	1 856 338	1 535 553

* The goodwill allocation for these CGU's is provisional pending finalisation of the post acquisition review as noted in note 33.

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

7 Goodwill (continued)

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

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

EBITDAR margin - Management determined budgeted gross EBITDAR margin based on past performance and its expectations of market development.

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

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

	Monte- casino precinct %	Suncoast precinct %	Gold Reef City Precinct %	Silverstar Precinct %	Other gaming operations ⁽¹⁾ %	South African hotels %	Offshore hotels %
2011							
EBITDAR margin	33,7	41,5	35,7	37,3	37,1	34,8	32,4
Long-term growth rate	6,0	6,0	7,0	7,0	6,0	6,0	6,0
Discount rate pre-tax	10,8	10,8	12,1	12,1	11,1	11,5	10,5
2010							
EBITDAR margin	35,2	42,1	n/a	n/a	53,4	35,9	39,0
Long-term growth rate	6,0	6,0	n/a	n/a	6,0	6,0	6,0
Discount rate pre-tax	12,3	12,3	n/a	n/a	12,3	13,0	11,9

⁽¹⁾ Includes the balance of the group's casinos.

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

7 Goodwill (continued)

These assumptions have been used for the analysis of each CGU within the operating segment.

Based on the above calculations the group has not identified any impairments to goodwill for any of the CGU's.

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



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

8 Other intangible assets

	Casino licences R'000	Bid costs R'000	Management contract R'000	Computer software R'000	Trademark R'000	Total R'000
2011						
Net book amount at beginning of year	-	53 521	396	76 731	9 616	140 264
Additions	-	7 110	-	25 116	-	32 226
Acquisition of subsidiaries	4 074 964	-	-	13 854	110	4 088 928
Disposals	-	-	-	(621)	-	(621)
Transfers	-	2 641	-	1 854	-	4 495
Amortisation charge	-	(14 237)	-	(29 574)	(457)	(44 268)
Impairment	-	-	-	(278)	-	(278)
Net book amount at 31 March 2011	4 074 964	49 035	396	87 082	9 269	4 220 746
Cost	4 074 964	178 509	396	228 708	11 512	4 494 089
Accumulated amortisation	-	(129 474)	-	(141 626)	(2 243)	(273 343)
Net book amount at 31 March 2011	4 074 964	49 035	396	87 082	9 269	4 220 746
Remaining lives of the intangible assets	Indefinite	1 – 6 years	Indefinite	1 – 10 years	20 years	



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

8

Other intangible assets (continued)

	Casino licence R'000	Bid costs R'000	Management contract R'000	Computer software R'000	Trademark R'000	Total R'000
2010						
Net book amount at beginning of year	-	65 858	396	67 372	10 072	143 698
Additions	-	2 514	-	21 158	-	23 672
Acquisition of subsidiaries	-	10 859	-	-	-	10 859
Disposals	-	-	-	(97)	-	(97)
Transfers	-	(10 535)	-	14 950	-	4 415
Amortisation charge	-	(15 175)	-	(26 652)	(456)	(42 283)
Net book amount at 31 March 2010	-	53 521	396	76 731	9 616	140 264
Cost	-	171 400	396	190 114	11 402	373 312
Accumulated amortisation	-	(117 879)	-	(113 383)	(1 786)	(233 048)
Net book amount at 31 March 2010	-	53 521	396	76 731	9 616	140 264
Remaining lives of the intangible assets	n/a	1 – 6 years	Indefinite	1 – 10 years	21 years	

Casino licences which have been separately recognised relate to the following Gold Reef group casinos:

Gold Reef City	1 721 420
Silverstar	1 071 666
Other Gold Reef gaming operations	1 281 878
	4 074 964

The above values are provisional pending the finalisation of the post acquisition review as noted in note 33.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

8 Other intangible assets (continued)

Bank borrowings (refer note 21) are secured over the following intangible assets:

	2011 Net book amount R'000	2010 Net book amount R'000
Trademark	9 161	9 616
Computer software	63 491	66 079
	<u>72 652</u>	<u>75 695</u>
	2011 R'000	2010 R'000

9 Investments in associates

Listed and unlisted

Balance at beginning of year	1 583 057	1 433 697
Fair value loss on revaluation of associate	(299 085)	-
Associates acquired as part of subsidiary acquisition	20 000	-
Loans granted	6 904	-
Investment in associate	-	97 329
Share of profit ⁽¹⁾	80 651	103 999
Dividends received	(56 447)	(51 968)
Associate now accounted for as subsidiary on reverse acquisition	(1 219 394)	-
Balance at end of year	<u>115 686</u>	<u>1 583 057</u>

⁽¹⁾ Share of profit is after tax and non-controlling interests of associates

Capital

Gold Reef Resorts Ltd	-	1 500 755
Hotel Formula 1 (SA) (Pty) Ltd	44 970	40 345
TMCTS Management Company (Pty) Ltd ⁽¹⁾	11 060	11 433
Monte Cinemas (Pty) Ltd	23 476	22 287
Three Groups Cinemas (Pty) Ltd	3 107	3 253
Lukhanji Leisure (Pty) Ltd	-	-
Richtrau 292 (Pty) Ltd	280	-
Other	5 088	3 983
	<u>87 981</u>	<u>1 582 056</u>

(1) Previously Tsogo Sun Management Company (Pty) Ltd

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

	2011 R'000	2010 R'000
9 Investments in associates (continued)		
Loans		
TMCTS Management Company (Pty) Ltd	1 000	1 000
Three Groups Cinemas (Pty) Ltd	-	1
Lukhanji Leisure (Pty) Ltd	19 941	-
Richtrau 292 (Pty) Ltd	6 764	-
	<u>27 705</u>	<u>1 001</u>
Total investment	<u>115 686</u>	<u>1 583 057</u>
The market value of listed investments included above is:		
Gold Reef Resorts Ltd	-	1 311 437

The group has the following interests in its principal associates:

Listed

- On 24 February 2011 Gold Reef Resorts Ltd ceased to be an associate following the reverse acquisition – refer note 33. The group owns 69,2 million shares (held as treasury shares), of which 22,8 million shares have been granted as security for a subsidiary's borrowings.

Unlisted

- 47,4% in Hotel Formula 1 (SA) (Pty) Ltd;
- 50% in TMCTS Management Company (Pty) Ltd. The loan to TMCTS 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;
- 25,1% in Lukhanji Leisure (Pty) Ltd. The loan to Lukhanji Leisure (Pty) Ltd bears interest at prime plus 1%. The group has subordinated this loan for the benefit of other creditors, limited to an amount of R17,5 million; and
- 25% in Richtrau 292 (Pty) Ltd was acquired by the group effective 1 December 2010. The loan to Richtrau 292 (Pty) Ltd is unsecured, interest free and has no fixed terms of repayment.

The above loans are not impaired and the group does not hold any collateral as security.

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

	2011 R'000	2010 R'000
9 Investments in associates (continued)		
The group's interest in its principal associates was as follows:		
Total assets	427 705	5 217 105
Total liabilities	(243 240)	(2 240 887)
Net assets	<u>184 465</u>	<u>2 976 218</u>
The group's share of associates' net assets	<u>102 461</u>	<u>807 569</u>
Revenue	<u>2 319 503</u>	<u>2 377 780</u>
Profit for the year	<u>300 068</u>	<u>415 265</u>
Group's share of associates' profit for the year	<u>80 651</u>	<u>103 999</u>

The above associates are all incorporated in South Africa. Associates are equity accounted using management prepared information on a basis coterminous with the group's accounting reference date, with the exception of the following:

Lukhanji Leisure (Pty) Ltd	31 December
Hotel Formula 1 (SA) (Pty) Ltd	31 December
TMCTS Management Company (Pty) Ltd	31 July

The group's share of:

Associates' contingent liabilities	4 943	9 680
Associates' capital commitments	<u>49 000</u>	<u>59 000</u>

The loan to the joint venture is not impaired and the group does not hold any collateral or security.

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

	2011 R'000	2010 R'000
10 Investments in joint ventures		
Unlisted		
Balance at beginning of year	126 719	60 532
Joint venture acquired as part of subsidiary acquisition	7 961	-
Interest bearing loans converted to equity loans	-	82 530
Share loss ⁽¹⁾	(1 832)	(16 343)
Currency translation	(96)	-
	<hr/>	<hr/>
Balance at end of year	132 752	126 719
	<hr/> <hr/>	<hr/> <hr/>
⁽¹⁾ Share of loss is after tax and non-controlling interest of joint venture.		
Capital		
United Resorts and Hotels Ltd	124 791	57 503
Indol (Pty) Ltd	2 047	-
	<hr/>	<hr/>
	126 838	57 503
	<hr/> <hr/>	<hr/> <hr/>
Loans		
United Resorts and Hotels Ltd – equity loan	-	69 216
Indol (Pty) Ltd	5 914	-
	<hr/>	<hr/>
	5 914	69 216
	<hr/> <hr/>	<hr/> <hr/>
Total investment	132 752	126 719
	<hr/> <hr/>	<hr/> <hr/>

The group has the following significant interests in joint ventures:

- 50% in United Resorts and Hotels Ltd, a hotel company established in Seychelles. The equity loan is unsecured, bears no interest and has no fixed terms of repayment.
- 50% in Indol (Pty) Ltd, a gaming and leisure company established in Botswana. The loan to Indol (Pty) Ltd bears interest at the ruling prime interest of Botswana plus 1,5%, being 12,5%. The loan to the joint venture has been included as part of the net investment in joint venture as it is not considered to be immediately recoverable.

The loan to the joint venture is not impaired and the group does not hold any collateral or security.

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

10 Investments in joint ventures (continued)

Total 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:

	2011 R'000	2010 R'000
Current assets	46 251	124 559
Non-current assets	264 608	266 955
Current liabilities	(12 625)	(21 893)
Non-current liabilities	(213 311)	(277 264)
	2011 R'000	2010 R'000
The group's share of joint ventures' losses for the year:		
Income	30 335	37 970
Less: expenses	(32 167)	(54 313)
Net loss	(1 832)	(16 343)
The group's share of:		
Joint ventures' contingent liabilities	-	-
Joint ventures' capital commitments	-	-

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

	2011 R'000	2010 R'000
11 Available-for-sale financial assets		
Unlisted held at fair value	392	392
	<hr/>	<hr/>
Available-for-sale financial assets comprise of:		
NIB 72 Share Block (Pty) Ltd	392	392
Umgeni River Bird Park (Pty) Ltd	-	-
	<hr/>	<hr/>
	392	392
	<hr/>	<hr/>

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.

The NIB shareblock 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 investment in Umgeni River Bird Park (Pty) Ltd of R180 900 (2010: R180 900) is considered to be impaired and has accordingly been written down to a nil value because the company has ceased operations and the carrying value may not be realised.

Other than as described above there were no additional impairment provisions on the above available-for-sale financial assets in 2011 or 2010.

Available-for-sale financial assets are all denominated in SA Rand.

The maximum exposure to credit risk at the reporting date is the carrying 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 Umgeni River Bird Park (Pty) Ltd, none of the financial assets are either past due or impaired.

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

	2011 R'000	2010 R'000
12 Non-current receivables		
At amortised cost		
Loans to non-controlling interests	99 000	99 000
Loan to the Central Bank of Seychelles	6 459	3 151
Loans to development trusts	11 500	11 500
JIA Piazzapark (Pty) Ltd loan	1 514	1 514
Prepayments	37 992	19 201
Less: provision for impairment of receivables	(4 027)	-
	<u>152 438</u>	<u>134 366</u>

Loans to non-controlling interests were entered into on 30 May 2006. The loans were repayable on the earlier of 31 May 2011 or as agreed to by all shareholders of Tsogo Sun KwaZulu-Natal (Pty) Ltd, a subsidiary of the group. Subsequent to year end the shareholders of Tsogo Sun KwaZulu-Natal (Pty) Ltd agreed to extend the repayment to 31 May 2012. Interest is charged at rates linked to the 3 month Johannesburg Inter-Bank Agreed Rate (“JIBAR”) rate and settlement occurs bi-annually on the last day of March and September. The loans are secured by a cession of claims by these non-controlling interests to loan accounts in Ripple Effect 31 (Pty) Ltd, a subsidiary of the group.

The loan to the Central Bank of Seychelles was renegotiated in the current year whereby interest on the loan was waived and new repayment terms agreed. An impairment of R4,0 million has been raised against this amount.

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

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

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

12 Non-current receivables (continued)

Prepayments comprise mainly prepaid rental on a subsidiary of the group's property lease which is amortised over the period of the lease, and borrowing costs, which include all 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.

There were no disposals or impairment provisions in respect of non-current receivable financial assets in 2011 or 2010, other than as shown above.

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

	2011	2010
	R'000	R'000
SA Rand	152 202	136 102
US Dollar	19 368	3 151
	<hr/> 171 570 <hr/>	<hr/> 139 253 <hr/>

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

None of the non-current receivable financial assets are either past due or impaired, other than as shown above.

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

	2011	2010
	R'000	R'000
13 Deferred income tax		
Net deferred tax liability at beginning of year	135 042	96 784
Acquisition of subsidiaries	64 931	15 917
Deferred tax liability recognised on casino licences	1 133 541	-
Income statement charge	25 751	21 404
Deferred tax asset on cash flow hedge through other comprehensive income	11 795	(1 799)
Currency translation	341	2 736
	<hr/>	<hr/>
Net deferred tax liability at end of year	1 371 401	135 042
	<hr/> <hr/>	<hr/> <hr/>

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

13 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	Tax losses R'000	Fair value gains R'000	Total R'000
<i>Deferred tax liabilities</i>							
Deferred tax liability at 31 March 2009	221 158	5 352	(54 653)	(11 853)	-	-	160 004
Acquisition of subsidiaries	2 903	19 498	(2 110)	-	-	-	20 291
Income statement charge	20 330	(437)	338	(534)	-	-	19 697
Currency translation	2 736	-	-	-	-	-	2 736
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Deferred tax liability at 31 March 2010	247 127	24 413	(56 425)	(12 387)	-	-	202 728
Acquisition of subsidiaries	91 521	1 847	(13 091)	-	(3 355)	-	76 922
Deferred tax liability recognised on casino licences	1 133 541	-	-	-	-	-	1 133 541
Income statement charge	(31 196)	(7 968)	87 069	6 719	13 077	-	67 701
Currency translation	341	-	-	-	-	-	341
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Deferred tax liability at 31 March 2011	1 441 334	18 292	17 553	(5 668)	9 722	-	1 481 233



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

	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
13 Deferred income tax (continued)							
<i>Deferred tax assets</i>							
Deferred tax asset at 31 March 2009	(68 490)	(2 566)	99 939	4 554	14 416	15 367	63 220
Acquisition of subsidiaries	-	-	261	-	4 113	-	4 374
Income statement charge	8 294	(1 984)	(5 072)	2 608	(5 553)	-	(1 707)
Deferred tax asset on cash flow hedge through equity	-	-	-	-	-	1 799	1 799
	<u>(60 196)</u>	<u>(4 550)</u>	<u>95 128</u>	<u>7 162</u>	<u>12 976</u>	<u>17 166</u>	<u>67 686</u>
Deferred tax asset at 31 March 2010	(60 196)	(4 550)	95 128	7 162	12 976	17 166	67 686
Acquisition of subsidiaries	945	5 822	4 019	-	1 205	-	11 991
Income statement charge	17 187	4 806	5 768	(3 195)	17 384	-	41 950
Deferred tax asset on cash flow hedge through equity	-	-	-	-	-	(11 795)	(11 795)
	<u>(42 064)</u>	<u>6 078</u>	<u>104 915</u>	<u>3 967</u>	<u>31 565</u>	<u>5 371</u>	<u>109 832</u>
Deferred tax asset at 31 March 2011	<u>(42 064)</u>	<u>6 078</u>	<u>104 915</u>	<u>3 967</u>	<u>31 565</u>	<u>5 371</u>	<u>109 832</u>



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

13 Deferred income tax (continued)

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

Deferred tax is provided on the full estimated tax loss of the group of R76,0 million (2010: R44,1 million) mainly incurred by Southern Sun Hotels (Tanzania) Ltd and Gold Reef Management (Pty) Ltd.

14 Derivative financial instruments

Interest rate swaps

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

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

	2011 R'000	2010 R'000
Interest rate swaps - cash flow hedge		
Tsogo Sun (Pty) Ltd	(35 165)	(71 499)
Silverstar Casino (Pty) Ltd	(18 579)	-
	<hr/>	<hr/>
Net liabilities	(53 744)	(71 499)
Less: current portion	72 106	52 663
	<hr/>	<hr/>
Non-current portion asset/(liability)	<u>18 362</u>	<u>(18 836)</u>

The ineffective portion recognised in the income statement from cash flow hedges for the year amounted to R0,3 million (2010: Rnil).

The notional amounts of the outstanding interest rate swap contracts for Tsogo Sun (Pty) Ltd at 31 March 2011 were:

R300 million (2010: R1 billion) with a fixed rate of 10,91%;
R600 million (2010: R600 million) with a fixed rate of 8,22%;
R600 million (2010: R600 million) with a fixed rate of 8,77%; and
R450 million (2010: Rnil) with a fixed rate of 6,49%.

The above swap floating rates are linked to the 3 month JIBAR rate. Gains and losses are recognised in the hedging reserve directly in comprehensive income (after tax).

The notional amount of the outstanding interest rate swap contract for Silverstar Casino (Pty) Ltd at 31 March 2011 was:
R976,1 million (2010: Rnil) with a fixed rate of 8,97%, excluding credit and liquid margins.

The swap floating rate is linked to the 1 month JIBAR rates.

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

15 Long-term incentive plans

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

15.1 Share-based payments – Gold Reef Share Scheme

	2011 R'000	2010 R'000
Amounts due by participants	17 182	-

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

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

	2011 Number of shares	2011 Average price R	2010 Number of shares	2010 Average price R
Awards/options at beginning of year	-	-	-	-
On acquisition of subsidiary - staff	2 245 423	16	-	-
Awards/options at end of year	2 245 423	16	-	-

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

Total IFRS 2 costs relating to equity-settled share-based payments in terms of the Gold Reef Share Scheme amounted to R0,2 million (2010: Rnil). This cost is included in "Employee costs" on the face of the income statement. A further R2,2 million has been expensed due to accelerated vesting of options on conclusion of the reverse acquisition transaction. This has been included in the Gold Reef transactions costs.

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

15 Long term incentive plans (continued)

15.2 Cash-settled share-based long-term incentive plan

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

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

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



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

15 Long term incentive plans (continued)

15.2 Cash-settled share-based long term incentive plan (continued)

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

	Compound annual growth rate	Multiplication factor				
	5,0% to 7,5%	0 - 1				
	7,5% to 10,0%	1 - 3				
	Share appreciation units	Average strike price R	Bonus units	Average strike price R	Performance units	Average strike price R
Cash-settled in units at:						
1 April 2010	-		-	-	-	-
On acquisition of subsidiary – management	1 532 418	17	315 854	-	381 001	-
31 March 2011	1 532 418	17	315 854	-	381 001	-
Units exercisable at 31 March 2011	-					
Number of employees granted units	122					
Number of employees remaining at year-end	105					

This plan has been independently valued by actuaries at year-end utilising a modified binomial tree to accommodate both the American nature of the units post vesting as well as incorporating employee exercise behaviour where applicable.

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

15 Long term incentive plans (continued)

15.2 Cash-settled share-based long term incentive plan (continued)

	Share appreciation units	Bonus units	Performance units
Grant date	26 March 2010	26 March 2010	26 March 2010
Valuation date	31 December 2010	31 December 2010	31 December 2010
Share price at valuation date	R19,55	R19,55	R19,55
Vesting period	3 – 5 years	3 years	3 years
Settlement	Cash	Cash	Cash
Volatility assumption	33,4%	33,4%	33,4%
Interest rate assumption	5,8%	6,3%	6,3%
Dividend yield assumption	3,5%	3,5%	3,5%
Performance factor assumption	n/a	n/a	1
Attrition assumption	11,0%	5,0%	6,5%
Fair value per unit	R5,67	R18,26	R18,26

	Share appreciation units	Bonus units	Performance units
Grant date	20 March 2009	20 March 2009	20 March 2009
Valuation date	31 December 2009	31 December 2009	31 December 2009
Share price at valuation date	R19,55	R19,55	R19,55
Vesting period	3 – 5 years	3 years	3 years
Settlement	Cash	Cash	Cash
Volatility assumption	34,7%	34,7%	34,7%
Interest rate assumption	5,7%	6,1%	6,1%
Dividend yield assumption	3,4%	3,4%	3,4%
Performance factor assumption	n/a	n/a	-
Attrition assumption	8,3%	6,1%	6,2%
Fair value per unit	R6,87	R18,91	R18,91

The group recognised an expense of R0,7 million (2010: Rnil) related to the bonus appreciation plan during the year and at 31 March 2011 the group has recorded liabilities of R6,3 million (2010: Rnil) in respect of this plan. The non-current portion of this liability is R6,3 million (2010: Rnil).

Reducing or increasing the performance factor assumption by 1 would result in a decrease or increase in the expense of R0,7 million respectively.

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

15 Long term incentive plans (continued)

15.3 The Tsogo Sun Share Appreciation Bonus Plan

The Tsogo Sun Share Appreciation Bonus Plan is a bonus scheme whereby participants receive cash bonuses, the amounts of which are determined with reference to the growth in the holding company's share price. Participants under this bonus appreciation plan are not entitled to take up shares or options whatsoever. For certain allocations, 25% of the bonus appreciation plan vests from three years after date of allocation, an additional 25% vests after four years, and the balance after five years. Allocations for 2009 and after vest in full three years after date of allocation.

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

The fair value is expensed over the period as services are rendered by the employees. In terms of the rules, the fair values of the payments are determined using the seven day volume weighted average trading price of the holding company prior to the determination of the fair value of the long-term incentive bonus.

The group recognised a credit of R14,0 million (2010: R23,1 million expense) related to this bonus appreciation plan during the year and at 31 March 2011 the group has recorded liabilities of R24,4 million (2010: R40,3 million) in respect of this plan. The current portion of this liability is R19,4 million (2010: R24,3 million).

	2011	2010
	R'000	R'000
15.4 Total long-term incentive liabilities		
Cash-settled share-based long-term incentive plan (refer note 15.2)	6 323	-
The Tsogo Sun Share Appreciation Bonus Plan (refer note 15.3)	24 446	40 286
	<hr/>	<hr/>
	30 769	40 286
Less: current portion	(19 377)	(24 322)
	<hr/>	<hr/>
Non-current portion	11 392	15 964
	<hr/>	<hr/>

Following the reverse acquisition all the above schemes will continue in terms of their original terms and conditions.

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

	2011 R'000	2010 R'000
16 Inventories		
Food and beverage	24 678	21 767
Operating equipment	122 155	98 014
Consumable stores	24 404	10 225
	<hr/>	<hr/>
	171 237	130 006
	<hr/> <hr/>	<hr/> <hr/>

The cost of inventories recognised as an expense and included in other operating expenses amounted to R270,6 million (2010: R214,0 million).

17 Trade and other receivables

Trade receivables	205 466	190 488
Management fee receivables	9 340	7 209
Other receivables	118 925	70 141
Prepayments	66 327	31 692
Less: provision for impairment of receivables	(16 745)	(14 155)
	<hr/>	<hr/>
Trade and other receivables - net	383 313	285 375
	<hr/>	<hr/>
Umgeni River Bird Park (Pty) Ltd	9 610	20 125
Less: provision for impairment	(9 610)	(20 125)
	<hr/>	<hr/>
Umgeni River Bird Park (Pty) Ltd - net	-	-
	<hr/>	<hr/>
	383 313	285 375
	<hr/> <hr/>	<hr/> <hr/>

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.

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

17 Trade and other receivables (continued)

Past due but not impaired – trade receivables

At 31 March 2011, trade receivables of R57,2 million (2010: R65,3 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:

	2011	2010
	R'000	R'000
30 to 60 days	42 658	45 112
60 to 90 days	5 075	7 919
More than 90 days	9 474	12 296
	<hr/> 57 207 <hr/>	<hr/> 65 327 <hr/>

Impairment – trade receivables

At 31 March 2011, trade receivables of R14,8 million (2010: R13,2 million) were impaired. The amount of the provision was R14,8 million as of 31 March 2011 (2010: R13,2 million). The individually impaired receivables mainly relate to returned cheques outstanding as well as cheques held in the cash desk, doubtful debtors and long outstanding debtors. The impaired trade receivables relate to debtors that have been handed over to attorneys for collection and debtors that have been outstanding for more than one year.

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

Balance at 1 April	13 229	16 394
Provision for receivables impairment	8 392	3 701
Receivables written off during the year as uncollectible	(5 402)	(6 111)
Unused amounts reversed	(1 357)	(654)
Currency translation	(98)	(101)
	<hr/> 14 764 <hr/>	<hr/> 13 229 <hr/>

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

17 Trade and other receivables (continued)

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 2011, other receivables of R33,7 million (2010: R22,5 million) were past due but not impaired. These relate mainly to fees due, various staff loans, banqueting debtors and vending commission. The ageing analysis of these other receivables is as follows:

	2011	2010
	R'000	R'000
Up to 3 months	8 040	7 453
3 to 6 months	2 497	3 861
More than 6 months	23 133	11 132
	<hr/> 33 670 <hr/>	<hr/> 22 446 <hr/>

Impairment – other receivables

At 31 March 2011, other receivables of R2,0 million (2010: R0,9 million) were impaired. The amount of the provision was R2,0 million as of 31 March 2011 (2010: R0,9 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:

Balance at 1 April	926	756
Provision for receivables impairment	1 529	189
Receivables written off during the year as uncollectible	(474)	(19)
	<hr/> 1 981 <hr/>	<hr/> 926 <hr/>

For both trade and other receivables the creation and release of provision for impaired receivables have been included in other expenses in the income statement (refer note 39). Amounts charged to the provision account are written off when there is no expectation of recovering additional cash.



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

17 Trade and other receivables (continued)

Impairment – other receivables (continued)

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 because the company has ceased operations and the carrying value may not be realised.

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

	2011	2010
	R'000	R'000
SA Rand	319 934	241 703
US Dollar	36 559	21 366
Euro	8 777	4 084
Tanzanian Shilling	1 057	547
Mozambiquan Metical	4 248	4 612
Zambian Kwacha	6 965	5 735
United Arab Emirates Dirham	2 454	2 267
Seychelles Rupee	1 299	5 061
Kenyan Shilling	2 020	-
	<hr/> 383 313 <hr/>	<hr/> 285 375 <hr/>

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

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

	2011 R'000	2010 R'000
18 Cash and cash equivalents		
Current accounts	436 331	324 907
Call and fixed deposit accounts	445 631	140 850
Cash	74 069	48 280
	<hr/>	<hr/>
	956 031	514 037
Less: bank overdrafts (refer note 21)	-	(88 961)
	<hr/>	<hr/>
Net cash, cash equivalents and bank overdrafts per cash flow statement	956 031	425 076
	<hr/> <hr/>	<hr/> <hr/>

Certain of the group's bank accounts have been pledged as security for the group's borrowings (refer note 21).

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

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

19 Ordinary share capital and premium

	Number of ordinary shares '000	Number of treasury shares '000	Net number of shares '000	Ordinary share capital R'000	Share premium R'000	Total R'000
Balance at beginning of year ⁽¹⁾	888 261	-	888 261	25	1 074 087	1 074 112
Share capital arising on reverse acquisition	292 344	83 666	208 678	4 174	3 672 730	3 676 904
Balance at 31 March 2011	<u>1 180 605</u>	<u>83 666</u>	<u>1 096 939</u>	<u>4 199</u>	<u>4 746 817</u>	<u>4 751 016</u>

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

⁽¹⁾ The number of ordinary shares in issue for 2010 has been restated to reflect the shares issued to the Tsogo Sun shareholders by Gold Reef in terms of the exchange ratio agreement in respect of the reverse acquisition of Gold Reef.



GOLD REEF RESORTS LIMITED

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2011**

	Cash flow hedge reserve R'000	Foreign currency translation reserve R' 000	Total R'000
20 Other reserves			
Balance at 31 March 2009	(39 515)	157 125	117 610
Cash flow hedges:	(4 627)	-	(4 627)
- fair value losses during year	(6 426)	-	(6 426)
- deferred tax on fair value losses	1 799	-	1 799
Currency translation adjustments	-	(106 570)	(106 570)
Balance at 31 March 2010	(44 142)	50 555	6 413
Cash flow hedges:	30 602	-	30 602
- fair value gains during year	42 397	-	42 397
- deferred tax on fair value gains	(11 795)	-	(11 795)
Currency translation adjustments	-	(23 712)	(23 712)
Balance at 31 March 2011	(13 540)	26 843	13 303

GOLD REEF RESORTS LIMITED

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2011**

	2011	2010
	R'000	R'000
21 Borrowings		
<i>(Excluding leases and preference share capital and premium)</i>		
At amortised cost		
Bank borrowings	3 952 765	3 730 566
Bank overdrafts	-	88 961
Non-controlling interests	99 000	99 000
	<hr/>	<hr/>
	4 051 765	3 918 527
Less: current portion of borrowings	(1 237 797)	(1 619 527)
	<hr/>	<hr/>
Long and medium term borrowings	2 813 968	2 299 000
	<hr/>	<hr/>
Secured	3 952 765	3 819 527
Unsecured	99 000	99 000
	<hr/>	<hr/>
	4 051 765	3 918 527
	<hr/> <hr/>	<hr/> <hr/>
The maturity of borrowing is as follows:		
Not later than 1 year	1 237 797	1 619 527
Later than 1 year and not later than 5 years	2 368 969	2 299 000
Later than 5 years	444 999	-
	<hr/>	<hr/>
	4 051 765	3 918 527
	<hr/> <hr/>	<hr/> <hr/>
The following represents the book amount of the security for these borrowings:		
Property, plant and equipment (refer note 6)	5 077 060	2 953 986
Intangible assets (refer note 8)	72 652	75 695
Pledge of cash in bank accounts (refer note 18)	516 034	208 568
Cession of Gold Reef Resorts Ltd shares	365 265	495 062
Guarantees (residual after pledge of above assets)	-	74 291
Other assets	12 075	11 925
	<hr/>	<hr/>
	6 043 086	3 819 527
	<hr/> <hr/>	<hr/> <hr/>

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

21 Borrowings (continued)

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

	Carrying amount		Fair value	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Analysis of long and medium term borrowings:				
Bank borrowings	2 813 968	2 200 000	2 778 656	2 228 686
Non-controlling interests	-	99 000	-	99 000
	<u>2 813 968</u>	<u>2 299 000</u>	<u>2 778 656</u>	<u>2 327 686</u>

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 7,10% and 8,40% (2010: 8,87% and 9,08%). All borrowings bear interest at floating rates.

	2011 R'000	2010 R'000
The group has the following committed direct facilities (from banks and non-controlling interest lenders):		
Expiring within 1 year	1 959 695	1 563 672
Expiring beyond 1 year	3 613 972	3 647 900
	<u>5 573 667</u>	<u>5 211 572</u>

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

	2011	2010
	R'000	R'000
21 Borrowings (continued)		
The undrawn facility of the committed direct bank borrowings amounted to R1 522 million (2010: R1 293 million).		
The carrying amounts of the group's borrowings are denominated in the following currencies:		
SA Rand	4 051 765	3 915 551
US Dollar	-	2 976
	<u>4 051 765</u>	<u>3 918 527</u>
	%	%
	%	%
Weighted average effective interest rates (excluding leases and preference share capital and premium)	<u>9,57</u>	<u>10,68</u>
The borrowings of the group do not exceed that allowed per the Articles of Association.		
22 Preference share capital and premium		
At amortised cost		
By subsidiary companies:		
Authorised and issued		
1 000 redeemable cumulative shares of R0,10 each	-	*
Premium of R999 999,90 per share	-	1 000 000
Authorised and issued		
10 000 redeemable cumulative shares of R0,001 each	*	-
Premium of R99 999,999 per share	1 000 000	-
	<u>1 000 000</u>	<u>1 000 000</u>

*Amount less than R1 000.

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

22 Preference share capital and premium (continued)

1 000 redeemable cumulative preference shares of R0,10 each at a premium of R999 999,90 were subscribed for on 12 October 2009. Dividends accrued on an annual basis at rates linked to the twelve month JIBAR rate. Dividends were declared and paid end of March annually. The preference shares were redeemable by 12 October 2014. The group was entitled, but not obliged, on not less than thirty days prior written notice to that effect given to the holders of the preference shares to redeem all or any of the preference shares for the redemption amount provided that various conditions apply. Such written notice was given to the holders of these preference shares on 29 October 2010 and the preference shares were redeemed on 4 November 2010.

10 000 redeemable cumulative preference shares of R0,001 each at a premium of R99 999,999 were subscribed for on 4 November 2010. Dividends accrue on a monthly basis at rates linked to the prime overdraft rate. Dividends are declared and paid out quarterly. The preference shares are redeemable by 31 March 2014. The group is entitled, but not obliged, on not less than five days prior written notice to that effect given to the holders of the preference shares to redeem all or any of the preference shares for the redemption amount provided that various conditions apply.

Preference share capital and premium are denominated in SA Rand.

The fair value of preference share capital and premium equals the carrying amount. The fair values are based on cash flows discounted using a rate based on the year end borrowing rate of 6,62% (2010: 8,47%).



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

	2011 R'000	2010 R'000
23 Obligations under finance leases		
Total liability	57 840	62 446
Less: current portion	(5 972)	(4 710)
	<hr/>	<hr/>
Non-current portion	51 868	57 736
	<hr/>	<hr/>
The minimum lease payments under the lease liabilities are due as follows:		
Not later than 1 year	13 125	11 929
Later than 1 year and not later than 5 years	63 423	60 498
Later than 5 years	1 784	17 699
	<hr/>	<hr/>
	78 332	90 126
Future finance charges	(20 492)	(27 680)
	<hr/>	<hr/>
Present value of finance lease liabilities	57 840	62 446
	<hr/>	<hr/>
The present value of finance lease liabilities is as follows:		
Not later than 1 year	5 972	4 710
Later than 1 year and not later than 5 years	50 137	41 007
Later than 5 years	1 731	16 729
	<hr/>	<hr/>
	57 840	62 446
	<hr/>	<hr/>

Two properties of the group have been financed by means of finance leases with banking institutions. Interest rates for the two leases are 12,11% and 12,14% and the leases expire between calendar years 2015 and 2016. On expiry of these leases, all the risks and rewards of ownership of the properties will transfer to the group.

Refer note 6 for details of book values of leased land and buildings.

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

24 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.

Provident fund

The group also operates two provident funds: the Gold Reef Provident Fund and the Gold Reef Executive Provident 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.

	2011	2010
	R'000	R'000
Present value of funded obligations	36 770	34 896
Fair value of plan assets	(24 383)	(24 427)
	<hr/>	<hr/>
	12 387	10 469
Unrecognised actuarial gains	3 448	6 216
Unrecognised past service costs	5 901	6 205
	<hr/>	<hr/>
Liability per the balance sheet	21 736	22 890
	<hr/>	<hr/>

GOLD REEF RESORTS LIMITED

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2011**

	2011	2010
	R'000	R'000
24 Retirement benefit information (continued)		
The movement in the defined benefit obligation is as follows:		
Defined benefit obligation at beginning of year	34 896	33 547
Current service cost	474	492
Interest cost	3 295	2 954
Actuarial losses/(gains)	223	(153)
Employer benefit payments	(2 118)	(1 944)
	<hr/>	<hr/>
Defined benefit obligation at end of year	36 770	34 896
	<hr/> <hr/>	<hr/> <hr/>
The movement in the fair value of plan assets is as follows:		
Fair value of plan assets at beginning of year	(24 427)	(21 380)
Return on plan assets	(2 512)	(2 041)
Actuarial gains/(losses)	438	(1 258)
Benefit payments from plan assets	2 118	1 944
Employee contributions into the fund	-	(1 692)
	<hr/>	<hr/>
Fair value of plan assets at end of year	(24 383)	(24 427)
	<hr/> <hr/>	<hr/> <hr/>

The assets of the medical aid scheme comprises cash for both 2011 and 2010 with values of R24,4 million each.

Expected long term rate of return on medical aid assets is 10,0% (2010: 10,75%). This is determined by using a standard 1% margin on the assumed rate of discount. The discount rate of 9% per annum is based on current bond yields of appropriate term gross of tax as required by *IAS 19 Employee Benefits*. South Africa does not have a deep market in high quality corporate bonds. The discount rate is therefore determined by reference to current market yields on government bonds.

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

24 Retirement benefit information (continued)

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

No contributions are expected to be paid into the group's defined benefit scheme during the annual period after 31 March 2011 (2010: Rnil).

	2011 R'000	2010 R'000
The amounts recognised in the income statement under employee costs are as follows:		
Current service cost	474	492
Interest on obligation	3 295	2 954
Expected return on plan assets	(2 512)	(2 041)
Net actuarial gains	(2 107)	(1 400)
Past service cost	(304)	(304)
	<hr/>	<hr/>
Total included in employee costs	(1 154)	(299)
	<hr/> <hr/>	<hr/> <hr/>
Actual return on plan assets	1 579	1 849

The principal actuarial assumptions used for the valuation were:

	%	%
Discount rate	9,00	9,75
Health care cost inflation	7,75	8,00
Expected return on plan assets	10,00	10,75
Remuneration inflation	7,25	7,50

At 31 March 2011, the effects of a 1% movement in the assumed medical cost trend rate were as follows:

	Decrease R'000	Increase R'000
Effect on the current service cost and interest cost	2 932	3 703
Effect on the post-retirement medical aid liability	30 824	38 455

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

24 Retirement benefit information (continued)

	2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000
At 31 March					
Present value of defined benefit obligations	36 770	34 896	33 547	31 612	30 798
Fair value of plan assets	(24 383)	(24 427)	(21 380)	(18 835)	(18 286)
Deficit	<u>12 387</u>	<u>10 469</u>	<u>12 167</u>	<u>12 777</u>	<u>12 512</u>
Experience adjustments on plan liabilities	<u>650</u>	<u>839</u>	<u>(2 384)</u>	<u>1 641</u>	<u>2 786</u>
Experience adjustments on plan assets	<u>438</u>	<u>1 258</u>	<u>2 547</u>	<u>391</u>	<u>2 976</u>

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

	2011 R'000	2010 R'000
25 Other non-current liabilities		
Straight-lining of operating leases	268 682	273 857
Contingency payment in respect of business acquisition ⁽¹⁾	330 000	330 000
	598 682	603 857
Less: current portion	(34 889)	(11 171)
Non-current portion	563 793	592 686

⁽¹⁾The amount bears interest at the 3 month JIBAR rate plus 350 basis points (refer note 2(vi)).

26 Deferred revenue

The group accounts for its customer loyalty incentive programmes in terms of *IFRIC 13 Customer Loyalty Programmes* with the liability on the balance sheet allocated to deferred revenue.

At beginning of year	36 684	35 312
Created during the year	77 236	53 077
Utilised during the year	(65 333)	(51 705)
Acquisition of subsidiary	8 205	-
At the end of year	56 792	36 684

The expected timing of the recognition of the revenue within three years (2010: three years) is as follows:

- non-current	31 404	17 480
- current	25 388	19 204
	56 792	36 684

GOLD REEF RESORTS LIMITED

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2011**

	2011	2010
	R'000	R'000
27 Trade and other payables		
Trade payables	126 261	140 446
VAT payable	56 347	25 411
Capital payables	997	55 677
Payroll related payables	93 832	41 485
Current portion of non-current liabilities (refer note 25)	34 889	11 171
Other, including sundry accruals	486 455	359 171
	798 781	633 361
28 Provisions		
At beginning of year		
Incentives	63 831	73 604
Jackpot provisions	9 173	7 961
	73 004	81 565
Acquisition of subsidiary		
Incentives	11 898	-
Jackpot provisions	5 533	-
	17 431	-
Created during the year		
Incentives	94 524	40 184
Jackpot provisions	32 570	38 618
	127 094	78 802

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

	2011 R'000	2010 R'000
28 Provisions (continued)		
Utilised during the year		
Incentives	(40 065)	(49 957)
Jackpot provisions	(35 430)	(37 406)
	<u>(75 495)</u>	<u>(87 363)</u>
At the end of year		
Incentives	130 188	63 831
Jackpot provisions	11 846	9 173
	<u>142 034</u>	<u>73 004</u>

Due to the nature of the jackpot provisions the timing of their utilisations is uncertain, however it is not expected to be longer than twelve months.

Incentive provisions are paid following finalisation of the annual financial results and approval by the remuneration committee.

29 **Contingent liabilities**

Staff loans and guarantees	500	500
Operating lease guarantees	4 943	9 680
Other guarantees ⁽¹⁾	174 842	103 771
Litigation ⁽²⁾	2 700	-
	<u>182 985</u>	<u>113 951</u>

⁽¹⁾The group has entered into various agreements with its bankers and the respective gambling boards whereby the bank has guaranteed agreed capital amounts not exceeding R156,7 million (2010: R89,8 million) for gambling board taxes and working capital. The group has also entered into various agreements with its bankers and respective utility boards whereby the bank has guaranteed agreed capital amounts not exceeding R18,1 million (2010: R14,0 million) for utility expenses.

⁽²⁾Comprises a possible contingency for litigation and related costs throughout all group companies.

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

	2011	2010
	R'000	R'000
30 Commitments		
Operating lease commitments (refer note 31 below)	1 192 910	1 255 783

The present value of the lease guarantees in note 29 and commitments above is R768,9 million (2010: R755,8 million).

31 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:

Not later than 1 year	138 831	124 167
Later than 1 year and not later than 5 years	414 942	414 786
Later than 5 years	639 137	716 830
	1 192 910	1 255 783

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.

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

31 Operating lease arrangements (continued)

Operating lease arrangements where the group is a lessor:

The group rents out retail and commercial office space in its gaming and hotels properties. Property rental income earned during the year was R63,6 million (2010: R65,0 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:

	2011 R'000	2010 R'000
Not later than 1 year	73 359	32 226
Later than 1 year and not later than 5 years	114 205	69 115
Later than 5 years	5 352	573
	<hr/> 192 916 <hr/>	<hr/> 101 914 <hr/>

32 Future capital expenditure

Authorised by directors but not yet contracted for:

Property, plant and equipment	931 990	248 011
Intangible assets: software	22 311	23 000
	<hr/> 954 301 <hr/>	<hr/> 271 011 <hr/>

Authorised by directors and contracted to be expended:

Property, plant and equipment	110 246	192 869
Intangible assets: software	-	600
	<hr/> 110 246 <hr/>	<hr/> 193 469 <hr/>

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

33 Business combinations and transactions with non-controlling interests

33.1 Gold Reef acquisition

The Tsogo Sun group acquired an effective 100% control over Gold Reef via a reverse acquisition which has been accounted for in terms of IFRS 3 Business Combinations (Revised) - effective 24 February 2011. In terms of the share swap agreement the total number of ordinary Gold Reef shares issued to the Tsogo Sun shareholders was 888 261 028. The purchase consideration comprises the fair value of the previously held interest in Gold Reef prior to acquisition together with the fair value of the additional Gold Reef shares acquired by the group to achieve a 100% shareholding. The fair value of the Gold Reef shares and the previously held interest is based on the closing price of the listed Gold Reef shares immediately prior to all conditions of the transactions being met.

Goodwill arising on this acquisition was R320,8 million which is attributable to casino operations. None of the goodwill is expected to be deductible for income tax purposes.

The acquired business contributed incremental revenues of R195 million and adjusted earnings of R25 million to the group for the period from date of control to 31 March 2011.

If the acquisitions had occurred on 1 April 2010, group income would have increased by R2 133 million and adjusted earnings would have increased by R226 million excluding the equity earnings already accounted for. These amounts have been calculated using the group's accounting policies.

**2011
R'000**

Details of net assets acquired and goodwill are as follows:

Purchase consideration:

Fair value of previously held interest (69,2 million shares)	1 219 394
Fair value of Gold Reef shares acquired (208,7 million shares)	3 676 904

Total purchase consideration	4 896 298
Non-controlling interests	45 572
Fair value of identifiable net assets acquired	(4 621 085)

Goodwill	320 785
----------	---------

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

33 Business combinations (continued)

Details of the net assets acquired:

	Provisional fair value R'000
Non-current assets	
Property, plant and equipment	2 617 159
Other intangibles (refer note 8)	4 088 928
Deferred income tax assets	11 991
Investment in joint venture and associate	26 324
Share scheme	49 407
Current assets	
Inventories	24 774
Trade and other receivables	37 308
Cash and cash equivalents	480 733
Non-current liabilities	
Borrowings	(1 097 481)
Deferred tax liabilities	(1 210 463)
Current liabilities	
Borrowings	(197 532)
Trade and other payables	(181 893)
Taxation payable	(28 170)
Total identifiable net assets	4 621 085
Less: non-controlling interests	(45 572)
Net assets acquired	4 575 513
Add: goodwill	320 785
Total purchase consideration	4 896 298
Purchase consideration settled in cash	-
Cash balances net of overdrafts acquired	479 406
Net cash inflow on acquisition	479 406

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

33 Business combinations (continued)

As at 31 March 2011 the fair values of acquired assets, liabilities and goodwill for the business have been determined on a provisional basis, pending finalisation of the post-acquisition review of the fair value of the acquired net assets. The non-controlling interests have been determined using their proportionate share of the net identifiable assets.

The fair value of trade and other receivables is R42,1 million and includes trade receivables with a fair value of R3,3 million. The gross contractual amount for trade receivables due is R5,3 million, of which R2,0 million is expected to be uncollectable.

The group recognised a fair value loss of R299 million as a result of measuring its previously held interest of 25% in Gold Reef before the business combination at fair value. The loss is included in other operating expenses in note 39.

Also included in other operating costs in note 39 is an amount of R93 million being transactions costs in respect of this acquisition. A further amount of R4 million was recognised by Gold Reef before the acquisition date and is included in the group's share of associate profit in note 9.

33.2 Property development

Agreements were concluded with other parties regarding the development of office and retail buildings. The group, together with the parties, contributed differing amounts for the development. The group effectively controls the management and operating policies of the property development. The property development was completed during the year and the full value of the property development of R106,7 million has been included in property, plant and equipment. The other parties in the property development are recognised as non-controlling interests and their share of the completed development is R93,3 million.

34 Revenue

	2011 R'000	2010 R'000
Rooms revenue	1 590 667	1 460 124
Food and beverage revenue	677 077	587 742
Management fees earned	93 113	88 982
Theme park revenue	5 558	-
Other revenue	316 770	263 516
	<hr/> 2 683 185 <hr/>	<hr/> 2 400 364 <hr/>

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

35	Gaming levies and VAT		
	Gaming taxes	343 643	302 499
	VAT	425 052	382 494
	Other	4 462	4 211
		<hr/>	<hr/>
		773 157	689 204
		<hr/>	<hr/>
36	Property and equipment rentals		
	Properties	171 048	153 917
	Plant, vehicles and equipment	40 126	38 005
		<hr/>	<hr/>
		211 174	191 922
		<hr/>	<hr/>
37	Amortisation and depreciation		
	Amortisation of intangible assets		
	Bid costs	14 237	15 175
	Trademark	457	456
	Computer software	29 574	26 652
		<hr/>	<hr/>
		44 268	42 283
		<hr/>	<hr/>
	Depreciation		
	<i>Owned assets</i>		
	Properties	105 572	72 383
	Plant, vehicles and equipment	293 480	295 350
		<hr/>	<hr/>
		399 052	367 733
		<hr/>	<hr/>
	<i>Leased assets</i>		
	Properties	3 552	13 181
		<hr/>	<hr/>
	Total depreciation	402 604	380 914
		<hr/>	<hr/>
	Total amortisation and depreciation	446 872	423 197
		<hr/>	<hr/>

GOLD REEF RESORTS LIMITED

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2011**

	2011 R'000	2010 R'000
38 Employee costs		
Employee costs (including directors' remuneration)		
Salaries and wages	1 331 376	1 106 877
Termination benefits	248	106
Pension – defined contribution plans	98 027	84 182
Other post-retirement benefits (medical aid, etc.)	17 905	19 780
Long-term incentive (credit)/expense	(13 480)	23 141
	<u>1 434 076</u>	<u>1 234 086</u>
39 Other operating expenses		
Other operating expenses comprise the following:		
Auditors' remuneration	15 204	11 765
Audit fees: current year	11 788	9 285
Tax services	680	230
Other services and expenses	2 736	2 250
Administration fees	2 317	1 517
Advertising, marketing and promotional costs	308 756	273 497
External consultants	35 093	33 939
Food and beverage costs and operating equipment usage	270 606	214 035
Impairment charge for bad and doubtful debts	9 968	6 064
Information technology related costs	30 173	33 618
Net foreign exchange losses	6 923	51 634
Property costs-rates, water and electricity	258 015	195 896
Repairs and maintenance expenditure on property, plant and equipment	207 622	193 567
Rooms departmental expenses	120 266	110 364
Security and surveillance costs	59 539	44 198
Other operating expenses	399 781	394 775
Fair value loss on devaluation of associate	299 085	-
Excess of fair value of assets acquired	-	(2 544)
Loan impairment	4 027	-
Impairment losses of property, plant and equipment	10 613	1 146
Ineffective portion of interest rate hedge recognised through profit and loss	269	-
(Gain)/loss on disposal of property, plant and equipment	(6 020)	119
Restructuring costs	10 759	-
Transaction costs on acquisition of Gold Reef	93 300	-
	<u>2 136 296</u>	<u>1 563 590</u>

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

	2011 R'000	2010 R'000
40 Interest income		
Interest received from banks and collective investment institutions	14 037	16 604
Interest received from non-controlling interests	9 431	10 899
Preference dividends	-	556
Interest income - other	877	11 823
	<u>24 345</u>	<u>39 882</u>
41 Finance costs		
Finance costs in respect of interest bearing debt	330 852	372 455
Preference dividends	76 792	48 495
Interest on finance leases	7 225	7 690
Finance costs - other	4 183	2 958
Less: interest capitalised at an average capitalisation rate of 9,30% (2010: 9,79%)	(3 278)	(24 504)
	<u>415 774</u>	<u>407 094</u>
42 Income tax expense		
Current – current year	426 161	405 620
Current – prior year	(28 978)	(76 278)
Deferred – current year	15 550	(242)
Deferred – prior year	10 201	21 646
Secondary tax on companies	11 807	43 137
Withholding taxes	4 023	6 471
Capital gains tax	1 305	-
	<u>440 069</u>	<u>400 354</u>

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

42 Income tax expense (continued)

Income tax reconciliation

	2011 R'000	%	2010 R'000	%
Profit before income tax and share of profit of associates and joint ventures	1 093 896		1 340 804	
Income tax thereon at 28% (2010: 28%)	306 291	28,0	375 425	28,0
Disallowed expenditure	136 045	12,4	30 580	2,3
Exempt income	(3 772)	(0,3)	(2 439)	(0,2)
Prior year charges	(18 777)	(1,7)	(54 632)	(4,1)
Secondary tax on companies	11 807	1,1	43 137	3,2
Withholding taxes	4 023	0,4	6 471	0,5
Capital gains tax	1 305	0,1	-	-
Tax on imputed income	2 829	0,2	207	-
Foreign tax rate differential	318	-	1 605	0,1
Income tax charge	440 069	40,2	400 354	29,8

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

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

	2011		2010	
	Gross R'000	Net ⁽¹⁾ R'000	Gross R'000	Net ⁽¹⁾ R'000
Earnings attributable to equity holders of the company		605 690		856 911
IAS 16 (gain)/loss on disposal of property, plant and equipment	(6 020)	(4 612)	119	(29)
IAS 16 impairment of plant and equipment	10 613	7 641	1 146	1 146
Excess of fair value of assets acquired	-	-	(2 544)	(2 544)
Fair value loss on devaluation of associate	299 085	299 085	-	-
Headline earnings		907 804		855 484
Transaction costs on acquisition of Gold Reef (including associate costs)	97 181	83 454	-	-
Restructuring costs	10 759	7 746	-	-
Loss on termination of capex projects	-	-	1 531	1 531
Fair value loss on financial instruments	269	194	-	-
Pre-opening expenses	8 409	6 023	564	406
Loan impairment	4 027	3 423	-	-
(Recovery)/loss on early settlement of debt (associate) (net)	(3 380)	(2 873)	4 266	4 266
Adjusted earnings ⁽²⁾		1 005 771		861 687
Number of shares in issue (000)		1 096 939		888 261
Weighted number of shares in issue (000)		905 651		888 261
Basic and diluted headline earnings per share (cents)		100,2		96,3
Basic and diluted adjusted headline earnings per share (cents)		111,1		97,0

⁽¹⁾ Net of tax and non-controlling interests

⁽²⁾ Adjusted headline earnings are defined as earnings attributable to equity holders of the company adjusted for after tax exceptional items (including headline adjustments) that are regarded as sufficiently material and unusual that they would distort the numbers if they were not adjusted (such as pre-opening spend, project and rebranding costs).

GOLD REEF RESORTS LIMITED

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2011**

	2011	2010
	R'000	R'000
44 Earnings before interest, income tax, depreciation, amortisation, property rentals, long-term incentives and exceptional items (“EBITDAR”)		
Group EBITDAR pre exceptional items is made up as follows:		
Operating profit	1 485 325	1 708 016
Add:		
Property rentals	171 048	153 917
Amortisation and depreciation	446 872	423 197
Long-term incentive (credit)/expense	(13 480)	23 141
	2 089 765	2 308 271
Add: Exceptional losses	420 442	816
(Gain)/loss on disposal of property, plant and equipment	(6 020)	119
Impairment losses on property, plant and equipment	10 613	1 146
Loan impairment	4 027	-
Transaction costs on acquisition of Gold Reef	93 300	-
Fair value loss on devaluation of associate	299 085	-
Fair value loss on financial instruments	269	-
Loss on termination of capex projects	-	1 531
Pre-opening expenses	8 409	564
Restructuring costs	10 759	-
Excess of fair value of assets acquired	-	(2 544)
	2 510 207	2 309 087
EBITDAR - pre exceptional items and long-term incentive costs	2 510 207	2 309 087
45 Dividends paid		
Paid:		
Ordinary dividend – final (declared and paid March 2010)	-	410 565

The final dividend declared and paid was Rnil (2010: 164,2 cents).

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

	2011 R'000	2010 R'000
46 Cash generated from operations		
Operating profit	1 485 325	1 708 016
Adjusted for non cash movements:		
- amortisation	44 268	42 283
- depreciation	402 604	380 914
- (gain)/loss on disposal of property, plant and equipment	(6 020)	119
- fair value loss on devaluation of associate	299 085	-
- impairment losses on property, plant and equipment	10 613	1 146
- bad debts written off	9 968	6 064
- excess of fair value of assets acquired	-	(2 544)
- translation impact on the income statement	(112)	9 781
- operating equipment usage	12 673	9 067
- straight-lining of operating leases and other lease adjustments	(6 555)	2 269
- movement in provisions	92 086	70 535
- long-term incentive (credit)/expense	(13 480)	23 141
- other non cash moves	28 148	13 556
	2 358 603	2 264 347
Working capital movements		
Increase in inventories	(33 873)	(15 607)
(Increase)/decrease in trade and other receivables	(25 138)	70 013
Decrease in payables and provisions	(11 059)	(33 992)
	2 288 533	2 284 761
47 Income tax paid		
Tax liability at beginning of year	(40 219)	(108 777)
Current tax provided	(410 295)	(372 479)
Withholding tax	(4 023)	(6 471)
Acquisition of subsidiaries	(28 170)	(3 446)
Currency translation	26	1 655
Tax liability at end of year	18 922	40 219
	(463 759)	(449 299)

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

	2011	2010
	R'000	R'000
48 Dividends paid to the company's shareholders		
Dividends provided at beginning of year	-	-
Ordinary dividends declared	-	(410 565)
Dividends provided at end of year	-	-
	<hr/>	<hr/>
	-	(410 565)
	<hr/>	<hr/>
49 Other loans and investments		
Loans to associates and joint ventures	(8 541)	-
Redemption of preference shares	-	4 989
Loan investments repaid	5 550	21 881
Loan investments made	(4 200)	(8 300)
Other investments	-	(40 844)
	<hr/>	<hr/>
	(7 191)	(22 274)
	<hr/>	<hr/>

50 Related party transactions

As detailed below the group has concluded certain transactions with related parties. The group's main shareholders are SABSA and TIH. TIH's majority shareholder is Hosken Consolidated Investments Ltd (a listed company). 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. Details of the group's associates, joint ventures and subsidiaries are shown in notes 9, 10 and 51 respectively.

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

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

50	Related party transactions (continued)		
		2011	2010
		R'000	R'000
50.1	Purchases of services		
	Administration fees paid to shareholders:		
	- TIH	300	300
	- SABSA	288	288
	Purchases from shareholders' group companies:		
	- SAB Ltd	11 453	14 274
	- Amalgamated Beverage Industries a division of SAB Ltd	11 699	8 191
	South African Apartheid Museum (refer note 50.4)	388	-
		<hr/>	<hr/>
		24 128	23 053
		<hr/>	<hr/>
50.2	Key management compensation		
	Directors of the company are considered to be key management. Remuneration and fees paid to key management during the year by subsidiaries is as follows:		
	Executive directors		
	Basic remuneration and cash incentives	10 985	10 427
	Retirement, medical and catastrophe benefits	2 167	2 028
	Other incentives and benefits	2 236	2 947
		<hr/>	<hr/>
	Total emoluments	15 388	15 402
		<hr/>	<hr/>
	Paid by subsidiaries	15 388	15 402
		<hr/>	<hr/>
	Non-executive directors		
	Fees for services	590	590
		<hr/>	<hr/>
	Paid by subsidiaries	590	590
		<hr/>	<hr/>

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

50 Related party transactions (continued)

50.3 Preference shares

Preference shares (redeemed)/issued by a subsidiary company to a subsidiary of the group's shareholder and a shareholder of the group, are as follows:

	2011	2010
	R'000	R'000
Johnnic Holdings Ltd	(510 000)	510 000
SABSA	(490 000)	490 000
	<u>(1 000 000)</u>	<u>1 000 000</u>

Refer note 22 for terms relating to the preference shares.

50.4 Amounts owing by related parties

Other amounts owing by related parties:

Associates and joint ventures (refer notes 9 and 10)	33 619	70 217
	<u>33 619</u>	<u>70 217</u>

Other amounts owing by related parties (included in note 17):

Olwazini Discovery Centre	163	-
South African Apartheid Museum	591	-
	<u>754</u>	<u>-</u>

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

50.4 Amounts owing by/(to) related parties (continued)

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

The Olwazini Discovery Centre is a Section 21 company which operates the science museum adjacent to Golden Horse Casino. The Olwazini Discovery Centre was developed by Akani Msunduzi (Pty) Ltd as one of its casino licence conditions. Akani Msunduzi Management (Pty) Ltd contributes a fixed monthly fee to fund the operational expense of the museum.

The South African Apartheid Museum is a Section 21 company which operates the museum adjacent to the Gold Reef City Theme Park. The South African Apartheid Museum was developed by Akani Egoli (Pty) Ltd as one of its casino licence conditions. Akani Egoli Management (Pty) Ltd contributes a fixed monthly fee to fund the operational expenses of the museum.

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

SAB Ltd	(126)	(424)
Amalgamated Beverage Industries a division of SAB Ltd	(535)	(545)
Associates and joint ventures	79	70
	<hr/> (582) <hr/>	<hr/> (899) <hr/>

50.6 Contingencies, commitments and guarantees

The group has guaranteed 47,4% of the lease obligations of its associate, Hotel Formula 1 (SA) (Pty) Ltd. This share amounts to R4,9 million (the present value is R4,3 million).

GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

51 Subsidiary companies

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

Subsidiary	Nature of business	Issued share capital		Interest in ordinary capital				Shares at cost		Amounts owing by/(to) subsidiaries	
		2011 R'000	2010 R'000	2011 Direct %	2010 %	2011 Indirect %	2010 %	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Akani Egoli (Pty) Ltd	Gaming and entertainment	1	-	100	-	-	-	984 993	-	(15)	-
Akani Msunduzi (Pty) Ltd	Gaming and entertainment	*	-	100	-	-	-	135 948	-	(4 982)	-
West Coast Leisure (Pty) Ltd	Gaming and entertainment	1	-	70	-	-	-	62 715	-	-	-
Gold Reef Management (Pty) Ltd	Management services	*	-	100	-	-	-	98 373	-	(19 011)	-
Garden Route Casino (Pty) Ltd	Gaming and entertainment	1	-	85	-	-	-	168 838	-	28	-
Goldfields Casino and Entertainment Centre (Pty) Ltd	Gaming and entertainment	1	-	100	-	-	-	165 084	-	11	-
Silverstar Casino (Pty) Ltd	Gaming and entertainment	1	-	100	-	-	-	972 934	-	(3)	-



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

51 Subsidiary companies

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

Subsidiary	Nature of business	Issued share capital		Interest in ordinary capital				Shares at cost		Amounts owing by/(to) subsidiaries	
		2011 R'000	2010 R'000	2011 Direct %	2010 %	2011 Indirect %	2010 %	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Tsogo Sun Gaming (Pty) Ltd	Investment holding	*	*	-	-	100	100	*	*	-	-
Southern Sun Hotels (Pty) Ltd	Investment holding	*	*	-	-	100	100	*	*	-	-
Southern Sun Offshore (Pty) Ltd	Investment holding	*	*	-	-	100	100	*	*	-	-
Tsogo Sun (Pty) Ltd	Management services	*	*	-	-	100	100	*	*	-	-
Tsogo Sun Casinos (Pty) Ltd	Gaming and entertainment	2	2	-	-	100	100	-	-	-	-
Tsogo Sun KwaZulu-Natal (Pty) Ltd	Gaming and entertainment	1	1	-	-	73,5	73,5	-	-	-	-
Tsogo Sun Emonti (Pty) Ltd	Gaming and entertainment	1	1	-	-	80	80	-	-	-	-
The Millennium Casino Ltd	Investment holding	*	*	-	-	100	100	-	-	-	-



GOLD REEF RESORTS LIMITED

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2011**

51 **Subsidiary companies**

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

Subsidiary	Nature of business	Issued share capital		Interest in ordinary capital				Shares at cost		Amounts owing by/(to) subsidiaries	
		2011 R'000	2010 R'000	Direct 2011 %	2010 %	Indirect 2011 %	2010 %	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Monyaka Gaming Machine Supply (Pty) Ltd	Management services	2	2	-	-	100	100	-	-	-	-
Ripple Effect 31 (Pty) Ltd	Investment holding	1	1	-	-	72,5	72,5	-	-	-	-
Durban Add-Ventures Ltd	Investment holding	3 157	3 157	-	-	74,9	74,9	-	-	-	-
Southern Sun Middle East Investment Holdings (Pty) Ltd	Investment holding	*	*	-	-	100	100	-	-	-	-
Southern Sun Africa	Hotel management services	120	120	-	-	100	100	-	-	-	-
Southern Sun Hotel Interests (Pty) Ltd	Investment holding and hotel operations	2 145	2 145	-	-	100	100	-	-	-	-
Southern Sun Secretarial Services (Pty) Ltd	Secretarial services	*	*	-	-	100	100	-	-	-	-



GOLD REEF RESORTS LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2011

51 **Subsidiary companies** (continued)

The group comprises a large number of companies. The list above only includes those subsidiary undertakings which materially affect the profit or net assets of the group, or a business segment, together with the principal intermediate holding companies of the group.

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 140,2 million (2010: R1 482,4 million) and R262,1 million (2010: R54,0 million) respectively before intergroup dividends and consolidation adjustments.

In addition to the abovementioned subsidiaries, Gold Reef Resorts Ltd 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.

* Amounts less than R1 000.

GOLD REEF RESORTS LIMITED

DIRECTORATE

DIRECTORATE

Following the merger of Gold Reef and Tsogo Sun, the following appointments to the board were effective from 24 February 2011 and consequently the board is constituted as follows:

NON-EXECUTIVE

JA Copelyn ⁽¹⁾ (Chairman)
MJA Golding
JM Kahn
EAG Mackay ⁽¹⁾
VE Mphande
A van der Veen
MI Wyman

INDEPENDENT NON-EXECUTIVE

RG Tomlinson ^{(1) (2)}
JG Ngcobo ^{(1) (2)}
PJ Venison ^{(1) (2) (3)}

EXECUTIVE

JA Mabuza (Chief Executive Officer)
MN von Aulock (Chief Financial Officer)
RA Collins (Managing Director: Tsogo Sun Gaming)
GI Wood (Managing Director: Southern Sun Hotels)

⁽¹⁾ Remuneration Committee

⁽²⁾ Audit and Risk Committee

⁽³⁾ PJVenison resigned with effect from 15 June 2011 and has been replaced by Mr Y Shaik.

The following directors resigned from the board with effect from 24 February 2011:

SB Joffe (Chief Executive Officer)
JS Friedman (Chief Financial Officer)
C Neuberger (Chief Operating Officer)
TM Sadiki (Human Resources Director)
PCM September (Non-Executive Director)
P Vallet (Non-Executive Director)
EN Banda (Chairman)
MG Diliza (Independent Non-Executive Director)
JC Farrant (Independent Non-Executive Director)
MZ Krok (Independent Non-Executive Director)
ZJ Matlala (Independent Non-Executive Director)
S Krok (Alternate Director)