REVIEW OF OPERATIONS

GAMING HOTEL AND LEISURE

TSOGO SUN HOLDINGS LIMITED

www.southernsun.com
www.tsogosunholdings.com

The conclusion of the merger of Tsogo Sun and Gold Reef Resorts represents a significant milestone in the history of both these groups. The transaction has two distinct components, being the acquisition and integration of the Gold Reef Resort casinos into the Tsogo Sun Gaming portfolio as part of the growth strategy pursued by Tsogo Sun over the past few years and the effective listing of the Tsogo Sun assets via the Gold Reef vehicle.

Current management focus is on bedding down the integration of Tsogo Sun Holdings Limited ("TSH"). However significant opportunities still exist within South Africa and the group is well positioned to deliver both organic and non-organic growth in the coming years through the diligent management of its unparalleled asset base.

Operations

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.

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 BBBEE 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.

A segmental analysis of the Tsogo Sun Groups Income and Ebitdar is as follows:

	Income		EBITDAR		EBITDAR margin	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm	**2011 %**	2010 %
Montecasino	**1 964**	1 796	**661**	632	**33.7**	35.2
Suncoast	**1 261**	1 195	**523**	504	**41.5**	42.2
The Ridge	**332**	305	**137**	128	**41.0**	42.0
Hemingways	**269**	256	**98**	97	**36.3**	37.9
Emnotweni	**268**	264	**96**	102	**35.9**	38.7
Other gaming operations	**341**	240	**281**	250		
Gold Reef	**195**	n/a	**67**	n/a	**34.6**	n/a
Total gaming operations	**4 630**	4 056	**1 863**	1 713	**40.2**	42.2
South African Hotels division*	**1 617**	1 549	**562**	555	**34.8**	35.8
Offshore Hotels division	**271**	237	**75**	72	**27.6**	30.6
Foreign exchange loss			**(7)**	(52)		
Corporate	**(31)**	(32)	**17**	21		
Group	**6 487**	5 810	**2 510**	2 309	**38.7**	39.7

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

Note: 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 and 2010 comparatives.

REVIEW OF OPERATIONS

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.

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.

Strategy and opportunities

The largest opportunity for growth in earnings within the combined hotel and gaming Group arises from potential organic growth through increased consumer spend on leisure activities and a return to normalised demand for hotel accommodation within the corporate sector. With a portfolio of fourteen casinos and ninety four hotels and high levels of operational gearing the group is well placed to benefit from an improvement in growth in the South African economy, should this be achieved in the medium term.

The Group remains alert to the potential for non-organic growth through additional industry consolidation, the development or acquisition of hotels and the ability to re-invest capital at attractive rates of return in our quality portfolio.

There are however risks facing the industry. Particularly concerning proposals relating to additional taxes on gaming, targeted at both the operator and the customer. The regulatory environment in which casinos operate in South Africa has been well designed and is a model for the development of viable, job creating industry in the world. Since the new Gaming regulatory environment was introduced in 1994, the Casino industry has created over 27,000 jobs, invested in excess of R20bn in infrastructure, as well as providing an environment for the promotion and development of previously unviable or struggling industries such as theater, cinema, large scale leisure activities, museums and the like. Government and the industry needs to guard against erosion of these achievements through short term reactions to reduced Gaming tax revenue and misinformed positions on the social ills of gaming.

Tsogo Sun Holdings Limited is separately listed and more detailed commentary on its results can be found on its website.

VUKANI GAMING CORPORATION (PROPRIETARY) LIMITED ("VUKANI")

www.vslots.co.za

Vukani, the group's limited payout machine ("LPM") operator, remains the market leader in the LPM industry. Vukani is currently licensed to conduct operations in all eight provinces in which the LPM industry is operational.

The installed LPM base increased from 3121 in the prior year to 3505 at 31 March 2011. Despite increasing the installed base by only 12%, gross gaming revenue ("GGR") increased by 26% during the year under review. In addition, the average GGR per machine increased by 15% during this period, owing to the introduction of newer games offering an improved overall gaming experience. It is expected that the planned increases to the installed LPM base as well as a continued focus on improving the quality of the gaming offering will see this trend continue, further increasing the sustainability of Vukani's business. The degree of this projected growth and enhanced viability will be determined by the extent to which the rollout of LPM's is efficiently managed.

EBITDA has increased by some 73%. This increase has been achieved by strict cost control and a programme of improving GGR per LPM across the installed LPM base by improved venue selection and management as well as the introduction of new LPM's and games.

The focus in the coming year will be the continued improvement of GGR per machine and the rollout of machines in the provinces where licences have recently been awarded. The award of two new route operator licences during the year under review, in the provinces of North West and the Free State, coupled with a strong marketing drive to improve both GGR as well as the primary business of the licensed sites, puts Vukani in a strong position to capitalise on the initiatives implemented thus far.

As part of the Vukani Group's coordinated strategy to increase its footprint in the continent of Africa as a whole, it has successfully procured an interest in licensed gambling operations in Swaziland, and is awaiting the necessary regulatory approvals prior to commencing operations.

GALAXY BINGO INTERNATIONAL SOUTH AFRICA (PTY) LIMITED ("BINGO")

www.bingo.co.za
www.themarcopolo.co.za

Management enthusiasm and attention to detail has demonstrated the potential upside of this business. Focus is on improving the operational efficiency through a restructuring program including cost savings, improving client service, upgrading the quality of sites and training staff. Even though loss making for the 2011 financial year, the turnaround is successful with the business turning cash positive for the first time in December 2010 and is expected to continue to improve during the 2012 financial year.

While the business is very small in the group, it is possible that this business could become meaningful if national regulatory certainty is obtained on electronic bingo terminals ("EBTs") and if the gaming boards expedite the allocation and roll-out of licences. The release of the long awaited Gaming Review Commission ("GRC") report has raised concerns that the further roll-out of EBTs will be contained, mainly based on unsupported and ill advised concerns about the detrimental social impact of gaming. The adoption of the GRC's recommendations will lead to job losses and reduced investment. The group will continue to interact with the requisite government departments and regulators to persuade them to adopt an informed and non-emotive policy on the roll-out of bingo in the country.

MEDIA AND BROADCASTING

e.tv
www.etv.co.za

The Sabido Group performed ahead of expectations in the period under review. Revenue targets were achieved despite the adverse effects of the World Cup on e.tv. The free-to-air terrestrial channel remains the most significant asset in the group with 15.2 million viewers (AMPS 2010) and has continued to grow its viewership. In the face of increasing competition from low-cost pay-television, e.tv has maintained its market share and continues to hold the position as the second most-watched channel in South Africa. The launch of e.tv Africa on the DStv Africa bouquet in December 2010 provides the channel with a pan-African footprint of 49 countries.

The eNews Channel retains its position as market leader in South Africa. eNews Africa – the pan-African arm of the news service – broadcasts live bulletins each night on e.tv Africa and on The Africa Channel on the Sky bouquet in the United Kingdom. In 2010, an Afrikaans version of eNews – eNuus – was launched on Kyknet and airs every night at 7pm.

The Sabido Group made two significant acquisitions in the period under review. It acquired 47.4% of The Africa Channel (UK), a satellite channel based in the United Kingdom which is on the Sky retail bouquet and which broadcasts to the African diaspora. Sabido also agreed to acquire 100% of Powercorp, the UK's eight-largest television distributor, which distributes mini-series and television movies on a worldwide basis.

The television facilities business came under some pressure as a result of the World Cup. However, Sasani Studios saw a significant recovery towards the end of the period under review while the post-production business continued to struggle with the decline in high-end commercials production. Cape Town Film Studios opened for business towards the end of 2010 and hosted its first major feature production – Judge Dredd in 3D.

The continued delays in the launch of digital terrestrial television (DTT) are having an adverse impact on free-to-air television as terrestrial audience share comes under pressure from low-cost pay-television. The Sabido Group is far advanced in its preparation for DTT and anticipates a market launch in 2012.

TRANSPORT

GOLDEN ARROW BUS SERVICES (PROPRIETARY) LIMITED ("GABS")
www.gabs.co.za

The past financial year has vindicated the company's ambitious fleet recapitalisation strategy initiated seven years ago. The programme, which realised the addition of 461 new bus units since its inception, has provided a solid operational basis under the kilometer based subsidy regime prescribed by the Division of Revenue Act (DORA).

Despite the constraints imposed by the capped formula and penalties associated with trip defaults, GABS was able to increase its operating income by 7.3% through consistent completion of the weekly schedule of 800 000 kilometers and creative off-peak utilisation of its fleet of 1 114 buses. While the fuel price continued to be volatile and wage increases settled at levels higher than the rate of inflation, operating expenses were restricted to a creditable 2,3%, providing the impetus for an impressive 57% increase in net profit after tax during the review period.

The containment of operational costs can largely be attributed to the steady introduction of new units to the fleet and innovative engineering applications by the company's central technical facility. These have reduced incidents of unplanned maintenance and significantly decreased vehicle downtimes which are critical to the avoidance of contractual penalties.

In line with the provisions of the interim operating contract, fares were adjusted by 5% during the reporting period and, despite the decreased demand normally associated with fare increases, passenger numbers remained relatively stable at approximately 220 000 per day. Regrettably, the capped subsidy system does not make provision for the expansion of bus services in the wake of increased passenger demand. This restriction and conservative DORA adjustments to the budgetary allocation for passenger subsidies are unfortunately inhibitors to the long term organic growth of the commuter bus sector, in an industry that, by all accounts, is set to expand substantially in view of concerns for the environment and massive national government capital investment in public transport.

Public transport was pivotal to the success of the FIFA Soccer World Cup and, while GABS was not directly contracted to provide transport for the event, the company deployed more buses than any other service provider in Cape Town and produced 100% service delivery without a single complaint being registered. A total of 59 buses and 472 operational staff were deployed and the company's institutional expertise in planning, executing and monitoring of scheduled bus services gained over 150 years, proved indispensable to the efficient movement of people during the event.

A notable milestone was achieved during the reporting period when GABS took delivery of the 500th MAN bus unit. This bus was the first of an order for another 84 MAN HB2 buses to be supplied at a rate of seven units per month until December 2011. MAN and GABS have forged a ten-year partnership and have mutually collaborated to achieve reliabilities and efficiencies in the technical constitution of the bus units.

After protracted negotiations, GABS was appointed as one of three Vehicle Operating Companies (VOC's) in the first phase of the Integrated Rapid Transport (IRT) system for the City of Cape Town. In this regard, the company will manage the operation of eight MyCiti buses on the trunk route along the west coast corridor and three on the inner City route. A total of 40 operational staff has been seconded to oversee operations on these routes. The 12-month interim phase of the IRT system will undoubtedly influence the future landscape of public transport in the City of Cape Town as operating companies prepare to enter into longer term, 12 year tendered operating contracts with the City. The operational capacities of the City's internal IRT business unit will be challenged to effectively manage an unchartered portfolio. With the annual estimated operating deficit modeled at R116 million, the operational experience garnered during the first phase of the IRT will, to a large extent, determine the viability and future sustainability of the system in the city.

GABS remains committed to supporting the expansion of public transport by continuing to run bus services that are affordable, convenient and safe and which derives an equitable rate of return on investments.

REVIEW OF OPERATIONS

MINING

MONTAUK ENERGY CAPITAL, LLC ("MONTAUK")
www.montaukenergy.com

The depressed state of the natural gas market, mainly due to the discovery of economic shale gas in the USA, has constrained profitability. The growth of shale gas production will only be constrained if environmental concerns about fracking technology materialise and by the increasing cost to drill additional and replacement gas wells. It is anticipated that gas supply will exceed demand while growth in the US economy remains slow and a significant move from coal fired power to gas has not occurred. The ratio of oil to gas prices remains in excess of 20 times, well above the historical average of 8 to 10 times.

That said, operational improvements, preventative maintenance and a detailed management focus has borne fruit at our large sites. That same effort will hopefully enable the rapid integration of the recently acquired Viridis business where Montauk acquired 7 sites capable of producing 30 MWh of electricity in total. The acquisition cost of Viridis on a per MWh basis was very favourable and economic return is dependent on better plant uptime and the conclusion of long term power sale agreements. The power market in the Texas region is closely correlated to gas and consequently we are hesitant to conclude long term power sale agreements at these levels. The low power prices were factored into the Viridis acquisition cost and the upside of this acquisition is related to improved plant uptime in the near term and higher electricity prices in the medium term.

The green energy attributes of our power and gas remain an attractive proposition to buyers and the above market PPA concluded at our new McKinney site is testimony thereof. The McKinney site is a 3.2 MWh site and was constructed with support from the economic stimulus program in the USA where a grant of 30% of the project cost was obtained.

Revenue in Montauk increased by 26% to $30 million and EBITDA increased by 35% to $7 million. The business is highly sensitive to gas prices with every $1 change resulting in a $2.8 million change to EBITDA.

HCI COAL (PTY) LIMITED

The business has successfully progressed from start up and in March produced and sold in excess of 160 000 tons of coal at the Palesa mine. Incremental plant improvements, revised mining methods and a focus on reducing operational costs per ton has improved operating profit margin. Subsequent to year end an agreement was concluded with our mining contractor where the annual increases will be more aligned with the price increases received from Eskom.

The Mbali court case was finally heard and a judgment was received in favour of HCI Coal. The judge ordered the Department of Mineral and Energy ("DME") to register the disputed rights in the name of HCI Coal and dismissed the state-owned mining company, African Exploration Mining and Finance Corporation ("AEMFC") counter review application. AEMFC appealed the judgment and the company awaits the judge's decision. Mbali's water licence awaits approval whereafter mining operations can commence. The delay in these approvals is most frustrating and is further evidence of the significant and unnecessary difficulties which new entrants in the mining sector face.

Management have also started to assess additional coal reserves as they become available when the DME enforces the use it or lose it principle.

Prospecting on the Nokuhle property has been completed and a mining right application has been lodged with the DME. The mineral resource at Nokuhle is made up of 28 million inferred tons not included in the resource and reserve statement below.

Revenue increased by R222 million to R363 million and EBITDA from a negative R4 million to a positive R30 million.

	Palesa Colliery	Mbali Colliery	Nokuhle Colliery	Total
	Tons	Tons	Tons	Tons
Mineral reserve: Proven	71 189 001	6 834 932	-	78 023 933
Mineral reserve: Probable	28 663 610	-	9 858 718	38 522 328
	99 852 611	6 834 932	9 858 718	116 546 261

EXHIBITIONS AND PROPERTIES

GALLAGHER ESTATE (PTY) LIMITED ("GALLAGHER")
www.gallagher.co.za

The disposal of the conference and exhibition business was effective 1 April 2011. The disposal leaves Gallagher as the landlord of the exhibition properties and results in Gallagher being a property holding company. It is now the only focused property business in HCI and we will assess the appropriate plan and staffing for this division in the latter part of 2011. The final payments on financing structures for two properties in Cape Town and Durban were made during the latter part of the financial year and the only remaining debt in the division is R46 million in a joint venture property.

The profit before tax of R146 million includes a fair value gain on the investment properties of R81 million, fair value adjustments on unwinding of the financing agreements of R77 million and impairment of vacant land of R40 million. EBITDA is in line with the prior year, showing a minimal increase of 5% on the prior year.

BEVERAGES

KWV HOLDINGS (PTY) LIMITED ("KWV")
www.kwv.co.za

In February 2011, HCI acquired a 34.9% shareholding in KWV, following an unsuccessful acquisition attempt by the Pioneer Group. KWV has been experiencing high levels of corporate action over the last few years in an attempt to commercialise, focus and position the company for more competitive growth. This included selling off unprofitable subsidiaries, unbundling its historical shareholding in competitor Distell Group and strengthening the company's balance sheet through a rights issue in 2010.

In a global market where growth in wine sales are flat, and a local market where the consumption of brandy is in a steady decline, it is clear that KWV has to find new growth through a diversified alcoholic brand portfolio. Even though the company offers a number of strong heritage brands, such as Roodeberg, KWV, Cathedral Cellar and the KWV brandies, organic growth has to be supplemented by innovation and new markets.

Over the last few years KWV has not been able to sustain and grow the volumes of product to create the economies of scale that the operation's high cost base demands. Its profitability has furthermore been impacted by the strong Rand, as a high portion of income was derived from export sales. The company's interim results for December 2010 showed interim revenue of R360 million - nearly 9% lower than the previous comparable period. With revenue declining while volumes remained flat, and combined with continued cost pressure, the gross profit margin declined from 37.8% to 36.1% for the six-month period.

Headline earnings from continuing operations for the period July to December 2010 amounted to R5.8 million (8.4 cents per share), a 79.8% decline from the R28.5 million profit of the comparative six months. No improvement is expected for the full year results which is to be released at the end of August 2011.

VEHICLE COMPONENT MANUFACTURE

FORMEX INDUSTRIES (PTY) LIMITED ("FORMEX")
www.formex.co.za

The increased turnover in the pressings division was largely responsible for the improved results of the business. The group's EBITDA of R18 million is a substantial turnaround from the loss of R30 million in the prior year but it is still below acceptable return levels. The below par performance is mainly attributable to the tubing division which is operating at breakeven and experiencing operational difficulties.

Efforts to diversify turnover to non-automotive products has started but it is expected that this will take some time to achieve in a meaningful way. The IDC has approved a long term loan facility to refinance working capital funding and to enable the business to fund future working capital investment from higher turnover.

The pressings division has a good order book and the margins are improving. Costs and execution are at budgeted levels. The tubing division unfortunately still does not have costs or execution under control. The time taken to effect an improvement in the business is frustrating and management remain under pressure to complete the initiative.

Global turnover of the automotive sector has increased and sufficient work exists in the local market to enable Formex to operate efficiently. The demise of many local competitors has also left customers with fewer local sourcing options and the irrational prices which compromised the sector's profitability during the down turn should be behind us.

CLOTHING AND TEXTILE

SEARDEL INVESTMENT CORPORATION LIMITED ("SEARDEL")
www.seardel.co.za

Seardel continues to make progress on its turnaround journey and for the 12 months ended 31 March 2011, we are pleased to be able to report that it made an attributable profit of R8.5 million (2010: attributable loss of R203.4 million) comprising a R96 million profit from continuing operations (2010: R45 million profit) and an R88 million loss (2010: R235 million loss) from discontinued operations.

Most of Seardel's business units showed good improvement and are now firm contributors to the Group. The performance of the textile division has been particularly pleasing with operating profit up 218% to R56 million. The toys, stationary and electronics businesses remain solid performers and good progress is being made in developing the properties that became vacant on the closure of the Frame vertical pipeline operations which, once complete, will see some 150 000m2 of space being available to be let. However, the Apparel manufacturing divisions remain under severe pressure. A combination of factors, some external such as persistent customs fraud; inequitable wage structures across the region and the strong Rand and some internal operating shortcomings meant that this division delivered an operating loss of R21 million which although an improvement on the R26 million loss recorded in the prior year, is clearly still most unsatisfactory. On a more positive note, included in the clothing division is the new brand focused business unit, Brand Identity, which has been established to manage the Group's apparel brands. Of significance to this business unit was the announcement that it had acquired the local and international rights to procure, manufacture, distribute and sell apparel and accessories under the 46664 brand name. The range will be launched in the local market in August 2011 with international launches to follow. This is a very exciting area of growth though it will take a few years to really determine its significance.

Seardel is separately listed and more detailed commentary on its results can be found within its results which are published separately.

SERVICES AND TECHNOLOGY

SYNTELL (PROPRIETARY) LIMITED
www.syntell.co.za

Despite operating in the challenging municipal market, Syntell exceeded its budget and prior year performance by growing profit before tax 30% to R46 million. The core traffic management business remains strong with the Cape Town contract providing the underpin of the growth in this division. The Johannesburg contract was renewed for another year. Despite a valid contract, persistent payment problems in the Free State have disappointingly obliged Syntell to resort to legal action against the local authority.

E-commerce revenues are increasing, mainly through growth in the payfine platform which progressed well in expanding the range of services to over 1.3 million registered users through www.paycity.co.za . Such services include vehicle license renewals, municipal bill payments and prepaid electricity.

Subsequent to year-end the contract to process electronic payments was awarded to a different company by the City of Cape Town and, as a result, Syntell is in discussions to determine if it will be able to continue to process Cape Town electricity payments through its platform. It is disappointing to be in this position since the Syntell payment platforms are widely used and the most popular. Contract risk remains significant in dealing with local authorities and requires constant attention by management.

Open access to E-Natis and municipal billing systems should enable Syntell to expand its electronic payment interface further, with customers increasingly using these electronic payment interfaces due to their ease of use and secure payment confirmation. However, this access remains a challenge with municipalities and the national regulator being loathe to do this.