

REVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS

for the year ended 31 March 2019



Income R11.6 billion **↑ 18%**

Ebitdar R4.1 billion **↑ 11%**

Adjusted HEPS **160.0 cents ↓ 3%**

Final dividend per share 56 cents **↓ 20%**

Total dividends per share paid 188 cents **↑ 84%**

 **T SOGO SUN**

Tsogo Sun Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 1989/002108/06)
Share code: TSH ISIN: ZAE000156238
("Tsogo Sun" or "the company" or "the group")

www.tsogosun.com

Commentary

OVERVIEW

Trading for the year ended 31 March 2019 was impacted by the continued pressure on the consumer due to the macro-economic environment. The improved sentiment arising from the positive political developments has not translated into a significant improvement in trading and no change is expected before there is more certainty following the elections earlier in the month. Trading has remained volatile and, while remaining weak on the prior year on a comparable basis, reflected good growth during August and September 2018 and February and March 2019. The trading results were positively impacted by the acquisition of the Galaxy Bingo ("Galaxy") and VSIs ("Vukani") businesses, on 20 November 2017. In the low-revenue growth environment cost control remained a priority during the year.

The board approved the separate listing of the hotels division on 14 March 2019 and, in terms of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the group has accounted for the hotels division as held for distribution to owners and the group income statement and cash flow statement have been restated. The commentary that follows thus discusses separately the gaming business that will remain within the group and the discontinued operations.

REVIEW OF CONTINUING OPERATIONS

In terms of the group's continued growth strategy R1.5 billion was spent during the year, including:

- the completion of the R1.5 billion expansion and refurbishment of the Suncoast Casino and Entertainment World. The Salon Privé opened in August 2018 and the rest of the development, which includes the expanded casino floor, restaurants, The Globe, retail shops and parking, opened in December 2018. In total, R758 million was spent during the year;
- gaming machine and expansion-related expenditure for the KwaZulu-Natal Bingo sites in Galaxy and gaming machine-related expenditure for site expansion and the acquisition of intellectual property rights to Limited Payout Machines ("LPM") in Vukani of R164 million;
- continued investment in the Monte Circle office development of R29 million; and
- the group invested R558 million on replacement capex, ensuring our assets remain best in class.

Total income for the year of R11.6 billion ended 18% above the prior year mainly due to a 21% growth in net gaming win, including the impact of Galaxy and Vukani, a 4% growth in hotel rooms revenue and a 9% growth in food and beverage revenue.

Earnings before interest, income tax, depreciation, amortisation, property rentals, long-term incentives and exceptional items ("Ebitdar") at R4.1 billion for the year was 11% up on the prior year. Excluding the impact of the Galaxy and Vukani acquisition total income grew by 2% and Ebitdar was 2% down on the prior year, of which the 1 percentage point ("pp") increase in VAT accounts for the majority of the Ebitdar reduction. The overall group Ebitdar margin of 35.0% is 2.4pp down on the prior year due to the impact of the weak revenue growth net of cost savings of 0.8pp, the 1pp increase in VAT of 0.6% and the impact of the full year of the lower margin Galaxy and Vukani businesses of 1.0pp.

The underlying operations of the group remain highly geared towards the South African consumer and the high level of operational gearing still presents significant growth potential for the group should this sector of the South African economy improve.

Net casino gaming win for the year increased by 2% on the prior year with an increase in slots win by 1% and tables win by 5%. Slots handle increased by 4% but was adversely impacted by a reduction in win percentages resulting in the 1% growth in win. Tables drop increased by 6% but was also adversely impacted by a reduction in win percentages resulting in the 5% growth in win.

Gauteng recorded growth in provincial gaming win of 4.1% for the year. Gaming win growth of 5.1% was achieved at Montecasino and 1.5% at Silverstar with a reduction at Gold Reef City of 1.7%.

KwaZulu-Natal provincial gaming win grew by 2.8% for the year. Gaming win grew by 2.4% at Suncoast Casino and Entertainment World, impacted by disruption due to the refurbishment during the year, 2.9% at Golden Horse Casino in Pietermaritzburg and 9.0% at Blackrock Casino in Newcastle. Provincial gaming win statistics are not available from the gaming board for January to March 2019 and have been estimated.

Mpumalanga provincial gaming win was up 0.5% on the prior year. Gaming win growth of 1.4% at The Ridge Casino in Emalaheni was achieved with a reduction at Emnotweni Casino in Nelspruit of 2.1%.

Eastern Cape provincial gaming win reduced by 0.5% on the prior year. Hemingways gaming win reduced by 1.5% on the prior year with economic conditions in the province remaining weak.

Commentary continued

Western Cape provincial gaming win grew by 2.8% on the prior year. The Garden Route Casino in Mossel Bay and Caledon Casino, Hotel and Spa reported growth of 5.2% and 2.0% respectively with gaming win at the Mykonos Casino in Langebaan reducing by 1.7% on the prior year.

Goldfields Casino in Welkom in the Free State grew gaming win by 3.5% on the prior year despite a 1.8% reduction in Free State provincial gaming win.

Other operations consisting of the Sandton Convention Centre, head office costs and dividend income reflected a net cost of R111 million, an increase of R5 million on the prior year.

Total income for the casino gaming division increased 2% on the prior year to R9.2 billion. Ebitdar remained flat on the prior year at R3.4 billion at a margin of 36.8%, 1.3pp below the prior year with particularly good control on overheads mitigating the reduction in net gaming win and the impact of the 1pp VAT increase.

The Galaxy and Vukani businesses were consolidated in the prior year from 20 November 2017. Total income for the year for Galaxy was R855 million (2018: R263 million) with Ebitdar of R247 million (2018: R69 million). Total income for the year for Vukani was R1.6 billion (2018: R543 million) with Ebitdar of R441 million (2018: R169 million). The Galaxy and Vukani businesses together account for 16% of the growth in group income and 12% of the growth in group Ebitdar for the year.

As at 31 March 2019 Galaxy operated and managed 23 sites including 17 bingo sites with Electronic Bingo Terminals ("EBT"), four sites with EBTs and LPMs, one Independent Site Operator ("ISO") with 40 LPMs and one casino. Machines under management include 3 507 EBTs (2018: 2 900), 200 LPMs (2018: 200) and 162 casino gaming positions (2018: 154). During the year electronic bingo was rolled out at the four KwaZulu-Natal sites that previously offered LPMs and paper bingo. Post-year end, during April 2019, an additional site with EBTs and LPMs opened in Pinetown.

As at 31 March 2019, 6 058 (2018: 5 894) Vukani machines were active at 1 144 sites (2018: 1 113). In total, 164 machines (net of site closures) were rolled out during the 2019 year.

Operating expenses including gaming levies and VAT and employee costs, but excluding exceptional items and long-term incentives, increased by 22% on the prior year mainly due to non-organic growth in the business as a result of acquisitions and expansions, offset by savings initiatives. Excluding the non-organic growth and the impact of the 1pp increase in the VAT rate, operating expenses increased by only 2% due to tight overhead control. Non-organic represents all new business operations commencing during the current and prior year.

Property rentals at R132 million are 42% up on the prior year mainly due to the inclusion of the Galaxy and Vukani businesses.

Amortisation and depreciation at R738 million is 15% up on the prior year due mainly to the capital spend during the current and prior years and the inclusion of the Galaxy and Vukani businesses.

The long-term incentive charge for the year on the cash-settled incentive scheme of R3 million values the liability (including dividend adjustments) by reference to the company's share price which is adjusted for management's best estimate of the appreciation units expected to vest and future performance of the group. A share price of R23.50 was used to value the liability at 31 March 2019.

Exceptional losses for the year of R70 million relate mainly to restructure costs of R16 million, transaction costs of R16 million, plant and equipment impairments of R21 million, share-based payment charge on the transfer of a portion of the shareholding in various Galaxy sites to BBBEE shareholders of R9 million, fair value losses on the revaluation of investment properties of R8 million and impairment of intangibles of R1 million, offset by the profit on sale of assets of R1 million. Exceptional losses for the prior year of R197 million relate to goodwill and intangible asset impairments of R112 million, plant and equipment disposals and impairments of R70 million, mainly related to the Suncoast expansion, restructure costs of R33 million, transaction costs of R19 million, fair value losses on the revaluation of investment properties of R4 million, impairment of a loan to an associate of R7 million and interest rate swap fair value adjustments of R1 million, offset by previously impaired loans recovered net of impairments of R34 million and an additional recovery of costs from the hotels division of R15 million.

Net finance costs of R811 million are 20% above the prior year due to the increase in debt resulting from the transfer during the year of R2.2 billion debt from the hotel division to the gaming division due to the strong cash flows in the gaming division and the increased interim dividend.

The share of profit of associates and joint ventures of R7 million reduced by R1 million on the prior year.

The effective tax rate for the year of 27.7% is impacted by tax exempt dividend income, offset by non-deductible expenditure such as casino building depreciation. The effective tax rate for the prior year of 28.5% was impacted by non-deductible expenditure such as casino building depreciation and the effective interest on the SunWest and Worcester acquisition, offset by tax exempt dividend income.

Profit after tax for the continuing operations is R1.7 billion compared to a prior year profit of R1.5 billion.

REVIEW OF DISCONTINUED OPERATIONS

In terms of the group's continued growth strategy R445 million was spent during the year, including:

- the completion of the US\$16 million 125 room StayEasy in Maputo, Mozambique, which opened during April 2018. In total, R52 million was spent during the year; and
- the group invested R383 million on replacement capex, including major hotel refurbishments, ensuring our assets remain best in class.

Total income for the year of R4.4 billion ended 1% above the prior year with a 2% growth in both rooms revenue and food and beverage revenue assisted by a 9% growth in management fees, offset by a 13% reduction in property rental income on the third-party managed hotels in Hospitality Property Fund.

Ebitdar at R1.5 billion for the year was 6% down on the prior year. The Ebitdar margin of 33.9% is 2.5pp down on the prior year due to the impact of the weak revenue growth, net of cost savings.

Overall hotel industry occupancies in South Africa have reduced to 62.4% (2018: 64.2%) for the year. Occupancies in Cape Town have remained weak as a result of the impact of the water shortage and additional supply.

Trading for the group's South African hotels for the year recorded system-wide revenue per available room ("RevPar") 1% up on the prior year due to a 2% increase in average room rates to R1 092, offset by a reduction in occupancy on the prior year to 63.5% (2018: 64.7%).

Overall revenue for the South African hotels division was flat on the prior year at R3.8 billion assisted by the inclusion of the opening of the SunSquare and StayEasy City Bowl hotels on 1 September 2017. Ebitdar decreased by 8% on the prior year to R1.3 billion at a margin of 35.6% (2018: 38.7%).

The offshore division of hotels achieved total revenue of R605 million which increased 7% on the prior year, impacted by 4% due to the opening of the StayEasy Maputo hotel during April 2018. This was further favourably impacted by the weakening of the Rand against the US Dollar. Ebitdar (pre-foreign exchange gains) increased by 16% to R138 million. Foreign exchange gains of R6 million (2018: R1 million) were incurred on the translation of offshore monetary items, principally between local country currencies and the US Dollar.

Combined South African and offshore hotel trading statistics, reflecting the Tsogo Sun Hotels owned hotels and excluding hotels managed on behalf of third parties and those in HPF managed by third parties, are as follows:

For the year ended 31 March	2019	2018
Occupancy (%)	60.6	62.5
Average room rate (R)	1 064	1 043
RevPar (R)	645	652
Rooms available ('000)	4 239	4 123
Rooms sold ('000)	2 568	2 576
Rooms revenue (Rm)	2 732	2 687

Operating expenses including employee costs, but excluding exceptional items and long-term incentives, increased by 5% on the prior year due to non-organic growth in the business as a result of acquisitions and expansions, offset by savings initiatives. Excluding the non-organic growth and foreign exchange gains, operating expenses increased by only 1% due to tight overhead control. Non-organic represents all new business operations commencing during the current and prior year.

Property rentals at R208 million are 10% up on the prior year mainly due to the opening of the SunSquare and StayEasy Cape Town City Bowl hotels on 1 September 2017.

Amortisation and depreciation at R306 million is 14% up on the prior year due mainly to the capital spend during the current and prior years, including the StayEasy in Maputo, Mozambique, which opened during April 2018.

The long-term incentive charge on the cash-settled incentive scheme of R3 million values the liability (including dividend adjustments) by reference to the company's share price which is adjusted for management's best estimate of the appreciation units expected to vest and future performance of the group. A share price of R23.50 was used to value the liability at 31 March 2019.

Exceptional losses for the year of R581 million relate to fair value losses on the revaluation of investment properties of R445 million, mainly related to the non-Tsogo-leased hotels in HPF, plant and equipment disposals and impairments of R96 million, mainly related to Southern Sun Ikoyi and Garden Court Nelson Mandela Boulevard, transaction costs of R34 million, restructure costs of R7 million and reopening costs of R1 million, offset by interest rate swap fair value adjustments of R2 million. Exceptional losses for the prior year of R241 million relate to fair value losses on the revaluation of investment properties of R187 million, mainly related to the non-Tsogo-leased hotels in HPF, reopening costs of R19 million, transaction costs of R13 million, restructure costs of R5 million, interest rate swap fair value adjustments of R1 million, fair value losses on non-current assets held for sale of R1 million and an additional recovery of costs from the hotels division of R15 million.

Net finance costs of R417 million are 13% below the prior year due to the decrease in debt resulting from the transfer during the year of R2.2 billion debt from the hotel division to the gaming division.

The share of profit of associates and joint ventures of R15 million decreased by R40 million on the prior year mainly due to the group's share of the reversal of the deferred tax asset on an assessed loss which expired during the year at Maia of R25 million and losses on the revaluation of investment property in the current year compared to gains in the prior year in International Hotel Properties Limited of R10 million, offset by termination fees received in RBH Hotel Group Limited on cancelled contracts.

The effective tax rate for the year of 490% is impacted by the non-deductible fair value losses on investment property referred to above and non-deductible expenditure, offset by pre-tax profits attributable to the HPF non-controlling interests due to its real estate investment trust ("REIT") tax status. The effective tax rate for the prior year of 39.5% is impacted by the non-deductible fair value losses on investment property referred to above and non-deductible expenditure, offset by the release of deferred tax liabilities of R307 million on the disposal of assets to HPF and pre-tax profits attributable to the HPF non-controlling interests due to its REIT tax status.

The loss after tax for the discontinued operations is R59 million compared to a prior year profit of R660 million.

REVIEW OF ADJUSTED HEADLINE EARNINGS

Profit attributable to non-controlling interests of R60 million is R127 million below the prior year. Continuing operations' non-controlling interests are R20 million higher than the prior year due to the inclusion of Galaxy and Vukani for the whole year. Discontinued operations' non-controlling interests are R147 million lower than the prior year due mainly due to the non-controlling interests' share of HPF being R144 million lower mainly due to the higher fair value losses on investment properties in the current year.

Group adjusted headline earnings for the year at R2.0 billion ended 1% above the prior year. Continuing operations' adjusted headline earnings for the year at R1.7 billion ended 3% above the prior year. Discontinued operations' adjusted headline earnings for the year at R297 million ended 9% below the prior year. The adjustments include the reversal of the post-tax impacts of the exceptional gains or losses noted above, and the exceptional gains or losses in the share of profit of associates and joint ventures, net of tax and non-controlling interests. The adjustments in the prior year include the reversal of the post-tax impacts of the exceptional gains or losses noted above, in addition to the release of the deferred tax liabilities of R307 million noted in taxation above and the exceptional gains in the share of profit of associates and joint ventures, net of tax and non-controlling interests.

The number of shares in issue increased during the prior year on the acquisition of Galaxy and Vukani with the weighted average increasing by 6% and the resultant total group adjusted headline earnings per share is 5% down on the prior year at 188.1 cents per share. Continuing operations' adjusted headline earnings per share for the year at 160.0 cents ended 3% below the prior year. Discontinued operations' adjusted headline earnings per share for the year at 28.1 cents ended 14% below the prior year.

REVIEW OF CASH FLOW AND NET DEBT

Cash generated from continuing operations for the year increased by 21% on the prior year to R3.8 billion. Net finance costs for continuing operations increased by 20% due to the increase in net debt mainly as a result of the acquisition of Galaxy and Vukani in the prior year, the transfer during the year of R2.2 billion debt from the hotel division to the gaming division and dividends paid to shareholders and non-controlling interests increasing by 112% due to the increased interim dividend paid. Cash flows utilised for investment activities in the continuing operations of R1.5 billion consisted mainly of replacement capital expenditure and the acquisitions and investments described above.

Interest-bearing debt net of cash for the continuing operations at 31 March 2019 totalled R11.0 billion, which is R1.6 billion below the 31 March 2018 group balance of R12.5 billion, with R3.0 billion net debt attributed to the discontinued operations and R2.2 billion paid in dividends to group shareholders in addition to the investment activities during the year.

PROSPECTS

Given the continued weak state of the South African economy trading is expected to remain under pressure. Growth will depend on how the economy performs going forward and the level of policy certainty that the South African government is able to achieve. Nevertheless, the group remains highly cash generative and is confident in achieving attractive returns from the growth strategy once the macro-economic environment improves.

The group continues to implement a variety of projects including:

- the unbundling and separate listing of the hotel division which will provide shareholders with greater investment choice and the ability to manage their exposure to gaming and hotel operations respectively. It is also envisaged that the separate listing will provide shareholders with more detailed disclosure relating to the operations of the hotel division and allow for its valuation without discounting for gaming-related regulatory risks;
- the potential to bid for the relocation of one of the smaller casinos in the Western Cape to the Cape Metropole remains an opportunity for the group should the provincial authorities allow such a process. The Western Cape Provincial Treasury published a draft Bill and Regulations intended to permit the relocation of outlying casinos to within the Metropole, however, progress remains slow and the final result uncertain; and
- the ongoing cost saving initiatives will continue and further cost savings will be considered during the year.

The Galaxy and Vukani businesses are expected to continue to deliver strong growth, ahead of inflation.

DIVIDEND

Subsequent to year end, the board of directors has declared a final gross cash dividend from income reserves in respect of the year ended 31 March 2019 of 56.0 (fifty-six) cents per share. The dividend has been declared in South African currency and is payable to shareholders recorded in the register of the company at close of business Friday, 14 June 2019. The number of ordinary shares in issue at the date of this declaration is 1 056 059 913 (excluding treasury shares of 45 592 448). The dividend will be subject to a local dividend tax rate of 20%, which will result in a net dividend of 44.8 cents per share to those shareholders who are not exempt from paying dividend tax. The company's tax reference number is 9250039717.

In compliance with the requirements of Strate, the electronic and custody system used by the JSE, the following dates are applicable in 2019:

Last date to trade cum dividend	Tuesday, 11 June
Shares trade ex dividend	Wednesday, 12 June
Record date	Friday, 14 June
Payment date	Tuesday, 18 June

Share certificates may not be dematerialised or rematerialised during the period Wednesday, 12 June 2019 and Friday, 14 June 2019, both days inclusive. On Tuesday, 18 June 2019, the cash dividend will be electronically transferred to the bank accounts of all certificated shareholders where this facility is available. Where electronic fund transfer is not available or desired, cheques dated 18 June 2019 will be posted on that date. Shareholders who have dematerialised their share certificates will have their accounts at their CSDP or broker credited on Tuesday, 18 June 2019.

SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with within the financial statements that would affect the operations or results of the group significantly.

PRESENTATION

Shareholders are advised that a presentation to various analysts and investors which provides additional analysis and information will be available on the group's website at www.tsogosun.com/gaming/investors.

FORWARD-LOOKING INFORMATION DISCLAIMER

Any forward-looking information included in Prospects above has not been reviewed or reported on by the company's external auditors.

J Booyesen

Chief Executive Officer

23 May 2019

RB Huddy

Chief Financial Officer

Independent auditor's review report on condensed consolidated financial statements

TO THE SHAREHOLDERS OF TSOGO SUN HOLDINGS LIMITED

We have reviewed the condensed consolidated financial statements of Tsogo Sun Holdings Limited, set out on pages 13 to 38 of the provisional report, which comprise the condensed consolidated balance sheet as at 31 March 2019 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement for the year then ended, and selected explanatory notes.

Directors' responsibility for the condensed consolidated financial statements

The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in note 1 to the financial statements, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with International Standard on Review Engagements ("ISRE") 2410, which applies to a review of historical financial information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of Tsogo Sun Holdings Limited for the year ended 31 March 2019 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in note 1 to the financial statements, and the requirements of the Companies Act of South Africa.



PricewaterhouseCoopers Inc.

Director: P Calicchio

Registered Auditor

Johannesburg

23 May 2019

Notes to the reviewed condensed consolidated financial statements

for the year ended 31 March 2019

1 BASIS OF PREPARATION

The condensed consolidated financial statements for the year ended 31 March 2019 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements ("Listings Requirements") for provisional reports and the requirements of the Companies Act of South Africa. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the preparation and disclosure requirements of IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council ("FRSC"). Chief Financial Officer, RB Huddy CA(SA), supervised the preparation of the condensed consolidated financial statements. The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements as at 31 March 2018 other than as described in notes 2 and 3. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2018, which have been prepared in accordance with IFRS. These condensed consolidated financial statements for the year ended 31 March 2019 have been reviewed by PricewaterhouseCoopers Inc., and their unmodified review conclusion is included on page 12.

2 CHANGE IN SIGNIFICANT ACCOUNTING POLICIES

New and amended standards adopted by the group

The group has adopted all the new, revised or amended accounting pronouncements as issued by the IASB which were effective for the group from 1 April 2018, the significant accounting pronouncements being:

- IFRS 9 *Financial Instruments*; and
- IFRS 15 *Revenue from Contracts with Customers*.

The adoption of IFRS 9 and IFRS 15 was applied retrospectively without restating comparative figures. There was no material impact identified on the group's financial statements and therefore the group's opening retained income has not been adjusted. The impact of these new standards is discussed below. No other pronouncements had any material impact on the group.

2.1 IFRS 9 *Financial Instruments*

The adoption of IFRS 9 with effect from 1 April 2018 resulted in changes in accounting policies and had no material impact on the group's financial statements.

Classification and measurement

Investments in unlisted equity instruments were previously classified as available-for-sale financial assets. The group has elected to measure these equity instruments at fair value through other comprehensive income ("FVOCI") as these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of R1.275 billion were reclassified from available-for-sale financial assets to financial assets at FVOCI and the fair value reserve of R9 million was reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on 1 April 2018. These reclassifications had no impact on the measurement of these assets. This designation to FVOCI is irrevocable from date of transition and will not be recycled to profit or loss.

The majority of financial assets held by the group include debt instruments being loan receivables, trade and other receivables and cash and cash equivalents which continue to qualify for measurement at amortised cost under IFRS 9 because they are held to collect contractual cash flows comprising principal and interest, therefore there is no change to the accounting for these assets.

Notes to the reviewed condensed consolidated financial statements continued

for the year ended 31 March 2019

2 CHANGE IN SIGNIFICANT ACCOUNTING POLICIES continued

2.1 IFRS 9 *Financial Instruments* continued

Classification and measurement continued

There was no impact on the group's retained earnings due to the aforementioned changes in the classification and measurement of equity instruments, loan receivables, trade and other receivables or cash and cash equivalents as at 1 April 2018. The main effects of this reclassification are as follows:

	31 March 2018 as previously reported Rm	IFRS 9 Rm	1 April 2018 under IFRS 9 Rm
<i>Balance sheet extract</i>			
Non-current assets			
Available-for-sale financial assets	1 275	(1 275)	–
Financial assets at FVOCI	–	1 275	1 275
<i>Other reserves extract</i>			
Other reserves			
Available-for-sale investments fair value reserve	(9)	9	–
Financial assets at FVOCI reserve	–	(9)	(9)

Hedge accounting

The group has adopted the new hedge accounting rules which align the accounting for hedging instruments more closely with the group's risk management practices and the group's interest rate swaps in place at 31 March 2018 continue to qualify as cash flow hedges upon the adoption of IFRS 9, having no material impact on the group's previously reported financial statements.

Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39, and in accordance with the new requirements, the group now applies the IFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for trade receivables measured at amortised cost. The balance of the group's financial assets measured at amortised cost are loan receivables and cash and cash equivalents to which the general model is applied. The group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets and no material impact was identified on adoption or at the reporting date.

At the reporting date, trade receivables totalled R115 million and are provided for R13 million. The group measures the loss allowance for trade receivables by applying a provision matrix which is prescribed by IFRS 9 as mentioned above. These lifetime expected credit losses are estimated using a provision matrix. Trade receivables are categorised into respective characteristics, namely geographical and business type and the provision matrices have been developed by making use of judgement, past default experience of debtors but also incorporate forward looking information such as general economic conditions of the industry as at the reporting date. The estimation techniques explained have been applied for the first time in the current financial period, as a result of the adoption of IFRS 9.

2 CHANGE IN SIGNIFICANT ACCOUNTING POLICIES continued

2.1 IFRS 9 *Financial Instruments* continued

Impairment of financial assets continued

Loan receivables consists of site operator loans and advances of R120 million (2018: R103 million). The loss allowance recognised during the period is based on the general model. This takes into account probability of default, loss given default and exposure at default. Loss allowances are based on a 12-month ECL for performing loans and lifetime ECL for underperforming and non-performing loans. The ECL at 31 March 2019 is R39 million. Each loan is advanced, monitored and provided for on an individual basis. The creation of the provision is offset by the release of provisions for impaired receivables and has been included in other expenses in the income statement.

The closing loss allowance for site operator loan receivables at 31 March 2019 reconciled to the opening loss allowance as follows:

	2019 Rm	2018 Rm
At 1 April	30	31
Increase in loss allowance as calculated under IFRS 9	–	–
At 1 April calculated under IFRS 9	30	31
Provision for receivables impairment	10	1
Written off as uncollectable	(1)	(2)
At 31 March	39	30

Notes to the reviewed condensed consolidated financial statements continued

for the year ended 31 March 2019

2 CHANGE IN SIGNIFICANT ACCOUNTING POLICIES continued

2.2 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. The group adopted IFRS 15 from 1 April 2018 which resulted in changes in accounting policies. The group derives revenue over time, together with its hotel customer reward programmes which are recognised as they are redeemed or expire. The group has no contract assets. The table on page 38 presents revenue by segment which excludes gaming win and other income which are included in the segmental analysis. The adoption of IFRS 15 does not have a material impact on the group's revenue recognition and no change has been made to the group's opening retained income. 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 and is accounted for in terms of IFRS 9.

3 RESTATEMENT OF PRIOR YEAR RESULTS

3.1 Discontinued operations

With reference to the SENS announcement published on 15 March 2019 and the prelisting statement published on 23 May 2019, on 14 March 2019 the Tsogo Sun board approved the separation of Tsogo Hotels Limited ("THL") from Tsogo Sun so that THL will be an independent, publicly traded company. The separation will be achieved by way of Tsogo Sun unbundling its entire THL shareholding to Tsogo Sun shareholders registered as such in the Tsogo Sun register at the close of business on the record date, Friday, 14 June 2019, by way of a distribution in specie to Tsogo Sun shareholders of one THL share for every Tsogo Sun share held, reflected as being held by that Tsogo Sun shareholder on the record date. The unbundling will be effected in terms of section 46 of the Companies Act and otherwise on the terms and conditions set out in the Tsogo Sun SENS announcement dated 23 May 2019 and the prelisting statement. The JSE has agreed to the listing of the entire issued share capital of THL in the "Travel and Leisure" sector on the main board of the JSE with effect from the commencement of trade on Wednesday, 12 June 2019, subject to the declaration of the distribution for the purposes of the unbundling. As of the distribution date, Tuesday, 18 June 2019, Tsogo Sun and THL will be independent public companies, the shares of which will be listed on the JSE and will have separate public ownership, boards of directors and management.

3 RESTATEMENT OF PRIOR YEAR RESULTS continued

3.1 Discontinued operations continued

At the time of the unbundling, all intercompany loan balances, which are not in the ordinary course of business, will be settled between Tsogo Sun and THL, including the treasury loan owing by THL to Tsogo Sun. The remaining intercompany balances incurred in the ordinary course of business are not material.

Therefore, in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the respective assets and liabilities have been presented as held for distribution to owners, the profits from the discontinued operations have been disclosed separately and the prior year income statement, statement of other comprehensive income, cash flow statement and respective notes to the condensed consolidated financial statements for the year ended 31 March 2018 have been restated.

Profit attributable to discontinued operations for the year ended 31 March	2019 Rm	2018 Rm
Revenue	4 389	4 364
Expenses	(3 038)	(2 821)
Fair value adjustment of investment properties	(445)	(187)
Property rentals	(208)	(189)
Amortisation and depreciation	(306)	(269)
Operating profit	392	898
Net finance costs	(417)	(480)
Share of profit of associates and joint venture	15	55
Pre-tax (losses)/profits	(10)	473
Income tax (expense)/credit	(49)	187
(Loss)/profit for the year from discontinued operations	(59)	660

Notes to the reviewed condensed consolidated financial statements continued

for the year ended 31 March 2019

3 RESTATEMENT OF PRIOR YEAR RESULTS continued

3.1 Discontinued operations continued

The carrying amount of assets and liabilities classified as held for distribution as at 31 March 2019:	2019 Rm	
Non-current assets		
Property, plant and equipment	7 684	
Investment properties	4 881	
Goodwill and other intangible assets	405	
Investments in associates and joint ventures	608	
Non-current receivables	7	
Derivative financial instruments	2	
Deferred income tax assets	71	
Current assets		
Inventories	46	
Trade and other receivables	516	
Current income tax assets	4	
Cash and cash equivalents	407	
Total assets classified as held for distribution to owners	14 631	
Long-term liabilities		
Interest-bearing borrowings	2 885	
Derivative financial instruments	2	
Deferred income tax liabilities	228	
Provisions and other liabilities	276	
Current liabilities		
Interest-bearing borrowings	485	
Trade and other payables	755	
Current income tax liabilities	102	
Total liabilities classified as held for distribution to owners	4 733	
Net cash flows attributable to discontinued operations for the year ended 31 March:	2019 Rm	2018 Rm
Net cash generated from operating activities	524	562
Net cash utilised for investment activities	(479)	(736)
Net cash generated by financing activities	29	114
Net cash generated by/(utilised for) discontinued operations	74	(60)

3 RESTATEMENT OF PRIOR YEAR RESULTS continued

3.2 Prior year restatement

During the year under review, the group established that its subsidiary, Vukani which was acquired during the prior year, had treated the share of net gaming win paid to site owners in its limited payout operations incorrectly in the prior period. Net gaming win was previously recognised net of payments made to site owners in respect of their share of net gaming win and certain costs recovered reflected in revenue on the basis that Vukani was considered to be the agent in these transactions. During the current year, on reflection, it was ascertained that Vukani is the principal in these transactions and therefore the items netted should be reflected on a gross basis. To correctly reflect the nature of the net gaming win share paid to site owners and certain costs recovered from these parties, the following restatement to the prior year results has been recognised:

Income statement	31 March 2018 Restated Rm
Increase in net gaming win	184
Decrease in other revenue	(3)
Increase in gaming levies and VAT	(23)
Increase in other operating expenses (mainly site owner commissions)	(158)
Net	–

This correction had no effect on operating profit, headline or adjusted headline earnings. No restatement to equity opening balances is required.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Other than IFRS 16 *Leases* (as noted below), the group does not anticipate that any standards or amendments to existing standards that have been published and are mandatory for the group's accounting periods beginning on or after 1 April 2019 or later periods, which the group has not early adopted, would have a material impact on the group.

IFRS 16 *Leases*

IFRS 16 must be applied for financial years commencing on or after 1 January 2019. The group will apply the new standard from 1 April 2019.

The standard will affect the way the group accounts for its operating leases being mostly property, plant and equipment (including certain gaming machines) and the Sandton Convention Centre included in continuing operations and some hotel property leases included in held for distribution operations (note 3.1), where the group is the lessee. At 31 March 2019, the group's outstanding commitments under non-cancellable operating lease agreements amounted to R2.5 billion, on an undiscounted basis. Of these commitments, approximately R22 million relate to short-term leases and R7 million to low-value leases which will both be recognised on a straight-line basis as operating leases in profit or loss.

Notes to the reviewed condensed consolidated financial statements continued

for the year ended 31 March 2019

4 STANDARDS ISSUED NOT YET EFFECTIVE continued

	Continuing operations Rm	Held for distribution Rm
For the remaining lease commitments as at 1 April 2019, the group expects:		
Right-of-use assets recognised	333	712
Lease liabilities recognised	569	950
Deferred tax assets thereon	66	68

Where the group is the lessee, the group intends to apply the simplified transition approach and will not restate comparative amounts for the first year of adoption. Per IFRS 16, right-of-use assets will be measured on transition as if the new rules had always been applied discounted using the respective incremental borrowing rates. The group will apply the practical expedient per IFRS 16 C3 in that the IFRS 16 definition of a lease would only be applied to assess whether contracts entered into after the date of initial application (1 April 2019) are, or contain, leases. The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. All contracts previously assessed not to contain leases will not be reassessed. The group will also apply the recognition exemptions for short-term leases (a lease that, at the commencement date, has a lease term of 12 months or less) and leases of low-value items (mainly small items of office equipment and furniture).

Where the group is the lessor, it is not required to make any adjustments on transition for leases in which it is a lessor, however, there may be additional disclosures with effect from 1 April 2019.

5 FAIR VALUE ESTIMATION

The group fair values its investment properties (categorised as level 3 values), FVOCI investments (categorised as level 3 values) and its interest rate swaps (categorised as level 2 values). There were no transfers into or out of level 3 financial instruments, other than as shown below.

5.1 Investment properties

The movement of investment properties for the year is as follows:

	31 March 2019 Reviewed Rm	31 March 2018 Audited Rm
Opening net carrying amount	5 255	4 969
Acquisition and development of investment properties	189	471
Fair value adjustments recognised in profit or loss	(453)	(191)
Transfer of owner occupied property	310	–
Transfers from held for sale	66	–
Acquisition of subsidiary	–	6
Reclassification to held for distribution to owners (note 3.1)	(4 881)	–
Closing net carrying amount	486	5 255

The group's investment properties have been categorised as level 3 values based on the inputs to the valuation technique used. The group has elected to measure investment properties at fair value.

The fair value of the group's investment property reclassified as held for distribution is determined by using the discounted cash flow method by discounting the rental income (based on expected net cash flows of the underlying hotels) after considering the capital expenditure requirements. The expected cash flows are discounted using an appropriate discount rate. The core discount rate is calculated using the R186 (long bond) at the time of valuation, to which is added premiums for market risk and equity and debt costs. The discount rate takes into account a risk premium associated with the local economy as well as that specific to the local property market and the hotel industry. Fair values are estimated annually by an external appointed valuer.

As at 31 March 2019 the significant unobservable inputs were as follows:

- a weighted average rental growth rate of 5.25% (2018: 5.0%);
- a terminal capitalisation rate of 7.25% – 7.75% (2018: 7.23% – 8.07%); and
- a risk-adjusted discount rate of 12.50% – 13.00% (2018: 12.23% – 13.07%).

Material adverse changes to the valuations are due to the material change in rental income, largely due to the change in sentiment, mainly in Cape Town, stemming from the drought and the impact this had on the summer season in Cape Town, as well as the lower domestic corporate business which collectively impacted negatively on hotel occupancy levels.

Notes to the reviewed condensed consolidated financial statements continued

for the year ended 31 March 2019

5 FAIR VALUE ESTIMATION continued

5.1 Investment properties continued

The table below indicates the sensitivities of the aggregate investment property portfolio by increasing or decreasing value inputs as follows:

	2019		2018	
	Increase Rm	Decrease Rm	Increase Rm	Decrease Rm
5% change in the net cash flows	274	(247)	282	(283)
25bps change in the terminal capitalisation rate	(114)	123	(121)	128
50bps change in the discount rate	(91)	94	(373)	326

The fair value of the group's remaining investment properties were independently valued at 31 March 2019. The valuation of the portfolio was performed independently by professionally qualified valuers having the relevant experience. The fair value has been valued using capitalised values of the projected rental income together with the assessment of development land. Vacancies have been considered based on the historical and current vacancy factors as well as the nature, location, size and popularity of the properties.

As at 31 March 2019 the significant unobservable inputs were as follows:

- capitalisation rate applied to rental income of 9%; and
- vacancy rate applied between 0% and 10%.

Inter-relationship between key unobservable inputs and fair value measurement as follows:

The estimated fair value would increase/(decrease) if:

- expected rental income were higher/(lower);
- expected vacancy rate was lower/(higher); and
- the capitalisation rate was lower/(higher).

The table below indicates the sensitivities of the remaining aggregate investment property portfolio by increasing or decreasing value inputs as follows:

	2019		2018	
	Increase Rm	Decrease Rm	Increase Rm	Decrease Rm
1% change in the capitalisation rate	(41)	51	(6)	7

The Pivot office building was previously classified as owner occupied property in line with IAS 16 *Property, Plant and Equipment*. This application was made on the basis that the building was significantly occupied by entities within the group. During the year under review, the owner occupation has reduced substantially and the building is no longer considered to be owner occupied. The property was transferred from property, plant and equipment to investment properties and, in accordance with IAS 16 and IAS 40 *Investment Property*, the property was revalued through OCI to fair value before being transferred as shown in the statement of other comprehensive income.

5 FAIR VALUE ESTIMATION continued

5.2 Financial asset at FVOCI

During the 2017 financial year, aligned with the group's desire to increase its exposure in the Western Cape province, the group entered into a transaction with Sun International Limited ("SI") and Grand Parade Investments Limited ("GPI") for the acquisition of a 20% equity interest in each of SunWest International Proprietary Limited ("SunWest") and Worcester Casino Proprietary Limited ("Worcester"). The group has pre-emptive rights but no representation on the board of directors of either company and has no operational responsibilities. The group also has no access to any information regarding the companies except for that to which it has statutory rights as a shareholder. These investments are classified as level 3 fair value measurements and have been accounted for as financial assets at FVOCI.

At the end of each reporting period the investment is remeasured and the increase or decrease recognised in other comprehensive income. The asset has been remeasured to R1.3 billion at 31 March 2019, a R9 million decrease. A discounted cash flow valuation was used to estimate the fair value. The valuation model considers the present value of net cash flows to be generated from SunWest and Worcester, together with their operating capital expenditure taking into account expected growth in gaming win and other revenue generated from non-gaming-related activities. The expected net cash flows are discounted using a risk-adjusted discount rate. Among other factors, the discount rate estimation considers risks associated with the gaming and hospitality industry in which SunWest and Worcester operates.

The significant unobservable inputs used in the fair value measurement of the group's investment in SunWest and Worcester as at 31 March 2019 are shown below. A change in the assumption used for expected gaming win growth is accompanied by a directionally similar *pro rata* change in operating expenditure cost growth:

- expected gaming win growth between 3.1% and 6.8% (2018: 4.3% and 6.3%);
- operating expenditure cost growth between 5.3% and 5.6% (2018: 5.1% and 5.6%);
- risk-adjusted discount rate of 11.5% (2018: 11.3%); and
- long-term growth rate of 5.3% (2018: 5.6%).

The table below indicates the sensitivities for the valuation by increasing or decreasing the above inputs by 1%:

	2019		2018	
	Increase Rm	Decrease Rm	Increase Rm	Decrease Rm
Expected gaming win growth	502	(439)	281	(260)
Operating expenditure cost growth	(224)	207	(239)	221
Risk-adjusted discount rate	(189)	263	(208)	298
Long-term growth rate	150	(108)	178	(125)

Notes to the reviewed condensed consolidated financial statements continued

for the year ended 31 March 2019

5 FAIR VALUE ESTIMATION continued

5.3 SI put option

In terms of the acquisition agreement of the SunWest and Worcester interests mentioned above, in the event that any party acquires 35% or more of the issued ordinary shares of SI triggering a change in control of the SI group, the group may elect to put its equity interests in SunWest and Worcester to SI. SI can elect to either settle the put by the issue of new ordinary shares in SI and/or for a cash consideration, based on the aggregate value of Tsogo Sun's interest in SunWest and Worcester. No derivative has been recognised as the fair value of the option is Rnil at 31 March 2019 (31 March 2018: Rnil).

5.4 Interest rate swaps

The fair value of the group's derivatives used for hedge accounting is a net liability of R68 million (31 March 2018: liability of R135 million) and is calculated as the present value of the estimated future cash flows based on observable yield curves, which is consistent with the prior year. The group's derivatives at 31 March 2019 are all effective.

6 BUSINESS COMBINATIONS

Acquisition of intellectual property rights to the Golden Island Casino LPMs

Vukani concluded agreements with TAB-Austria ("TAB") to acquire the intellectual property rights to the Golden Island Casino LPMs for Africa, which include the processes, formulae, methods and information controlled and owned by TAB, currently being manufactured by TAB. The effective date was 21 September 2018.

The acquired business ensures business continuation in the event that TAB is no longer in a position to manufacture and maintain such LPMs for whatever reason. The fair value of the net assets acquired is equal to the fair value of the consideration paid at the date of acquisition less deferred tax. The intangible asset, having been identified on this acquisition consisting of the intellectual property, has been accounted for in line with the group's accounting policies, the fair value of the asset acquired was obtained by applying a valuation technique performed on a discounted cash flow basis. The acquired business contributed neither revenue nor earnings to the group for the period to 31 March 2019, the calculation excluding the funding impact of the acquisition and using the group's accounting policies. The fair value of net assets acquired is as follows:

	Rm
Fair value of intangible assets acquired	49
Deferred tax liability	(13)
Fair value of net assets acquired	36
Goodwill arising on acquisition	13
Cash consideration paid	49
Deferred cash purchase consideration	(31)
Cash outflow on acquisition of business – investing activities	18

None of the goodwill is expected to be deductible for tax purposes.

7 COMMON CONTROL ACQUISITION

Acquisition of Kuruman from Niveus Investments Limited (“Niveus”)

As part of the common control acquisition of certain gaming businesses from Niveus as reported during the prior year, the group paid an amount of R95 million for the purchase of Niveus Invest 1, which owns the Grand Oasis Casino “Kuruman”, from Niveus which required the approvals by the Northern Cape Gambling Board. As these approvals had not been obtained by 31 March 2018, this payment was accounted for as a prepayment. The approval was subsequently obtained on 15 June 2018.

The transaction is deemed to be a transaction under common control and consequently falls outside the scope of IFRS 3 *Business Combinations*. Tsogo Sun’s accounting policy is to apply predecessor accounting to common control transactions. Common control accounting is applied as the purchase is from HCL, the company’s controlling shareholder and under the predecessor accounting method, assets and liabilities acquired, including goodwill acquired, are recognised at the predecessor values with the difference between the acquisition value and the aggregate purchase consideration recognised as a separate reserve in equity, a “common control” reserve.

The abovementioned acquisition is in keeping with the group’s strategy of expanding its gaming operations. The identifiable assets less liabilities assumed at acquisition date is less than the value of the consideration paid at the date of acquisition, and therefore the group recognised a common control reserve in the statement of changes in equity of R42 million:

	Rm
Property, plant and equipment	36
Other intangible assets	6
Deferred tax assets	1
Other non-current assets	5
Cash and cash equivalents	4
Other non-current liabilities	(16)
Other current liabilities	(1)
Total identifiable net assets assumed	35
Non-controlling interests	18
	53
<i>Less: Purchase consideration in the form of cash paid</i>	<i>(95)</i>
Common control reserve arising on transaction	(42)
Net cash flow:	
Cash consideration prepaid during prior year to acquire Kuruman (refer note above)	(95)
Prepayment allocated to acquisition during current period	95
<i>Add: Cash balances acquired with Kuruman</i>	<i>4</i>
Net inflow of cash during the period	4

Notes to the reviewed condensed consolidated financial statements continued

for the year ended 31 March 2019

8 CHANGES IN INTEREST-BEARING BORROWINGS ARISING FROM FINANCING ACTIVITIES

Changes arising from financing activities for the year ended 31 March 2019 related to interest-bearing borrowings, excluding bank overdrafts from short-term borrowings of R1 929 million (2018: R1 575 million), are as follows:

	Long-term Rm	Short-term Rm	Total Rm
Balance at 1 April 2018	9 777	923	10 700
Borrowings raised	1 590	–	1 590
Borrowings repaid	–	(700)	(700)
Reclassification to short-term	(1 276)	1 276	–
Other	(19)	24	5
Balance at 31 March 2019	10 072	1 523	11 595

	Long-term Rm	Short-term Rm	Total Rm
Balance at 1 April 2017	9 439	3 399	12 838
Reclassification to held for distribution to owners	(3 069)	(844)	(3 913)
Borrowings raised	3 756	249	4 005
Borrowings repaid	–	(2 229)	(2 229)
Reclassification to short-term	(349)	349	–
Other	–	(1)	(1)
Balance at 31 March 2018	9 777	923	10 700

9 RELATED PARTY TRANSACTIONS

The group had no significant related party transactions during the year under review, other than total dividends paid of R1.1 billion (2018: R495 million) to HCl and controlling entities of HCl during the year, the common control acquisition as mentioned in note 7 and the hotels held for distribution to owners transaction as mentioned in note 3.1.

10 SEGMENT INFORMATION

In terms of IFRS 8 *Operating Segments* the chief operating decision maker has been identified as the group's Chief Executive Officer ("CEO") and the Group Executive Committee ("GEC"). Management has determined the operating segments based on the reports reviewed by the chief operating decision maker. There has been no change in the basis of segmentation or in the basis of measurement of segment profit or loss from the last annual financial statements other than the discontinued operations consisting of the South African and offshore hotels divisions – refer note 3.1. As a result of discontinued operations and the restructuring of the group, the corporate entities have been included with other gaming.

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

11 CAPITAL COMMITMENTS

Capital commitments for maintenance and expansion capital items at its gaming and hotel properties as at 31 March 2019 are as follows:

	Continuing operations Rm	Held for distribution Rm	Total group Rm
Committed by the board of directors	1 661	774	2 435
Contracted for	277	127	404
Anticipated to be spent during the next 12 months	1 170	417	1 587

12 CONTINGENT LIABILITIES

The group had no significant contingent liabilities as at 31 March 2019.

13 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Other than as mentioned elsewhere in this report and the dividend declaration noted below, the directors are not aware of any matter or circumstance arising since the balance sheet date and the date of this report.

13.1 Dividend declaration

Subsequent to the company's reporting date, on 22 May 2019, the board of directors declared a final gross cash dividend of 56 cents per share in respect of the year ended 31 March 2019. The aggregate amount of the dividend, which will be paid on 18 June 2019 out of retained earnings at 31 March 2019, not recognised as a liability at the reporting date, is R594 million.

13.2 Cancellation and delisting of 42 876 046 Ordinary Tsogo Shares

As announced on SENS, on 25 April 2019 the company cancelled and subsequently delisted with effect 3 May 2019 42 876 046 ordinary shares of 2 cents each ("ordinary Tsogo shares"). These ordinary Tsogo shares were held by Tsogo Sun Gaming Investments Proprietary Limited ("TSG"), a subsidiary of Tsogo Sun Hotels, Gaming and Entertainment Proprietary Limited ("TSHG&E") and were received as a dividend in specie by TSHG&E on 25 April 2019. On even date, the company in turn received the ordinary Tsogo shares from TSHG&E, a wholly owned subsidiary of the company, as a dividend in specie. The shares cancelled represent 3.75% of the issued share capital of the company immediately prior to such cancellation. Following the cancellation, the issued share capital of the company will now comprise 1 101 652 361 ordinary shares of 2 cents each, while the number of treasury shares that will continue to be held by various subsidiaries in the company reduces to 45 592 448 ordinary Tsogo shares.

Condensed consolidated income statement

for the year ended 31 March

	Change %	2019 Reviewed Rm	2018 Restated ⁽¹⁾ Rm
Continuing operations			
Net gaming win	21	9 821	8 124
Rooms revenue	4	490	473
Food and beverage revenue	9	648	592
Other revenue	(17)	433	520
Property rental income	3	137	133
Other income ⁽²⁾		90	–
Income	18	11 619	9 842
Gaming levies and Value Added Tax		(2 145)	(1 704)
Property and equipment rentals		(291)	(177)
Amortisation and depreciation		(738)	(643)
Employee costs		(2 327)	(2 096)
Other operating expenses		(2 981)	(2 453)
Fair value adjustment of investment properties		(8)	(4)
Operating profit	13	3 129	2 765
Finance income		333	332
Finance costs		(1 144)	(1 010)
Share of profit of associates and joint ventures		7	8
Profit before income tax		2 325	2 095
Income tax expense		(644)	(597)
Profit for the year from continuing operations		1 681	1 498
(Loss)/profit for the year from discontinued operations (note 3.1)		(59)	660
Profit for the year		1 622	2 158
Profit attributable to:			
Equity holders of the company		1 562	1 971
Non-controlling interests		60	187
		1 622	2 158
Basic and diluted earnings attributable to the ordinary equity holders of the company per share (cents)			
From continuing operations		155.0	148.6
From discontinued operations		(7.4)	49.7
Basic and diluted earnings per share (cents)	(26)	147.6	198.3
Number of shares in issue (million)		1 056	1 059
Weighted average number of shares in issue (million)		1 058	994

⁽¹⁾ Restated for discontinued operations – refer note 3.1 and reallocation between gaming win, other income, gaming VAT and LPM site owners' commissions – refer note 3.2

⁽²⁾ On transition of IFRS 15 and IFRS 9 dividend income has been removed from revenue arising from contracts with customers and reclassified to other income

Condensed consolidated statement of comprehensive income

for the year ended 31 March

	2019 Reviewed Rm	2018 Restated ⁽¹⁾ Rm
Profit for the year	1 622	2 158
Other comprehensive income for the year, net of tax		
Items that may be reclassified subsequently to profit or loss:	217	(145)
Cash flow hedges – continuing operations	61	(79)
Cash flow hedges – discontinued operations	4	(4)
Currency translation adjustments on discontinued operations	170	(86)
Available-for-sale investment fair value adjustment – continuing operations	–	3
Income tax relating to items that may subsequently be reclassified to profit or loss	(18)	21
Items that may not be reclassified subsequently to profit or loss:	96	3
Gains on revaluation of owner occupied property reclassified to investment property – continuing operations	130	–
Equity instruments at FVOCI fair value adjustment – continuing operations	(9)	–
Remeasurements of post-employment defined benefit liability in discontinued operations	3	4
Income tax relating to items that may not subsequently be reclassified to profit or loss	(28)	(1)
Total comprehensive income for the year	1 935	2 016
Total comprehensive income attributable to:		
Equity holders of the company	1 873	1 830
Non-controlling interests	62	186
	1 935	2 016
Total comprehensive income attributable to equity holders:		
Continuing operations	1 778	1 422
Discontinued operations	95	408
	1 873	1 830

⁽¹⁾ Restated for discontinued operations – refer note 3.1

Supplementary information

for the year ended 31 March

	Change %	2019 Reviewed Rm	2018 Restated ⁽¹⁾ Rm
Reconciliation of earnings attributable to equity holders of the company to headline earnings and adjusted headline earnings			
Profit/(loss) attributable to equity holders of the company			
Continuing operations		1 640	1 477
Discontinued operations		(78)	494
<i>(Less)/add: continuing operations' adjustments</i>			
(Gain)/loss on disposal of property, plant and equipment		(1)	2
Impairment of property, plant and equipment		21	68
Fair value adjustment of investment properties		8	4
Impairment of goodwill		–	20
Impairment of casino licences and bid costs (intangibles)		1	92
Impairment of equity loan to associate		–	7
Total tax effects of adjustments		(7)	(31)
<i>Add/(less): discontinued operations' adjustments</i>			
Adjustments from discontinued operations ⁽²⁾		541	188
Total tax and NCI effects of adjustments		(207)	(76)
Share of associates' headline earnings adjustments		10	(7)
Headline earnings	(14)	1 928	2 238
<i>Add/(less): continuing operations' adjustments</i>			
Other exceptional items included in operating profit		41	4
Total tax effects of adjustments		(6)	(3)
Total NCI effects of adjustments		(4)	–
<i>Add/(less): discontinued operations' adjustments</i>			
Other exceptional items ⁽²⁾		40	53
Early debt settlement costs		–	3
Total tax and NCI effects of adjustments		(13)	(14)
Deferred tax derecognised		5	(307)
Share of associates' exceptional items		(1)	(8)
Adjusted headline earnings	1	1 990	1 966
Allocated as follows:			
Continuing		1 693	1 640
Discontinued		297	326
Number of shares in issue (million)		1 056	1 059
Weighted average number of shares in issue (million)		1 058	994
Basic and diluted headline earnings per share – continuing operations (cents)		157.1	164.9
Basic and diluted headline earnings per share – discontinued operations (cents)		25.1	60.3
Basic and diluted adjusted headline earnings per share – continuing operations (cents)		160.0	165.0
Basic and diluted adjusted headline earnings per share – discontinued operations (cents)		28.1	32.8

⁽¹⁾ Restated for discontinued operations – refer note 3.1

⁽²⁾ Refer exceptional losses net of gains for discontinued operations on page 31

Supplementary information continued

for the year ended 31 March

Reconciliation of operating profit to Ebitdar⁽²⁾

Ebitdar pre-exceptional items are made up as follows:	Change %	Continuing operations		Discontinued operations	
		2019 Reviewed Rm	2018 Restated ⁽¹⁾ Rm	2019 Reviewed Rm	2018 Restated ⁽¹⁾ Rm
Operating profit		3 129	2 765	392	898
<i>Add/(less):</i>					
Property rentals		132	93	208	189
Amortisation and depreciation		738	643	306	269
Long-term incentive expense/ (credit)		3	(17)	3	(7)
		4 002	3 484	909	1 349
<i>Add: Exceptional losses net of gains</i>		70	197	581	241
Gain/(loss) on disposal of property, plant and equipment		(1)	2	3	–
Impairment of property, plant and equipment		21	68	93	–
Fair value adjustment of investment properties		8	4	445	187
Fair value adjustment of non-current assets held for sale		–	–	–	1
Impairment of goodwill		–	20	–	–
Impairment of casino licences and bid costs (intangibles)		1	92	–	–
Impairment of equity loan to associate		–	7	–	–
Fair value adjustment on interest rate swaps		–	1	(2)	1
Share-based payment charge for NCI		9	–	–	–
Impairment of financial instruments, net of recoveries		–	(34)	–	–
Pre-opening costs		–	–	1	19
Restructuring costs (including termination benefits)		16	33	7	5
Transaction costs		16	19	34	13
Management additional recharge to discontinued operations		–	(15)	–	15
Ebitdar	11	4 072	3 681	1 490	1 590

⁽¹⁾ Restated for discontinued operations – refer note 3.1

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

Condensed consolidated cash flow statement

for the year ended 31 March

	2019 Reviewed Rm	2018 Restated ⁽¹⁾ Rm
Cash flows from operating activities		
Operating profit	2 325	2 095
Non-cash movements	1 787	1 713
Decrease in working capital	(343)	(685)
Cash generated from operations	3 769	3 123
Finance income	323	332
Finance costs	(1 137)	(1 010)
	2 955	2 445
Income tax paid	(559)	(586)
Dividends paid to shareholders	(2 137)	(1 015)
Dividends paid to non-controlling interests	(19)	(2)
Dividends received	98	88
Cash flows from operating activities – discontinued operations	524	562
Net cash generated from operating activities	862	1 492
Cash flows from investment activities		
Purchase of property, plant and equipment – expansionary	(912)	(367)
Purchase of property, plant and equipment – replacement	(541)	(431)
Proceeds from disposals of property, plant and equipment	9	7
Acquisitions to investment properties	(30)	(26)
Purchase of intangible assets	(17)	(11)
Common control acquisitions, net of cash acquired	4	(1 542)
Acquisition of business – intellectual property	(18)	–
Loans repaid by associates	4	–
Net cash utilised for investment activities – discontinued operations	(479)	(736)
Net cash utilised for investment activities	(1 980)	(3 106)
Cash flows from financing activities		
Borrowings raised	1 590	4 005
Borrowings repaid	(700)	(2 229)
Shares repurchased	(65)	–
Treasury shares settled	–	86
Share issue costs arising from the issue of shares for Gameco acquisition	–	(9)
Acquisition of non-controlling interests	(2)	–
Decrease in amounts due by share scheme participants	1	1
Net cash generated from financing activities – discontinued operations	29	114
Net cash generated from financing activities	853	1 968
Net (decrease)/increase in cash and cash equivalents	(265)	354
Cash and cash equivalents at beginning of the year, net of bank overdrafts	1 071	725
Foreign currency translation	18	(8)
Cash and cash equivalents at end of the year, net of bank overdrafts	824	1 071
Included in cash and cash equivalents in the balance sheet	612	846
Included in the assets of the held for distribution group	212	225
	824	1 071

⁽¹⁾ Restated for discontinued operations – refer note 3.1.

Condensed consolidated balance sheet

as at 31 March

	2019 Reviewed Rm	2018 Audited Rm
ASSETS		
Non-current assets		
Property, plant and equipment	9 154	16 038
Investment properties	486	5 255
Goodwill and other intangible assets	6 175	6 507
Investments in associates and joint ventures	35	641
Financial assets at FVOCI	1 266	–
Available-for-sale financial assets	–	1 275
Non-current receivables	34	66
Derivative financial instruments	3	–
Deferred income tax assets	43	142
	17 196	29 924
Current assets		
Inventories	75	119
Trade and other receivables	577	857
Current income tax assets	57	36
Cash and cash equivalents	2 541	2 778
	3 250	3 790
Non-current assets held for sale	–	66
Assets classified as held for distribution to owners	14 631	–
Total current assets	17 881	3 856
Total assets	35 077	33 780
EQUITY		
Capital and reserves attributable to equity holders of the company		
Ordinary share capital and premium	6 571	6 636
Other reserves	(1 774)	(2 040)
Retained earnings	5 699	6 280
Total shareholders' equity	10 496	10 876
Non-controlling interests	3 049	3 318
Total equity	13 545	14 194
LIABILITIES		
Non-current liabilities		
Interest-bearing borrowings	10 072	12 667
Derivative financial instruments	71	132
Deferred income tax liabilities	1 525	1 670
Provisions and other liabilities	201	468
	11 869	14 937
Current liabilities		
Interest-bearing borrowings	3 452	2 648
Trade and other payables	1 441	1 876
Current income tax liabilities	37	125
	4 930	4 649
Liabilities classified as held for distribution to owners	4 733	–
Total liabilities	21 532	19 586
Total equity and liabilities	35 077	33 780

Condensed consolidated statement of changes in equity

	Ordinary share capital and premium Rm
Balance at 31 March 2017 (audited)	4 576
Total comprehensive income	–
Profit for the year	–
Other comprehensive income	–
Issue of ordinary share capital	1 974
Treasury shares settled	86
Consideration to HPF non-controlling interests in hotels assets	–
Acquisition of non-controlling interests from HPF	–
Consideration to HPF non-controlling interests – Sandton Isle	–
Common control reserve arising on acquisition of Gameco	–
Acquisition activity Gameco	–
Ordinary dividends	–
Balance at 31 March 2018 (audited)	6 636
Total comprehensive income	–
Profit for the year	–
Other comprehensive income	–
Buy-back of ordinary share capital	(65)
Common control reserve arising on acquisition of Kuruman Casino	–
Acquisition of non-controlling interests – Galaxy	–
Ordinary dividends	–
Balance at 31 March 2019 (reviewed)	6 571

Attributable to equity holders of the company

Other reserves Rm	Retained earnings Rm	Total Rm	Non-controlling interests Rm	Total equity Rm
874	5 321	10 771	2 685	13 456
(144)	1 974	1 830	186	2 016
–	1 971	1 971	187	2 158
(144)	3	(141)	(1)	(142)
–	–	1 974	–	1 974
–	–	86	–	86
(37)	–	(37)	1 067	1 030
436	–	436	(436)	–
(15)	–	(15)	15	–
(3 154)	–	(3 154)	–	(3 154)
–	–	–	(38)	(38)
–	(1 015)	(1 015)	(161)	(1 176)
(2 040)	6 280	10 876	3 318	14 194
309	1 564	1 873	62	1 935
–	1 562	1 562	60	1 622
309	2	311	2	313
–	–	(65)	–	(65)
(42)	–	(42)	(18)	(60)
(1)	–	(1)	(1)	(2)
–	(2 145)	(2 145)	(312)	(2 457)
(1 774)	5 699	10 496	3 049	13 545

Segmental analysis

for the year ended 31 March

	Income ⁽¹⁾	
	2019 Rm	2018 Restated ⁽³⁾ Rm
Continuing operations		
Montecasino	2 714	2 625
Suncoast	1 734	1 681
Gold Reef City	1 477	1 497
Silverstar	691	686
Golden Horse	409	397
Emnotweni	368	381
The Ridge	391	381
Hemingways	304	314
Garden Route	245	235
The Caledon	181	177
Mykonos	179	183
Blackrock	170	160
Goldfields	137	135
Galaxy ⁽⁴⁾⁽⁵⁾	855	263
Vukani ⁽⁴⁾⁽⁵⁾	1 559	543
Other gaming operations ⁽⁶⁾	205	184
	11 619	9 842
Discontinued operations⁽⁷⁾		
South African hotels division	3 784	3 799
Offshore hotels division	605	565
<i>Pre-foreign exchange gains</i>		
<i>Foreign exchange gains</i>		
	4 389	4 364
Group, including discontinued operations	16 008	14 206

⁽¹⁾ All revenue and income from gaming and hotel operations is derived from external customers. No one customer contributes more than 10% to the group's total revenue

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

⁽³⁾ Restated for discontinued operations – refer note 3.1 and reallocation between gaming win, other income, gaming VAT and LPM site owners' commissions – refer note 3.2

⁽⁴⁾ Gaming division includes Galaxy and Vukani with effect from 20 November 2017

⁽⁵⁾ Income in Vukani and Ebitdar in Galaxy include R7 million (2018: R6 million) related to gaming machine rentals which are eliminated in other gaming operations

⁽⁶⁾ Corporate entities have been absorbed into gaming operations due to the restructure of the group – refer notes 3.1 and 10

⁽⁷⁾ Discontinued operations – refer note 3.1

Ebitdar ⁽²⁾		Ebitdar margin		Amortisation and depreciation	
2019 Rm	2018 Restated ⁽³⁾ Rm	2019 %	2018 Restated ⁽³⁾ %	2019 Rm	2018 Restated ⁽³⁾ Rm
1 175	1 135	43.3	43.3	104	111
720	752	41.5	44.7	113	84
550	569	37.3	38.0	101	118
210	212	30.4	30.9	82	80
176	177	43.1	44.6	29	31
119	136	32.4	35.7	27	28
144	145	36.9	38.0	30	30
84	97	27.5	30.8	32	38
100	99	40.9	41.9	16	16
49	49	26.9	28.0	10	11
80	86	44.6	47.2	11	11
53	54	31.0	33.6	13	12
35	38	25.8	28.5	11	12
247	69	28.9	26.2	39	12
441	169	28.3	31.1	107	34
(111)	(106)			13	15
4 072	3 681	35.0	37.4	738	643
1 346	1 470	35.6	38.7	259	231
144	120	23.8	21.2	47	38
138	119	22.8	21.1		
6	7				
1 490	1 590	33.9	36.4	306	269
5 562	5 271	34.7	37.1	1 044	912

Revenue from contracts with customers

The group derives revenue over time, together with its hotel customer reward programmes which are recognised as they are redeemed or expire. The accounting policy change is noted in note 2.2. The group has no contract assets. The table below presents revenue by segment which excludes gaming win and other income which are included in the segmental analysis on page 36. Disaggregation of revenue from contracts with customers for the year under review:

Revenue from contracts with customers over time	Rooms revenue Rm	Food and beverage Rm	Other revenue Rm	Revenue from external customers Rm
Continuing operations				
Montecasino	232	172	75	479
Suncoast	32	76	10	118
Gold Reef City	23	83	168	274
Silverstar	10	47	14	71
Golden Horse	22	27	1	50
Emnotweni	57	40	8	105
The Ridge	38	37	9	84
Hemingways	31	33	11	75
Garden Route	6	6	–	12
Mykonos	–	–	1	1
The Caledon	20	23	6	49
Blackrock	19	18	–	37
Goldfields	–	10	1	11
Galaxy	–	73	4	77
Vukani	–	3	–	3
Other gaming operations	–	–	125	125
	490	648	433	1 571
Discontinued operations				
South African hotels	2 346	814	272	3 432
Offshore hotels	386	176	37	599
	2 732	990	309	4 031

Reconciliation to segmental analysis on page 36:

Continuing operations

Revenue from contracts with customers per above	1 571
Property rentals	137
Other income	90
Net gaming win	9 821

Discontinued operations

Revenue from contracts with customers per above	4 031
Property rentals	358
Total income per segmental analysis	16 008

Other revenue comprises mainly revenues from the theme park, the Sandton Convention Centre, cinemas, parking, venue hire and other sundry revenue.

DIRECTORS: JA Copelyn (Chairman)*

J Booyesen (Chief Executive Officer)

RB Huddy (Chief Financial Officer)

MSI Gani** MJA Golding** BA Mabuza

(Lead Independent)** VE Mphande*

JG Ngcobo** Y Shaik*

(*Non-executive Director

**Independent Director)

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