



# TSOGO SUN

Consolidated financial statements  
for the year ended 31 March 2019

  
50  
YEARS

OF HOSPITALITY &  
ENTERTAINMENT

★★★★★





## CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2019

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# Statement of responsibility by the board of directors

for the year ended 31 March 2019

The company's directors are required by the Companies Act of South Africa to maintain adequate accounting records and to prepare financial statements for each financial year which fairly present the state of affairs of the group at the end of the financial year and of the results of operations and cash flows for the year. In preparing the accompanying annual financial statements, the Listings Requirements of the JSE together with International Financial Reporting Standards ('IFRS') have been followed, suitable accounting policies have been used, applied consistently, and reasonable and prudent judgements and estimates have been made. Any changes to accounting policies are approved by the board of directors and the effects thereof are fully explained in the annual financial statements. The annual financial statements incorporate full and responsible disclosure. The directors have oversight for the information included in the integrated annual report and are responsible for both its accuracy and its consistency with the annual financial statements.

The directors have reviewed the group's budgets and cash flow forecasts for the year to 31 March 2020. On the basis of this review, and in light of the current financial position and existing borrowing facilities, the directors are satisfied that the group is a going concern and they have accordingly adopted the going concern basis in preparing the annual financial statements. The group's independent auditors, PricewaterhouseCoopers Inc., have audited the annual financial statements and their unqualified report appears on page 06. PricewaterhouseCoopers Inc. was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

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

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

The effectiveness of the internal financial control systems is monitored through management reviews, comprehensive reviews and testing by internal auditors and the independent auditors' testing of appropriate aspects of the internal financial control systems during the course of their statutory examinations of the company and the underlying subsidiaries.

## COMPETENCE OF THE COMPANY SECRETARY

The board of directors has also considered and satisfied itself of the appropriateness of the competence, qualifications and expertise of the Company Secretary, Mr GD Tyrrell. The board of directors confirms that Mr Tyrrell is not a director of the company, he reports directly to the Chief Executive Officer ('CEO') and therefore he is considered to maintain an arm's-length relationship with the board of directors.

# Directors' approval of the annual financial statements

for the year ended 31 March 2019

The preparation of the financial statements set out on page 04 to page 86 has been supervised by the Chief Financial Officer ('CFO'), RB Huddy CA(SA). These annual financial statements were approved by the board of directors on 25 July 2019 and are signed on its behalf by:



**CG du Toit**  
Chief Executive Officer



**RB Huddy**  
Chief Financial Officer

# Declaration by the Company Secretary

In terms of section 88(2)(e) of the Companies Act of South Africa ('the Act'), I confirm that for the year ended 31 March 2019, Tsogo Sun Holdings Limited has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Act and that all such returns and notices are true, correct and up to date.



**GD Tyrrell**  
Company Secretary

25 July 2019

# Report of the audit and risk committee

for the year ended 31 March 2019

## COMMITTEE MANDATE AND TERMS OF REFERENCE

In terms of the Companies Act of South Africa, the committee reports that it has adopted formal terms of reference, and that it has discharged all of its responsibilities for the year in compliance with the terms of reference.

## STATUTORY DUTIES

The committee is satisfied that in respect of the financial year it has performed all the functions required by law to be performed by an audit and risk committee, including as set out in section 94 of the Companies Act of South Africa and in terms of the committee's terms of reference and as set out in the corporate governance report. In this connection, and with specific regard to the preparation of the annual financial statements, the committee has:

- evaluated the independence and effectiveness of the external auditors, PricewaterhouseCoopers Inc., and is satisfied that the external auditors are independent of the group having given due consideration to the parameters enumerated under section 92 of the Companies Act of South Africa. The committee evaluated and is satisfied that both the audit firm and the individual auditor are suitable for appointment, as contemplated in terms of paragraph 22.15(h) of the Listings Requirements of the JSE. The committee accordingly nominates PricewaterhouseCoopers Inc. as independent auditors to continue in office. Mr P Calicchio is the individual registered auditor and member of the foregoing firm who undertakes the audit. PricewaterhouseCoopers Inc. has been the auditors of the group for 50 years, with the rotation of the designated audit partner during 2018;
- ensured and satisfied itself that the appointments of the external auditors, the designated auditor and IFRS adviser are in compliance with the Companies Act of South Africa, the Auditing Profession Act, 2005 and the Listings Requirements of the JSE;
- evaluated and is satisfied with the quality of the external audit and reports issued by the external auditors;
- considered and pre-approved all material audit and non-audit services provided by the external auditors, ensuring that the independence of the external auditors is not compromised;
- reviewed and assessed the group's risk identification, measurement and control systems and their implementation;
- reviewed and approved the group accounting policies (refer note 1 to the annual financial statements);
- considered all significant transactions and accounting matters that occurred during the year and evaluated whether the accounting treatment is in terms of IFRS;
- considered the impact of auditing, regulatory and accounting developments during the year, particularly the implications of new standards that became effective during the year;
- evaluated and is satisfied with the implementation of the combined assurance framework and plan;
- evaluated and is satisfied with the effectiveness of the Chief Audit Executive and the outsourced internal audit function;
- considered the outsourced internal audit service provider and is satisfied with their independence and ability to effectively complete the internal audit plan;
- reviewed the written assessment of internal audit on the design, implementation and effectiveness of the internal financial controls, in addition to the findings noted by the external auditors during the course of their annual audit in support of their annual audit opinion. Based on these results, the committee is of the opinion that the internal financial controls provide reasonable assurance that financial records may be relied upon for the preparation of reliable annual financial statements; and
- dealt with concerns or complaints relating to accounting practices and internal audit of the group, the content or auditing of the group's financial statements, the internal financial controls of the group, or any other related matter.

## COMPETENCE OF THE CHIEF FINANCIAL OFFICER

The committee has also considered and satisfied itself of the appropriateness of the expertise and experience of the Chief Financial Officer, Mr RB Huddy, and the finance function.

## RECOMMENDATION OF THE ANNUAL FINANCIAL STATEMENTS

The committee has evaluated the consolidated financial statements of Tsogo Sun Holdings Limited for the year ended 31 March 2019 and based on the information provided to the committee, the committee recommends the adoption of the annual financial statements by the board.



**MSI Gani**

*Chairperson: Audit and risk committee*

25 July 2019

# Directors' report

for the year ended 31 March 2019

## 1. NATURE OF BUSINESS

The company is a South African incorporated public company listed on the Johannesburg Stock Exchange ('JSE') engaged principally in the hotels and gaming industry. There have been no material changes in the nature of the group's business from the prior year other than the hotel business reclassified as held for distribution to owners as mentioned in notes 44 and 57.2 to the consolidated annual financial statements – refer to note 6 below.

## 2. STATE OF AFFAIRS AND PROFIT FOR THE YEAR

The financial results of the group for the year are set out in the consolidated annual financial statements and accompanying notes thereto. The group profit after tax for the year under review from continuing operations amounted to R1.7 billion (2018: R1.5 billion) and from discontinued operations, a loss of R59 million (2018: R660 million profit). No company annual financial statements have been presented as the company mostly transacts with group companies and would therefore present no significant additional information not already included in the consolidated annual financial statements.

## 3. SUBSEQUENT EVENTS

Refer note 57 of the consolidated annual financial statements for events occurring after the balance sheet date. The directors are not aware of any other matter or circumstance arising since the end of the financial year and up to the date of these annual financial statements, not otherwise dealt with within the financial statements, that would affect the operations or results of the group significantly.

## 4. OTHER SIGNIFICANT TRANSACTIONS

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

### 4.1 Suncoast Casino and Entertainment World expansion and refurbishment

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.

### 4.2 Gaming machine and expansion-related expenditure for Galaxy and Vukani

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.

### 4.3 Replacement capex spend

The group invested R558 million on replacement capex, ensuring our assets remain best in class.

## 5. SHARE CAPITAL

During the year under review, the company embarked on a share buy-back programme – refer note 31 for further details. Also, subsequent to the balance sheet date, the company cancelled all treasury shares with the exception of the shares held by the Gold Reef Share Scheme Trust of 408 615 shares – refer note 31.

The company's authorised but unissued ordinary share capital was placed under the control of the directors until the forthcoming Annual General Meeting ('AGM'). The board of directors has the authority to allot and issue any shares required to be issued for the purpose of carrying out the terms in accordance with the provisions of any share-based incentive scheme established by the company subject to section 38 of the Companies Act of South Africa and the Listings Requirements of the JSE, during the period of two years commencing on the date of the adoption of the special resolution, dated 18 October 2018. The board of directors has also been given, in terms of the Listings Requirements of the JSE, the authority to acquire ordinary shares issued by the company and shall be valid until the company's next AGM, or 15 months from the date of the passing of this special resolution, whichever period is the shorter. The board of directors has been authorised to determine the preferential rights attaching to the future issue of preference shares (subject to the approval of the JSE).

## 6. DIVIDENDS

An interim dividend of 132.0 (one hundred and thirty-two) cents per share was paid to shareholders on 10 December 2018 in respect of the year ended 31 March 2019.

Subsequent to year end, on 22 May 2019, the board of directors 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 was declared in South African currency and was payable to shareholders recorded in the register of the company at close of business on Friday, 14 June 2019. The number of ordinary shares in issue at the date of this declaration was 1 056 059 913 (excluding treasury shares of 45 592 448). The dividend was subject to a local dividend tax rate of 20%, which resulted in a net dividend of 44.8 cents per share to those shareholders who were 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 were applicable:

	<b>2019</b>
Last date to trade <i>cum</i> dividend	Tuesday, 11 June
Shares trade <i>ex</i> dividend	Wednesday, 12 June
Record date	Friday, 14 June
Payment date	Tuesday, 18 June

Also subsequent to year end, on 23 May 2019, the company declared a distribution in specie of all the ordinary shares held by the company in Tsogo Sun Hotels Limited ('THL shares') to the shareholders of Tsogo Sun in the ratio of one THL share for every Tsogo Sun share held, in terms of section 46 of the South African Companies Act, 71 of 2008, as amended and section 46 of the Income Tax Act, 58 of 1962, as amended – refer note 44 for more detail.

## **7. ASSOCIATES, JOINT VENTURES AND SUBSIDIARIES**

Refer notes 22 and 23 of the consolidated annual financial statements for details of associates and joint ventures respectively, note 58 of the consolidated annual financial statements for details of subsidiary companies with material non-controlling interests and note 59 to the consolidated annual financial statements for details of subsidiaries.

## **8. DIRECTORATE**

The directorate during the year under review was as follows:

### **Non-executive**

JA Copelyn<sup>(1)</sup> (Chairman)

VE Mphande

Y Shaik<sup>(1) (3)</sup>

### **Independent non-executive**

BA Mabuza<sup>(1) (2) (3)</sup> (Lead independent)

MSI Ganj<sup>(1) (2) (3)</sup>

MJA Golding

JG Ngcobo<sup>(1) (2) (3)</sup> – resigned 31 May 2019

RD Watson<sup>(1) (2) (3)</sup> – appointed to the board 1 June 2019

### **Executive**

J Booyesen (CEO) – retired 30 June 2019

CG du Toit (CEO) – appointed to the board 1 June 2019 and as CEO 1 July 2019

RB Huddy (CFO)

<sup>(1)</sup> Remuneration committee

<sup>(2)</sup> Audit and risk committee

<sup>(3)</sup> Social and ethics committee

## **9. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS**

Refer note 49.3 of the consolidated annual financial statements for details of the group's key management compensation.

## **10. COMPANY SECRETARY**

The secretary of the company is Mr GD Tyrrell. Mr Tyrrell's business and postal addresses, which are also the company's registered addresses, are set out below:

Business address:

Palazzo Towers East

Montecasino Boulevard, Fourways, 2055

Postal address:

Private Bag X200

Bryanston, 2021

## **11. AUDITORS**

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90 of the Companies Act of South Africa until the forthcoming AGM.

## **12. MAJOR SHAREHOLDERS AND SHAREHOLDER ANALYSIS**

The company's ultimate majority shareholder is HCI (a company listed on the JSE) which, at the balance sheet date, directly and indirectly owned 49.3% (2018: 51.2%) of the company's issued share capital (excluding treasury shares). HCI directly owned 9.7% (2018: 7.8%) and is the majority shareholder of TIHC Investments (RF) Proprietary Limited ('TIHC') and TIHC directly owned 39.3%. HCI is also the majority shareholder of Tsogo Investment Holding Company Proprietary Limited ('TIH'), which, in the prior year, TIH held 43.4% (nil at 31 March 2019). These percentage shareholdings exclude treasury shares.

# Independent auditor's report

To the shareholders of Tsogo Sun Holdings Limited

## Report on the audit of the consolidated financial statements

### OUR OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Tsogo Sun Holdings Limited (the Company) and its subsidiaries (together the Group) as at 31 March 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### What we have audited

Tsogo Sun Holdings Limited's consolidated financial statements set out on pages 12 to 85 comprise:

- the consolidated balance sheet as at 31 March 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

### Independence

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

### OUR AUDIT APPROACH

#### Overview

	<b>Overall group materiality</b> <ul style="list-style-type: none"><li>• Overall group materiality: R116 million which represents 5% of consolidated profit before income tax from continuing operations</li></ul>
	<b>Group audit scope</b> <ul style="list-style-type: none"><li>• The Group has gaming and related entertainment operations in South Africa and hotel operations in Africa, the Middle East and the United Kingdom. The Group further has centralised functions and holding companies domiciled in South Africa and Mauritius.</li><li>• We performed full scope audits, in accordance with determined materiality, on all significant components in terms of their financial significance and risk to the Group results and on all components with centralised functions.</li><li>• Remaining components are not considered to be significant to the Group and analytical procedures have been performed on these components.</li></ul>
	<b>Key audit matters</b> <ul style="list-style-type: none"><li>• Valuation of investment properties at year end</li><li>• Goodwill and indefinite life intangible assets impairment assessment related to the gaming division business</li><li>• Valuation of the investment in Sunwest and Worcester Casino</li></ul>



As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<b>Overall group materiality</b>	R116 million
<b>How we determined it</b>	5% of consolidated profit before income tax from continuing operations.
<b>Rationale for the materiality benchmark applied</b>	<p>We chose profit before income tax from continuing operations as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.</p> <p>We chose 5%, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.</p>

### How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group has gaming and related entertainment operations in South Africa and hotel operations in Africa, the Middle East and the United Kingdom. The Group further has centralised functions and holding companies domiciled in South Africa and Mauritius.

The Group financial statements are a consolidation of the Group's operating businesses, holding companies and centralised functions. We performed full scope audits, in accordance with determined materiality, on all significant components in terms of their financial significance and risk to the Group results and on all components with centralised functions.

We ensured that the teams at all levels, including both Group and operational levels, included the appropriate skills and competencies required for the audit of a gaming and hotels operator, including industry specific knowledge as well as specialists and experts such as Information Technology Audit, actuarial, tax and valuation specialists.

We determined the level of involvement needed in the audit work of PwC component auditors and other auditors operating under our instructions to be satisfied that sufficient audit evidence was obtained for purposes of our opinion. We maintained regular communication with local audit teams throughout the year and maintained group involvement at operational levels.

Further audit procedures were performed by the Group audit engagement team, including substantive procedures over the consolidation process. The work performed at operational levels as well as the procedures performed at the Group level, provided us with sufficient evidence to express an opinion on the consolidated financial statements as a whole.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent auditor's report continued

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of investment properties at year end</b></p> <p>The majority of the Group's investment properties comprise hotel properties. At 31 March 2019, the carrying value of the Group's total investment property portfolio amounted to R5.4 billion representing a R112 million decrease compared to the prior year. The R5.4 billion balance comprises R486 million classified as a part of investment properties and R4,881 million included in the balance of assets classified as held for distribution to owners on the consolidated balance sheet.</p> <p>This overall decrease comprises a decrease in the fair value of the investment properties of R453 million offset by an increase of R189 million in capital expenditure capitalised, a transfer from property, plant and equipment of R310 million and a R66 million increase due to the Kopanong property no longer being classified as held for sale and now included as part of investment property.</p> <p>Refer to the following accounting policies and notes to the financial statements for details:</p> <ul style="list-style-type: none"> <li>• Summary of significant accounting policies (g): Investment property;</li> <li>• Summary of significant accounting policies (o): Assets and liabilities classified as held for distribution to owners;</li> <li>• Critical accounting estimates and judgements (b): Investment property;</li> <li>• Note 19: Investment property; and</li> <li>• Note 44: Discontinued operations.</li> </ul> <p>The Group's accounting policy is to measure investment properties (including investment properties contained within assets classified as held for distribution to owners) at fair value using the discounted cash flow approach. The investment properties have been classified as level 3 fair value measurements in accordance with the fair value measurement hierarchy as per IFRS 13 'Fair Value Measurement'. The value of investment properties is dependent on the operating results of the respective hotel operations and the inputs into the valuation model.</p> <p>Among others, the following assumptions are key in determining the fair value:</p> <ul style="list-style-type: none"> <li>• The discount rate applied by management. Factors such as prevailing market conditions and country-specific risks directly impact fair values and are taken into account in the calculation of the discount rate by using a risk premium;</li> <li>• Vacancy rate;</li> <li>• Forecasted net cash flows for the first 5 years; and</li> <li>• The expected growth rate in the cash flows from year 5 onwards, which drives the terminal capitalisation rate.</li> </ul> <p>The valuation accounting policy applied during the year requires properties to be externally valued by a qualified real estate appraiser ('the appraiser'). In the current year R5.2 billion of the balance at year end was valued by external valuers which represents 96.3% of the total fair value of investment properties at year end.</p> <p>We considered the valuation of the investment properties to be a matter of most significance to our current year audit due to the following:</p> <ul style="list-style-type: none"> <li>• significant judgements made by management (through the use of their management expert) in determining the net forecasted cash flows, terminal capitalisation and discount rates; and</li> <li>• the magnitude of the balance of the investment properties recorded in the consolidated balance sheet at 31 March 2019.</li> </ul>	<p>We tested capital expenditure incurred and capitalised on existing investment properties, by agreeing the consideration amounts capitalised to supporting documents, in order to determine whether the capitalisation criteria had appropriately been met. No exceptions were noted.</p> <p>We updated our understanding of and tested the relevant controls related to the budgeting process, which included controls in relation to the following:</p> <ul style="list-style-type: none"> <li>• the entering and amending of leases in support of contractual rental income;</li> <li>• the setting and approval of budgets by the Group; and</li> <li>• board approval of the valuations obtained.</li> </ul> <p>In respect of the appraiser (management's expert), we:</p> <ul style="list-style-type: none"> <li>• considered the appraiser's objectivity, independence and expertise by inspecting the external appraiser's valuation reports for a statement of independence and compliance with generally accepted valuation standards; and</li> <li>• confirmed the external appraiser's affiliation with the relevant professional body.</li> </ul> <p>No exceptions were noted in the above procedures performed.</p> <p>We performed the following procedures on a representative sample of the population:</p> <ul style="list-style-type: none"> <li>• we assessed the reasonableness of the forecasted net cash flows relating to each selected hotel operation against prior year actual results; and</li> <li>• we assessed the forecasted net cash flows for reasonability.</li> </ul> <p>For all of the externally valued properties, we independently tested the calculation of the fair values in the appraiser's valuation reports by performing the following procedures:</p> <ul style="list-style-type: none"> <li>• utilising our internal property valuation expertise, we assessed the appropriateness of the valuation methodology used;</li> <li>• we assessed the reasonableness of the growth, terminal capitalisation and discount rates used in the valuations by independently calculating a range of rates which would be considered reasonable;</li> <li>• we independently recalculated the valuations for mathematical accuracy; and</li> <li>• we agreed the fair values in the final valuation reports to the fair values recorded in the group's accounting records.</li> </ul> <p>No material exceptions were noted in the above procedures performed.</p> <p>For purposes of presentation and disclosure, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>• we agreed the movement in investment properties balance to the results of the detailed testing performed as noted above;</li> <li>• we agreed the assumptions disclosed in Note 19 to the assumptions used in the detailed valuation workings;</li> <li>• we agreed the amount transferred to held for distribution and the fair value move included in discontinued operations to the underlying workings of the held for distribution group; and</li> <li>• we reperformed the sensitivity analysis disclosed in the above note.</li> </ul> <p>No material exceptions were noted in the above procedures performed.</p>

## Key audit matter

## How our audit addressed the key audit matter

### Goodwill and indefinite life intangible assets impairment assessment related to the gaming division business

The Group recognised goodwill arising from business combinations undertaken in prior years, of which an amount of R1.8 billion relates to the gaming division as at year end. Due to the nature of the gaming division business, the Group also has a significant amount of indefinite life intangible assets related to the casino licences and bid costs amounting to R4.3 billion as at the reporting date.

Goodwill and indefinite useful life intangible assets are tested annually for impairment at 31 March.

To determine recoverable amounts of the casino cash generating units ('CGUs'), management used the 'value in use' methodology. Management applied a discounted cash flow analysis for each of the individual CGUs, being the individual casinos. Significant estimates and judgements were applied by management when performing these calculations to determine whether any impairment is required. The key assumptions applied in the valuation models for the casinos were the EBITDAR margin, the discount rate and the long-term growth rate.

Management concluded based on its impairment assessments performed that as at the reporting date no impairment was required to be recognised on goodwill relating to the gaming division nor on the casino licences indefinite life intangible asset. An impairment charge of R1 million relating to the bid costs indefinite life intangible assets was recognised in profit or loss.

The impairment assessment is considered to be a matter of most significance to the current year audit due to the following:

- The significant judgements made by management regarding the EBITDAR margin, long-term growth rate and discount rate used to perform the impairment assessment; and
- The magnitude of goodwill and indefinite lived intangible assets which in aggregate amount to approximately 17.6% of the Group's total assets.

These matters are disclosed in the following notes to the financial statements:

- Note 20: Goodwill;
- Note 21: Other intangible assets; and
- Note 2: Critical accounting estimates and judgements (c), Estimated impairment of goodwill and indefinite lived intangible assets.

### Valuation of the investment in SunWest and Worcester Casino

During the 2017 financial year 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 both Sunwest International Proprietary Limited ('SunWest') and Worcester Casino Proprietary Limited ('Worcester').

The investment in each entity is recognised as an equity instrument measured at fair value through other comprehensive income in accordance with IFRS 9, 'Financial Instruments' ('IFRS 9'). The investments have been classified as level 3 fair value measurements in accordance with the fair value measurement hierarchy as per IFRS 13 'Fair Value Measurement', using unobservable inputs, and have been re-measured at each reporting date with the fair value movements recognised in other comprehensive income.

Management's cash flow forecasts used in the impairment models were agreed to the latest five-year strategic plan, which had been presented to and approved by the board of directors. We compared the current year actual results to the 2019 financial year figures included in the prior year forecast to consider whether the forecasts included assumptions that, with hindsight, had been optimistic. We found management cash flow forecasts to be consistent with the historical actual results. Based on the outcome of these procedures, management's assumptions and conclusions in respect of the future cash flows applied in the impairment model are considered reasonable.

The long-term growth rate was compared to forecast industry trends and to management's past forecast history and was found to be consistent and within an acceptable range of long-term growth rates.

We utilised our internal valuation expertise to independently recalculate a discount rate for the Group taking into account independently obtained data such as the cost of debt, risk free rates in the market, market risk premiums, debt/equity ratios as well as the beta of comparable companies; and this was compared to the discount rate used by management. We further independently performed the discounted cash flow calculation using the independently determined discount rate, and we found that management's valuation was within an acceptable range of our independent calculation.

We performed sensitivity analysis by adjusting the discount rates, the annual growth rates, the long-term growth rates and forecasted net cash flows for each CGU to determine the degree by which these key assumptions needed to change in order to trigger an impairment. Based on such independent calculations performed, there was still sufficient headroom between the carrying amount and the recalculated recoverable amount for all CGUs relating to goodwill and casino licences.

We utilised our internal valuation expertise to independently recalculate a discount rate taking into account independently obtained data such as the cost of debt, risk free rates in the market, market risk premiums, debt/equity ratios as well as the beta of comparable companies; and this was compared to the discount rates used by management. Our internal valuation expertise further independently performed the discounted cash flow calculation using the internally calculated discount rate, upon which we found management's valuation to be within an acceptable range of our independent calculation.

# Independent auditor's report continued

Key audit matter	How our audit addressed the key audit matter
<p>Management used a discounted cash flow valuation model to estimate the fair values of these investments. The expected cash flows have been discounted using a risk-adjusted discount rate.</p> <p>The fair value of these investments amounted to R1.3 billion as at 31 March 2019. Management recognised a fair value loss of R9 million in other comprehensive income during the year under review.</p> <p>The valuation of the investments is considered to be a matter of most significance to the current year audit due to the significant judgements made by management regarding the discount rates, expected gaming win and operating costs growth rate and the terminal growth rate included in the valuation calculation.</p> <p>These matters are disclosed in the following notes to the financial statements:</p> <ul style="list-style-type: none"><li>• Note 24: Financial assets at fair value through other comprehensive income; and</li><li>• Note 2: Critical accounting estimates and judgements (d), Fair value of financial instruments that are not traded in an active market.</li></ul>	<p>We compared the current year actual published results for these entities to the 2019 financial year figures included in the prior year forecast to consider whether the forecasts included assumptions that, with hindsight, had been optimistic. We found management's historical cash flow forecasts to be consistent with the current year actual results.</p> <p>The terminal growth rates and gaming win growth rates were compared to current industry trends and to management's past forecast history for similar operations which were found to be consistent as well as within an acceptable range of independently determined growth rates.</p>

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Tsogo Sun consolidated financial statements for the year ended 31 March 2019", the document titled "Tsogo Sun Holdings Limited annual financial statements for the year ended 31 March 2019"; and the document titled "Tsogo Sun Integrated annual report 2019", which includes the Directors' Report, the Report of the Audit and Risk Committee and the Declaration by the Company Secretary as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Tsogo Sun Holdings Limited for 50 years.



**PricewaterhouseCoopers Inc.**

*Director: P Calicchio*

*Registered Auditor*

Johannesburg

25 July 2019

# Consolidated income statement

for the year ended 31 March

	Notes	2019 Rm	2018 Restated <sup>(1)</sup> Rm
<b>CONTINUING OPERATIONS</b>			
Net gaming win	1(u)	9 821	8 124
Rooms revenue	7	490	473
Food and beverage revenue	7	648	592
Other revenue	7	433	520
Property rental income	1(v)	137	133
Other income	8	90	–
<b>Income</b>		<b>11 619</b>	9 842
Gaming levies and Value Added Tax	9	(2 145)	(1 704)
Property and equipment rentals	10	(291)	(177)
Amortisation and depreciation	11	(738)	(643)
Employee costs	12	(2 327)	(2 096)
Other operating expenses	13	(2 981)	(2 453)
Fair value adjustment of investment properties	19	(8)	(4)
<b>Operating profit</b>		<b>3 129</b>	2 765
Finance income	14	333	332
Finance costs	15	(1 144)	(1 010)
Share of profit of associates	22	7	8
<b>Profit before income tax</b>		<b>2 325</b>	2 095
Income tax expense	16	(644)	(597)
<b>Profit for the year from continuing operations</b>		<b>1 681</b>	1 498
(Loss)/profit for the year from discontinued operations	44	(59)	660
<b>Profit for the year</b>		<b>1 622</b>	2 158
<b>Profit attributable to:</b>			
Equity holders of the company		1 562	1 971
Non-controlling interests		60	187
		<b>1 622</b>	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	4	147.6	198.3

The accounting policies and notes on page 17 to page 85 form an integral part of these consolidated financial statements.

<sup>(1)</sup> Restated for discontinued operations – refer note 44 and a reallocation between gaming win, other income, gaming VAT and LPM site owners' commissions – refer note 45

# Consolidated statement of comprehensive income

for the year ended 31 March

	2019 Rm	2018 Restated <sup>(1)</sup> Rm
<b>Profit for the year</b>	<b>1 622</b>	2 158
<b>Other comprehensive income for the year, net of tax</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>	<b>217</b>	(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
<b>Items that may not be reclassified subsequently to profit or loss:</b>	<b>96</b>	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)
<b>Total comprehensive income for the year</b>	<b>1 935</b>	2 016
<b>Total comprehensive income attributable to:</b>		
Equity holders of the company	<b>1 873</b>	1 830
Non-controlling interests	<b>62</b>	186
	<b>1 935</b>	2 016
<b>Total comprehensive income attributable to equity holders:</b>		
Continuing operations	<b>1 778</b>	1 422
Discontinued operations	<b>95</b>	408
	<b>1 873</b>	1 830

The accounting policies and notes on page 17 to page 85 form an integral part of these consolidated financial statements.

<sup>(1)</sup> Restated for discontinued operations – refer note 44

# Consolidated balance sheet

as at 31 March

	Notes	2019 Rm	2018 Rm
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	18	9 154	16 038
Investment properties	19	486	5 255
Goodwill	20	1 793	2 134
Other intangible assets	21	4 382	4 373
Investments in associates	22	35	513
Investments in joint ventures	23	–	128
Financial assets at FVOCI	24	1 266	–
Available-for-sale financial assets	24	–	1 275
Non-current receivables	25	34	66
Derivative financial instruments	34	3	–
Deferred income tax assets	26	43	142
		<b>17 196</b>	29 924
<b>Current assets</b>			
Inventories	27	75	119
Trade and other receivables	28	577	857
Current income tax assets		57	36
Cash and cash equivalents	29	2 541	2 778
		<b>3 250</b>	3 790
Non-current assets held for sale	30	–	66
Assets classified as held for distribution to owners	44	14 631	–
		<b>17 881</b>	3 856
<b>Total assets</b>		<b>35 077</b>	33 780
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the company</b>			
Ordinary share capital and premium	31	6 571	6 636
Other reserves	32	(1 774)	(2 040)
Retained earnings		5 699	6 280
Total shareholders' equity		<b>10 496</b>	10 876
Non-controlling interests		<b>3 049</b>	3 318
<b>Total equity</b>		<b>13 545</b>	14 194
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing borrowings	33	10 072	12 667
Derivative financial instruments	34	71	132
Deferred income tax liabilities	26	1 525	1 670
Post-employment benefit liability		–	1
Deferred revenue	35	–	31
Long-term incentive liabilities	36	4	27
Provisions	37	125	172
Other non-current liabilities	38	72	237
		<b>11 869</b>	14 937
<b>Current liabilities</b>			
Interest-bearing borrowings	33	3 452	2 648
Trade and other payables	39	1 441	1 876
Current income tax liabilities		37	125
		<b>4 930</b>	4 649
Liabilities classified as held for distribution to owners	44	4 733	–
<b>Total liabilities</b>		<b>21 532</b>	19 586
<b>Total equity and liabilities</b>		<b>35 077</b>	33 780

The accounting policies and notes on page 17 to page 85 form an integral part of these consolidated financial statements.



# Consolidated statement of changes in equity

for the year ended 31 March

	Notes	Attributable to equity holders of the company					Total equity Rm
		Ordinary share capital and premium Rm	Other reserves <sup>(1)</sup> Rm	Retained earnings Rm	Total Rm	Non-controlling interests Rm	
<b>Balance at 1 April 2017</b>		4 576	874	5 321	10 771	2 685	13 456
Total comprehensive income		–	(144)	1 974	1 830	186	2 016
Profit for the year		–	–	1 971	1 971	187	2 158
Cash flow hedges net of tax		–	(60)	–	(60)	(1)	(61)
Currency translation adjustments		–	(86)	–	(86)	–	(86)
Fair value measurement of available-for-sale financial assets, net of tax		–	2	–	2	–	2
Remeasurements of post-employment defined benefit liability, net of tax		–	–	3	3	–	3
Issue of ordinary share capital		1 974	–	–	1 974	–	1 974
Treasury shares settled		86	–	–	86	–	86
Consideration to HPF non-controlling interests in hotel assets		–	(37)	–	(37)	1 067	1 030
Acquisition of non-controlling interests from HPF		–	436	–	436	(436)	–
Consideration to HPF non-controlling interests – Sandton Isle		–	(15)	–	(15)	15	–
Common control reserve arising on acquisition of Gameco		–	(3 154)	–	(3 154)	–	(3 154)
Acquisition activity of Gameco		–	–	–	–	(38)	(38)
Ordinary dividends		–	–	(1 015)	(1 015)	(161)	(1 176)
<b>Balance at 31 March 2018</b>		6 636	(2 040)	6 280	10 876	3 318	14 194
Total comprehensive income		–	309	1 564	1 873	62	1 935
Profit for the year		–	–	1 562	1 562	60	1 622
Cash flow hedges, net of tax		–	45	–	45	1	46
Currency translation adjustments		–	170	–	170	1	171
Revaluation of owner occupied property, net of tax		–	101	–	101	–	101
Fair value measurement of equity instruments at FVOCI, net of tax		–	(7)	–	(7)	–	(7)
Remeasurements of post-employment defined benefit liability, net of tax		–	–	2	2	–	2
Buy-back of ordinary share capital	31	(65)	–	–	(65)	–	(65)
Acquisition of Kuruman Casino	46	–	(42)	–	(42)	(18)	(60)
Acquisition of non-controlling interests – Galaxy	48	–	(1)	–	(1)	(1)	(2)
Ordinary dividends	17	–	–	(2 145)	(2 145)	(312)	(2 457)
<b>Balance at 31 March 2019</b>		6 571	(1 774)	5 699	10 496	3 049	13 545

The accounting policies and notes on page 17 to page 85 form an integral part of these consolidated financial statements.

<sup>(1)</sup> Refer note 32 for details of other reserves

# Consolidated cash flow statement

for the year ended 31 March

	Notes	2019 Rm	2018 Restated <sup>(1)</sup> Rm
<b>Cash flows from operating activities</b>			
Cash generated from operations	40	3 769	3 123
Finance income		323	332
Finance costs		(1 137)	(1 010)
Income tax paid	41	(559)	(586)
Dividends paid to shareholders	42	(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
<b>Cash flows from investment activities</b>			
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
Additions to investment properties		(30)	(26)
Purchase of intangible assets		(17)	(11)
Common control acquisitions, net of cash acquired	46	4	(1 542)
Acquisition of business – intellectual property	47	(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)
<b>Cash flows from financing activities</b>			
Borrowings raised	43	1 590	4 005
Borrowings repaid	43	(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)
<b>Cash and cash equivalents at end of the year, net of bank overdrafts</b>	29	<b>824</b>	1 071
Included in cash and cash equivalents per the balance sheet	29	612	846
Included in the assets of the held for distribution group	29, 44	212	225
		<b>824</b>	1 071

The accounting policies and notes on page 17 to page 85 form an integral part of these consolidated financial statements.

<sup>(1)</sup> Restated for discontinued operations – refer note 44

# Notes to the consolidated financial statements

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated annual financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

### (a) Basis of preparation

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and Interpretations as issued by the IFRS Interpretations Committee, and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council ('FRSC'), the Listings Requirements of the JSE and the requirements of the South African Companies Act, No 71 of 2008 and have been prepared under the historical cost convention, as modified by the revaluation to fair value of certain financial instruments and investment property as described in the accounting policies below.

### (b) 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 and amended accounting policies are discussed below. No other pronouncements had any material impact on the group.

#### (i) 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') in terms of IFRS 9 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 the FVOCI reserve 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.

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
<b>Balance sheet extract</b>			
<i>Non-current assets</i>			
Available-for-sale financial assets	1 275	(1 275)	–
Financial assets at FVOCI	–	1 275	<b>1 275</b>
<b>Other reserves extract</b>			
<i>Other reserves</i>			
Available-for-sale investments fair value reserve	(9)	9	–
Financial assets at FVOCI reserve	–	(9)	<b>(9)</b>

# Notes to the consolidated financial statements continued

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### (b) New and amended standards adopted by the group continued

#### (i) IFRS 9 Financial Instruments continued

##### *Hedge accounting*

The new hedge accounting rules 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 impact on the group's previously reported financial statements.

##### *Impairment of financial assets*

IFRS 9 replaces the 'incurred loss' model in IAS 39 *Financial Instruments: Recognition and Measurement*, 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.

#### (ii) 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, with the exception of food and beverage which is derived at a point in time, together with its hotel customer reward programmes for which revenue is recognised as the awards are redeemed or expire. The group has no contract assets. The adoption of IFRS 15 did 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 IFRS 9, 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.

### (c) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the group's CEO and the group executive committee ('GEC'). The group's CEO and the GEC review the group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the group's CEO and GEC which are used to allocate resources and make strategic decisions.

### (d) Basis of consolidation and business combinations

The consolidated financial statements include the financial information of subsidiary, associate and joint venture entities owned by the group.

#### (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the financial statements from the date control commences until the date control ceases. Increases in fair value of assets that occur on the group obtaining control, for nil consideration, of an entity previously accounted for as an associate or joint venture is transferred to a reserve called 'Surplus arising on change in control'.

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

Control exists where the group has the ability to direct or dominate decision-making in an entity, regardless of whether this power is actually exercised.

Goodwill arising on consolidation represents the excess of the costs of acquisition over the group's interest in the fair value of the identifiable assets (including intangibles), liabilities and contingent liabilities of the acquired entity at the date of acquisition. Where the fair value of the group's share of separable net assets acquired exceeds the fair value of the consideration, the difference is recognised immediately in profit or loss.

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

### (d) Basis of consolidation and business combinations *continued*

#### (ii) *Transactions with non-controlling interests*

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests and direct costs incurred in respect of transactions with non-controlling interests are also recorded in equity.

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

#### (iii) *Associates and joint ventures*

Associates are entities over which the group has directly or indirectly significant influence but not control, generally accompanying a shareholding of 20% to 50%, where significant influence is the ability to influence the financial and operating policies of the entity. A joint venture is an entity over which the group contractually shares control with one or more partners.

Investments in associates and joint ventures are accounted for using the equity method of accounting.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

The net investment in an associate or joint venture is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated.

#### (iv) *Goodwill*

Goodwill is stated at cost less impairment losses and is reviewed for impairment on an annual basis. Any impairment identified is recognised immediately in profit or loss and is not subsequently reversed.

Goodwill is allocated to cash-generating units ('CGUs') for the purpose of impairment testing. Each of those CGUs is identified in accordance with the basis on which the businesses are managed from both a business type and geographical basis.

#### (v) *Common control acquisitions*

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

A transaction deemed to be a transaction under common control consequently falls outside the scope of IFRS 3 *Business Combinations*. The group's accounting policy is to apply predecessor accounting to common control transactions. Common control accounting is applied 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.

### (e) Foreign currency translation

#### (i) *Functional and presentation currency*

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

#### (ii) *Transactions and balances*

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

# Notes to the consolidated financial statements continued

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### (e) Foreign currency translation continued

#### (iii) Foreign subsidiaries, associates and joint ventures – translation

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

### (f) Property, plant and equipment

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

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

Assets' residual values and useful lives are reviewed by management and adjusted, if appropriate, at each balance sheet date and triennially independent valuations of land and buildings are completed by external valuers. Land and buildings comprise mainly hotels and casinos.

#### (i) Assets in the course of construction

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

#### (ii) Depreciation

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

Freehold properties	20 – 50 years
Leasehold buildings improvements	Shorter of the lease term or 50 years
Casino equipment	4 – 10 years*
Computer equipment and software	2 – 10 years*
Furniture, fittings and other equipment	3 – 15 years*
Vehicles	5 years*
Theme Park rides	6 – 26 years*
Operating equipment	2 – 3 years

\* These categories have been grouped together under 'Plant and equipment' in note 18 Property, plant and equipment

Operating equipment that meets the definition of property, plant and equipment (which includes gaming chips, kitchen utensils, crockery, cutlery, linen and uniforms) is recognised as an expense based on usage. The period of usage depends on the nature of the operating equipment and varies between two and three years.

#### (iii) Profit or loss on disposal

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

### (f) **Property, plant and equipment** *continued*

#### (iv) **Capitalisation of borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. The group considers a period of greater than 12 months to be substantial. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

### (g) **Investment property**

Property that is held for long-term rental yields or for capital appreciation or both, and where companies in the group occupy no or an insignificant portion, is classified as investment property. Investment property also includes property that is being constructed or developed for future use. The nature of these properties is mostly offices and hotels and includes furniture, fixtures and equipment.

Investment property is stated at fair value. Gains or losses arising on changes in the fair value are recognised immediately in profit or loss.

Properties are initially recognised at cost on acquisition, which comprises the purchase price and includes expenditure that is directly attributable to the acquisition of the property. Subsequent costs are included in the property's carrying value or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the specific asset will flow to the group and the cost can be measured reliably. Repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its carrying value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an owner-occupied property becomes an investment property, it is reclassified as investment property. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes. The property is revalued through other comprehensive income to fair value before being transferred.

### (h) **Intangible assets**

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

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

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

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

#### (i) **Computer software**

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

Capitalised computer software, licence and development costs are amortised over their estimated useful economic lives of two to 10 years which are reassessed on an annual basis.

# Notes to the consolidated financial statements continued

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### (h) Intangible assets continued

#### (i) Computer software continued

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use;
- Management intends to complete the software or sell it;
- There is an ability to use or sell the software;
- It can be demonstrated how the software will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- Expenditure attributable to the software during its development can be reliably measured.

#### (ii) Casino licences and bid costs

Costs incurred during the bidding process for a casino licence are capitalised to casino licences and bid costs by the individual casino on the successful award of the casino licence as these costs are directly attributable to the award of the licence. Payments made to gaming boards for enhancements of existing casino licences, such as additional gaming positions, are capitalised by the individual casino to the underlying casino licence.

Casino licences that do not have an expiry date are not amortised as they are considered to have an indefinite life and are tested annually for impairment on the same basis as goodwill (refer note 1(d) (iv)). Casino licences having an expiry date are amortised over the exclusivity period of the respective licence of 12 to 15 years. Costs associated with unsuccessful casino licence applications are immediately impaired.

#### (iii) Intellectual property

Intellectual property is recognised on business combinations and amortised over their estimated useful economic lives of 10 years.

#### (iv) Other

Other comprises management contracts recognised on business combinations that do not have an expiry date, are not amortised as they are considered to have an indefinite life and are tested annually for impairment on the same basis as goodwill, and trademarks which are amortised over the life of the trademark.

### (i) Investments and other financial assets

#### (i) Classification

From 1 April 2018, the group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at FVOCI;
- Those to be measured at amortised cost; and
- Those to be measured at FVTPL.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

#### (ii) Recognition and derecognition

Financial assets are recognised when the group becomes a party to the contractual provisions of the respective instrument. Financial assets are derecognised when the right to receive cash flows from the asset has expired or has been transferred and the group has transferred substantially all risks and rewards of ownership.

#### (iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of financial assets at FVOCI, transaction costs that are directly attributable to the acquisition of the financial asset.



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

### (i) Investments and other financial assets *continued*

#### (iii) *Measurement* *continued*

##### *Equity investments*

The group subsequently measures all equity investments at fair value. Where the group has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends on these equity investments are recognised in profit or loss as part of other income when the group's right to receive payments is established.

##### *Debt instruments*

Debt instruments are subsequently measured at amortised cost and are assets held to collect contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss included in other operating expenses.

##### *Derivatives – cash flow hedges*

The group subsequently measures its derivatives (cash flow hedges) at fair value under IFRS 9 – refer note 1(j).

#### (iv) *Impairment*

From 1 April 2018, the group assesses, on a forward looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The group applies the simplified approach to measuring expected credit losses ('ECL') which uses lifetime expected losses to be recognised from initial recognition of the trade receivables. The balance of the group's financial assets measured at amortised cost comprise loan receivables and cash and cash equivalents to which the general model is applied.

Impairment losses are presented in other operating expenses due to these losses not being material.

#### (v) *Accounting policy applied until 31 March 2018*

##### (i) *Classification*

The group classified its financial assets in the following categories: loans and receivables and available-for-sale investments. The group determined the classification of its financial assets at initial recognition.

##### (ii) *Subsequent measurement*

Subsequent to the initial recognition, loans and receivables were carried at amortised cost using the effective interest method and available-for-sale investments fair value movements were accounted for in other comprehensive income (unless impaired) and dividends were accounted for in profit and loss. The measurement at initial recognition did not change on adoption of IFRS 9.

##### (iii) *Impairment*

The group assessed at each balance sheet date whether there was objective evidence that a financial asset was impaired.

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss recognised in profit or loss. If in a subsequent period, the amount of the impairment loss decreases and the decrease could be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss was recognised in profit or loss.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered as an indicator that the securities were impaired. If any such evidence existed for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) was removed from other comprehensive income and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments were not reversed through profit or loss.

# Notes to the consolidated financial statements continued

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### (j) Derivative instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and the nature of the item being hedged. The group designates its derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions.

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

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that does not qualify for hedge accounting are recognised immediately in profit or loss. The group does not hold or issue derivative financial instruments for speculative purposes.

#### *Cash flow hedges that qualify for hedge accounting*

Cash flow hedges comprise derivative financial instruments designated in a hedging relationship to manage interest rate risk to which the cash flows of certain liabilities are exposed.

The effective portion of gains and losses on derivatives used to manage cash flow interest rate risk are recognised in other comprehensive income and accumulated in the cash flow hedge reserve. However, if the group closes out its position early, the cumulative gains and losses recognised in other comprehensive income are frozen and reclassified from the cash flow hedge reserve to profit or loss using the effective interest method. The ineffective portion of gains and losses on derivatives used to manage cash flow interest rate risk are recognised in profit or loss within other operating expenses.

Cash flow hedge accounting is discontinued when a hedging instrument expires or is sold, terminated or when a hedge no longer meets the criteria for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss existing in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss within other operating expenses.

### (k) Fair value measurement

Financial instruments carried at fair value, by valuation method, are defined as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); or
- Level 3 – inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

### (l) Offsetting financial instruments

Where a legally enforceable right exists to set off recognised amounts of financial assets and liabilities and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously, which are in determinable monetary amounts, the relevant financial assets and liabilities are offset. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the respective company or counterparty.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

### (m) Inventories

Inventories are valued at the lower of cost or net realisable value. Operating equipment utilised within 12 months is recognised as an expense based on usage. Provision is made for slow-moving goods and obsolete materials are written off. Cost is determined on the following basis:

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

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

### (n) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### (o) Assets and liabilities classified as held for distribution to owners

Assets and liabilities classified as held for distribution to owners are measured at the lower of carrying amount and fair value less costs to sell (in the measurement scope of IFRS 5). Such disposal groups are classified as held for distribution to owners if their carrying amount will be recovered through a distribution transaction rather than through continued use. These disposal group assets and liabilities are available for immediate disposal in their present condition, subject only to actions to complete the distribution which must have been initiated and should be expected to be completed within one year from the date of classification as held for distribution. No depreciation or amortisation is recognised on assets classified as held for distribution.

### (p) Impairment of non-financial assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ('CGUs'). If the recoverable amount of a CGU is estimated to be less than its carrying amount, the carrying amount of the CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

### (q) Share capital

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

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

### (r) Borrowings and finance costs

Borrowings are recognised initially at fair value and are subsequently stated at amortised cost and include accrued interest and prepaid facility transaction costs.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished and the consideration paid is recognised in profit or loss.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

# Notes to the consolidated financial statements continued

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### (r) Borrowings and finance costs continued

Finance costs include all borrowing costs incurred on borrowing instruments together with related costs of debt facilities management. Such costs include facility commitment fees which are expensed in borrowing costs as incurred and facility raising fees which are amortised through borrowing costs over the life of the related facilities. Borrowing costs, other than borrowing costs capitalised (refer note 1(f) (iv)), are recognised in the income statement in the period in which they are incurred.

### (s) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the reporting period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

### (t) Provisions

Provisions are recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provision is made for wide area progressives and is based on the meter readings.

The group also recognises a provision for bonus plans and long-service awards.

### (u) Net gaming win

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

In the gaming industry, the nature of betting transactions makes it difficult to separate bets placed by customers and winnings paid to customers. It therefore follows that gaming operations experience practical difficulties reflecting output tax separately from input tax. Accordingly, South African Revenue Service ("SARS") allows gaming operators to account for Value Added Tax ("VAT") by applying the tax fraction to the net betting transaction. Provincial gaming levies are calculated on a similar basis by applying the tax fraction to the net betting transaction. Any change in either the VAT rate or the provincial gaming levies would be absorbed entirely by the group and would have no impact on the customers. The group thus treats VAT and other taxes levied on gaming winnings as direct costs as these are borne by the group and not customers, and have no effect on gaming activities from the customers' perspective. These costs are disclosed separately on the face of the income statements as direct costs.

### (v) Income

Income comprises revenue from contracts with customers and other income:

#### (i) Revenue from contracts with customers

The group is in the business of providing hotel rooms and food and beverage, and earns revenue in the form of management fees, Theme Park entrance fees, banqueting and venue hire, parking revenues, ticket sales and other non-net gaming win and hotel sundry revenues. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for those goods or services. Rooms revenue is recognised over time due to the nature of accommodation being consumed by customers over a period of time. The customer simultaneously receives and consumes the benefits provided as provision of a room is made to the customer. Food and beverage revenue is recognised at a point in time. Management fees, Theme Park entrance fees, banqueting and venue hire, parking revenues, ticket sales and other non-net gaming win and hotel sundry revenues are recognised over time as the customer receives and consumes the economic benefits. No element of financing is deemed present as the sales are made generally by cash or negotiated credit terms of 30 days. The group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. The group does not have significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers as the revenues mentioned above are all based on standalone selling prices and pre-determined settlement dates. The group considers whether there are other promises in the contract that are separable performance obligations to which a portion of the transaction price needs to be allocated (customer reward programmes).

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

### (v) **Income** *continued*

#### (i) **Revenue from contracts with customers** *continued*

Customers purchasing the group's services may enter the group's customer reward programmes and earn rewards that are redeemable against future purchases of the group's hotel rooms. The group allocates a portion of the consideration received to these reward programmes based on standalone selling prices. The amount allocated to the reward programme is deferred and is recognised as revenue when rewards are redeemed. When recognising revenue from the rewards, the group considers the likelihood that the customer will redeem the points based on historical usage and forfeiture rates and any adjustments to the contract liability are allocated to revenue.

#### (ii) **Other income**

##### *Property rental income*

Property rentals received are recognised on a straight-line basis over the term of the lease. Contingent (variable) rentals are included in revenue when the amounts can be reliably measured. Recoveries of costs from lessees, where the group merely acts as agent and makes payment of these costs on behalf of lessees, are offset against the relevant costs.

##### *Dividends received*

Dividends on equity investments at FOCI are recognised in profit or loss as part of other income when the group's right to receive payments is established.

### (w) **Leases**

#### (i) **The group is the lessee**

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

#### (ii) **The group is the lessor**

Assets leased to third parties under operating leases are included in property, plant and equipment (refer note 1(f)) and investment property (refer note 1(g)) in the balance sheet.

### (x) **Employee benefits**

#### (i) **Defined contribution plans**

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

#### (ii) **Termination benefits**

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value in a similar manner to all long-term employee benefits.

#### (iii) **Bonus plans**

The group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments and the performance of the respective employees. The criteria are only finalised after the group's year end. The group recognises the liability where an estimate can be made of the amount to be paid and it is contractually obliged to do so or there is a past practice that has created a constructive obligation and the directors are of the opinion that it is probable that such bonuses will be paid. This liability is included in 'Provisions' in the balance sheet.

#### (iv) **Share-based payments – equity-settled schemes**

The group operates equity-settled, share-based compensation plans.

The fair value of the employee services received by the company and/or its subsidiaries in exchange for the grant of the options is recognised as an expense.

# Notes to the consolidated financial statements continued

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### (x) Employee benefits continued

#### (v) Goods or services settled in cash

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

The fair value of the long-term incentive plan liability is determined at each balance sheet date by reference to the company's share price. This is adjusted for management's best estimates of the appreciation, bonus and performance units expected to vest and management's best estimate of the performance criteria assumptions on the performance units.

#### (vi) Employee leave entitlement

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

#### (vii) Long-service awards

The group recognises a liability and an expense for long-service awards where cash is paid to employees at certain milestone dates in their careers with the group. The method of accounting and frequency of valuation are similar to those used for defined benefit schemes. The actuarial valuation to determine the liability is performed annually. This liability is included in 'Provisions in the balance sheet.

### (y) Income tax

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

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

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

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

In respect of REIT assets and liabilities (investment properties) the measurement of deferred tax is based on a rebuttable presumption that the amount of the investment property will be recovered entirely through sale. Capital gains or losses from property sold by a REIT are disregarded and the rate relevant to recoupments is 28%. Investment properties are held as long-term income-generating assets. Therefore, should any property no longer meet the group's investment criteria and be sold, any profits or losses will be capital in nature and will be taxed at rates applicable to capital gains (currently nil). Allowances previously claimed will be recouped on sale. Where an accumulated loss is available to shield this recoupment, a deferred tax asset is raised. Deferred tax is provided based on the expected manner of realisation, taking into account the REIT entity's expectation that it will pay a dividend and will receive a tax deduction, making it, in substance, exempt.

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

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

### (z) Dividend distributions

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

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates, which by definition, will seldom equal the actual results. Judgement also needs to be exercised in applying the group's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### (a) Principles of critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### (b) Investment property

Investment property represents a large proportion of the group's asset base. Therefore, the judgements made in determining their classification and the estimates applied in determining their fair values affect the group's financial position and performance.

In determining the classification of the properties as investment properties, the group considered its exposure to the risks of running the hotel business and its associated exposure to the variability of the cash flows of the underlying operations. The group took the following factors into account:

- Intention to hold land and buildings for rental income and capital appreciation and its role as a passive investor;
- The duration of the lease agreements;
- Control over the decision-making powers of the relevant hotel operations;
- The present value of the minimum lease payments in relation to the fair value of the investment properties; and
- Various financial ratios to determine its exposure to the variability in cash flows of the hotel operations.

Based on the above, the group concluded that the properties meet the definition of investment property.

Use is made of independent professionally qualified valuers. Valuations are currently performed on an annual basis on the entire portfolio of investment properties. For a more detailed explanation regarding the estimates involved in the valuation of investment property refer note 19.

### (c) Estimated impairment of goodwill and indefinite lived intangible assets

The group tests annually whether goodwill and indefinite lived intangible assets have suffered any impairment in accordance with the accounting policy stated in notes 1(d) and 1(h). The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates as noted in notes 20 and 21 of the consolidated annual financial statements.

### (d) Fair value of financial instruments that are not traded in an active market

The fair value of financial instruments that are not traded in an active market (for example, unlisted investments) is determined by using valuation techniques. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

#### *Unlisted equity investments*

The group uses estimates for the discounted cash flow analysis for the valuing of the group's unlisted equity investments at FVOCI financial assets that are not traded in an active market. Refer note 24 for the significant unobservable inputs together with a sensitivity analysis should these significant unobservable inputs change.

# Notes to the consolidated financial statements continued

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

(a) The following standards and amendments to existing standards have been published that 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. The group has concluded on the impact of these new standards, interpretations and amendments that will be applied from the annual period beginning 1 April 2019. The group is concluding on the impact of the new standards, interpretations and amendments that will be applied from the annual period beginning on or after 1 April 2020.

### • IFRS 3 Business Combinations (Amendment)

The amendments give clarity on the definition of a business:

(i) confirmed that a business must include inputs and a process, and clarified that:

- The process must be substantive; and
- The inputs and process must together significantly contribute to creating outputs;

(ii) narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and

(iii) added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

IFRS 3 amended must be applied for financial years commencing on or after 1 January 2021. The group will apply the new standard from 1 April 2021.

### • IFRS 16 Leases

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, 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.

	Continuing operations Rm	Discontinued operations Rm
For the remaining lease commitments as at 1 April 2019, the group expects:		
Right-of-use assets to be recognised	333	712
Lease liabilities to be 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 by 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.

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.

### • IFRS 17 Insurance Contracts

The group is in the process of assessing the possible impact on the group's insurance cell captive arrangements of the application of IFRS 17.

IFRS 17 must be applied for financial years commencing on or after 1 January 2021. The group will apply the new standard from 1 April 2021.



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

- **IAS 1 *Presentation of Financial Statements (Amendment)***

The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS standards.

IAS 1 amended must be applied for financial years commencing on or after 1 January 2020. The group will apply the new standard from 1 April 2020.

- **IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors (Amendment)***

The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS standards.

IAS 8 amended must be applied for financial years commencing on or after 1 January 2020. The group will apply the new standard from 1 April 2020.

(b) The following annual improvements from the 2015 – 2017 reporting cycle have been published that are mandatory for the group's accounting periods beginning 1 April 2019, which the group has not early adopted and are not expected to have a material effect on the consolidated results of operations or financial position of the group:

- **IFRS 3 *Business Combinations***

This amendment revises the definition of a business. According to feedback received by the IASB, the application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions.

To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs).

An entity can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or group of similar assets), the assets acquired would not represent a business.

The changes to the definition of a business will likely result in future property acquisitions being accounted for as asset acquisitions instead of business combinations.

- **IFRS 11 *Joint Arrangements***

The amendment clarifies that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business;

- **IAS 12 *Income Taxes***

The amendment clarifies that all income tax consequences of dividends should be recognised in profit or loss, regardless how the tax arises; and

- **IAS 23 *Borrowing Costs***

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The group will apply the above mentioned annual improvements from the 2015 – 2017 reporting cycle from 1 April 2019.

(c) The following interpretation has been published that is mandatory for the group's accounting periods beginning on or after 1 April 2019 or later, which the group has not early adopted.

- **IFRIC 23 *Uncertainty over Income Tax Treatments***

This interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this interpretation. The group is still in the process of assessing the impact of IFRIC 23 but initial indications are that it will not materially affect the group.

The effective date of IFRIC 23 is for years beginning on or after 1 January 2019 and the group will apply IFRIC 23 from the annual period beginning 1 April 2019.

# Notes to the consolidated financial statements continued

4. RECONCILIATION OF EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY TO HEADLINE EARNINGS AND ADJUSTED HEADLINE EARNINGS	2019		2018	
	Gross Rm	Net <sup>(1)</sup> Rm	Gross Rm	Net <sup>(1)</sup> Restated <sup>(2)</sup> Rm
Profit attributable to equity holders of the company:				
Continuing operations		<b>1 640</b>		1 477
Discontinued operations		<b>(78)</b>		494
(Less)/add: Continuing operations' adjustments				
(Gain)/loss on disposal of property, plant and equipment	<b>(1)</b>	<b>(1)</b>	2	2
Impairment of property, plant and equipment	<b>21</b>	<b>16</b>	68	63
Fair value adjustment of investment properties	<b>8</b>	<b>6</b>	4	4
Impairment of goodwill	–	–	20	20
Impairment of intangibles	<b>1</b>	<b>1</b>	92	66
Impairment of equity loan to associate	–	–	7	7
Add/(less): Discontinued operations' adjustments				
Adjustments from discontinued operations <sup>(3)</sup>	<b>541</b>	<b>334</b>	188	112
Share of associates' headline earnings adjustments from discontinued operations		<b>10</b>		(7)
<b>Headline earnings</b>		<b>1 928</b>		2 238
Add/(less): Continuing operations' adjustments				
Impairment of financial instruments, net of recoveries	–	–	(34)	(34)
Fair value adjustment on interest rate swaps	–	–	1	1
Share-based payment charge for non-controlling interests	<b>9</b>	<b>4</b>	–	–
Restructuring costs (including termination benefits)	<b>16</b>	<b>11</b>	33	26
Transaction costs	<b>16</b>	<b>16</b>	19	19
Management additional recharge to discontinued operations	–	–	(15)	(11)
Add/(less): Discontinued operations' adjustments				
Other exceptional items relating to discontinued operations <sup>(3)</sup>	<b>40</b>	<b>27</b>	53	40
Early debt settlement costs	–	–	3	2
Deferred tax derecognised within discontinued operations		<b>5</b>		(307)
Share of associates' exceptional items from discontinued operations		<b>(1)</b>		(8)
<b>Adjusted headline earnings<sup>(4)</sup></b>		<b>1 990</b>		1 966
Adjusted headline earnings from continuing operations		<b>1 693</b>		1 640
Adjusted headline earnings from discontinued operations		<b>297</b>		326
Number of shares in issue (million)		<b>1 056</b>		1 059
Weighted average number of shares in issue (million)		<b>1 058</b>		994
Basic and diluted headline earnings per share (cents):				
– Total group		<b>182.2</b>		225.2
– Continuing operations		<b>157.1</b>		164.9
– Discontinued operations		<b>25.1</b>		60.3
Basic and diluted adjusted headline earnings per share (cents):				
– Total group		<b>188.1</b>		197.8
– Continuing operations		<b>160.0</b>		165.0
– Discontinued operations		<b>28.1</b>		32.8

<sup>(1)</sup> Net of tax and non-controlling interests

<sup>(2)</sup> Restated for discontinued operations – refer note 44

<sup>(3)</sup> Refer reconciliation of operating profit to Ebitdar in note 5 for detail

<sup>(4)</sup> Adjusted headline earnings are defined as earnings attributable to equity holders of the company adjusted for after tax exceptional items (including headline adjustments) that are regarded as sufficiently material and unusual that they would distort the numbers if they were not adjusted. This measure is not required by IFRS, is audited, is commonly used in the industry and used by management to make decisions on the application of resources, and is calculated on a basis consistent with the prior year

5. RECONCILIATION OF OPERATING PROFIT TO EBITDAR <sup>(1)</sup>	Continuing operations		Discontinued operations	
	2019 Rm	2018 Restated <sup>(2)</sup> Rm	2019 Rm	2018 Restated <sup>(2)</sup> Rm
Ebitdar pre-exceptional items is made up as follows :				
Operating profit from operations	3 129	2 765	392	898
Add/(less):				
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
Add/(less): Exceptional losses net of gains				
Headline adjustments	29	193	541	188
(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 on 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	–	–
Other adjustments	41	4	40	53
Fair value adjustment on interest rate swaps	–	1	(2)	1
Share-based payment charge for non-controlling interests	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
<b>Ebitdar</b>	<b>4 072</b>	<b>3 681</b>	<b>1 490</b>	<b>1 590</b>

<sup>(1)</sup> Refer note 6 for the group's definition of Ebitdar

<sup>(2)</sup> Restated for discontinued operations – refer note 44

## 6. SEGMENTAL ANALYSIS

The group's CEO and GEC consider the business from both a business type and geographical basis, being hotels and gaming. There has been no change in the basis of segmentation or in the basis of measurement of segment profit from the prior year other than for the separate identification of the discontinued operations consisting of the South African and offshore hotels divisions (refer note 44) and the inclusion of Kuruman Casino in Galaxy with effect from the acquisition date 15 June 2018 (refer note 46). The following were the segments identified and monitored by the chief operating decision-maker during the year ended 31 March 2019:

### Continuing operations

- Gaming consists of the group's 13 South African casino precincts, comprising casinos and hotels, generating gaming win and related revenue, together with Galaxy Bingo ('Galaxy') and VSlots ('Vukani') comprising limited payout machines ('LPMs'), electronic bingo terminals ('EBTs') and the Kuruman Casino. Other gaming operations consist mainly of the Sandton Convention Centre and head office costs. As a result of discontinued operations and the restructuring of the group, the corporate segment has been included with the gaming operations in 'Other gaming operations'.

### Discontinued operations

- South African hotels division consists of the group's South African hotels which owns, operates and manages hotels in South Africa;
- Offshore hotels division consists of the group's non-South African hotels which owns, operates and manages hotels in other African countries, the Middle East and the Seychelles. Although the offshore hotels segment does not meet the quantitative thresholds of IFRS 8, management has concluded that the segment should be reported as it has a different risk and reward profile.

The group's CEO and GEC assess the performance of the operating segments, including the South African and offshore hotels divisions which have been reclassified to discontinued operations (refer note 44), 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 and other exceptional items. Finance income and finance costs are not included in the result for each operating segment as this is driven by the group treasury function which manages the cash and debt position of the group. No measure of total assets and liabilities for the reportable segments has been provided as such amounts are not regularly provided to the chief operating decision-maker.

# Notes to the consolidated financial statements continued

## 6. SEGMENTAL ANALYSIS continued

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

	Income		Ebitdar <sup>(1) (2)</sup>		Ebitdar margin		Amortisation and depreciation	
	2019 Rm	2018 Restated <sup>(3)</sup> Rm	2019 Rm	2018 Restated <sup>(3)</sup> Rm	2019 %	2018 Restated <sup>(3)</sup> %	2019 Rm	2018 Restated <sup>(3)</sup> Rm
<b>Continuing operations</b>								
Montecasino	2 714	2 625	1 175	1 135	43.3	43.3	104	111
Suncoast	1 734	1 681	720	752	41.5	44.7	113	84
Gold Reef City	1 477	1 497	550	569	37.3	38.0	101	118
Silverstar	691	686	210	212	30.4	30.9	82	80
Golden Horse	409	397	176	177	43.1	44.6	29	31
Emnotweni	368	381	119	136	32.4	35.7	27	28
The Ridge	391	381	144	145	36.9	38.0	30	30
Hemingways	304	314	84	97	27.5	30.8	32	38
Garden Route	245	235	100	99	40.9	41.9	16	16
The Caledon	181	177	49	49	26.9	28.0	10	11
Mykonos	179	183	80	86	44.6	47.2	11	11
Blackrock	170	160	53	54	31.0	33.6	13	12
Goldfields	137	135	35	38	25.8	28.5	11	12
Galaxy <sup>(4) (5)</sup>	855	263	247	69	28.9	26.2	39	12
Vukani <sup>(4) (5)</sup>	1 559	543	441	169	28.3	31.1	107	34
Other gaming operations <sup>(6)</sup>	205	184	(111)	(106)			13	15
	<b>11 619</b>	<b>9 842</b>	<b>4 072</b>	<b>3 681</b>	<b>35.0</b>	<b>37.4</b>	<b>738</b>	<b>643</b>
<b>Discontinued operations<sup>(7)</sup></b>								
South African hotels division	3 784	3 799	1 346	1 470	35.6	38.7	259	231
Offshore hotels division	605	565	144	120	23.8	21.2	47	38
Pre-foreign exchange gains			138	119	22.8	21.1		
Foreign exchange gains			6	1				
	<b>4 389</b>	<b>4 364</b>	<b>1 490</b>	<b>1 590</b>	<b>33.9</b>	<b>36.4</b>	<b>306</b>	<b>269</b>
Group, including discontinued operations	<b>16 008</b>	<b>14 206</b>	<b>5 562</b>	<b>5 271</b>	<b>34.7</b>	<b>37.1</b>	<b>1 044</b>	<b>912</b>

<sup>(1)</sup> Refer note 5 Reconciliation of operating profit to Ebitdar

<sup>(2)</sup> All casino units are reported pre-internal gaming management fees

<sup>(3)</sup> Restated for discontinued operations – refer note 44 and reallocation between Vukani gaming win, other income, gaming VAT and LPM site owners' commissions – refer note 45

<sup>(4)</sup> Galaxy and Vukani were included as operating segments with effect from 20 November 2017

<sup>(5)</sup> 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

<sup>(6)</sup> Corporate segment has been absorbed into gaming operations due to the restructure of the group – refer note 44

<sup>(7)</sup> Discontinued operations – refer note 44

## 6. SEGMENTAL ANALYSIS *continued*

The segments' investments in associates and joint ventures and capital expenditure for the year ended 31 March are as follows:

	Associates and joint venture		Capital expenditure	
	2019 Rm	2018 Rm	2019 Rm	2018 Rm
<b>Continuing operations</b>				
Gaming operations	35	36	1 501	929
<b>Discontinued operations</b>				
South African hotels division	488	1	363	608
Offshore hotels division	120	604	117	160
<b>Group</b>	<b>643</b>	<b>641</b>	<b>1 981</b>	<b>1 697</b>

Non-current assets, other than financial instruments and deferred income tax assets by country, including both continuing operations and held for distribution to owners:

	Continuing operations		Held for distribution to owners
	2019 Rm	2018 Rm	2019 Rm
South Africa	15 850	25 845	10 597
Nigeria	–	966	1 121
Mozambique	–	574	676
Seychelles	–	250	254
United Kingdom	–	476	487
Zambia	–	126	181
Tanzania	–	161	197
Kenya	–	40	7
Other	–	7	7
	<b>15 850</b>	<b>28 445</b>	<b>13 527</b>

# Notes to the consolidated financial statements continued

## 7. REVENUE FROM CONTRACTS WITH CUSTOMERS

The group has adopted IFRS 15 *Revenue from Contracts with Customers* with effect from 1 April 2018 using the cumulative effect method. Under this method the comparative information is not restated – refer notes 1(b) *New and amended standards adopted by the group* and 1(v)(i) *Revenue from Contracts with Customers*.

The group derives revenue over time, with the exception of food and beverage revenue which is recognised at a point in time, together with its hotel customer reward programmes in terms of which revenue is recognised as the rewards are redeemed or they expire. The accounting policy is detailed in note 1(v) and the deferred revenue (contract liabilities) is disclosed in note 35. The group has no contract assets. The table below presents revenue by segment which excludes gaming win and other income as these are accounted for under different accounting policies (refer notes 1(u) and 1(v)(ii) respectively), which are included in the segmental analysis in note 6. Disaggregation of revenue from contracts with customers for the year under review:

	Rooms revenue recognised over time Rm	Food and beverage recognised at a point in time Rm	Other revenue recognised over time Rm	Revenue from external customers Rm
<b>Continuing operations</b>				
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
The Caledon	20	23	6	49
Mykonos	–	–	1	1
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
<b>Discontinued operations</b>				
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 in note 6:

<b>Continuing operations</b>	11 619
Revenue from contracts with customers per above	1 571
Property rentals	137
Other income	90
Net gaming win	9 821
<b>Discontinued operations</b>	4 389
Revenue from contracts with customers per above	4 031
Property rentals	358
Total income per segmental analysis	16 008

	2019 Rm	2018 Restated <sup>(1) (2)</sup> Rm
<b>7. REVENUE FROM CONTRACTS WITH CUSTOMERS</b> continued		
Other revenue is made up as follows:		
Theme Park revenue	137	131
Sandton Convention Centre revenue	99	83
Cinema revenue	74	70
Parking revenue	31	30
Venue hire revenue	23	26
Other sundry revenue	69	94
Dividends – unlisted <sup>(3)</sup>	–	86
Other revenue	<b>433</b>	520
<b>8. OTHER INCOME</b>	2019 Rm	2018 Rm
Dividends from investments in equity instruments designated at FVOCI <sup>(3)</sup>	90	–
	<b>90</b>	–
<b>9. GAMING LEVIES AND VAT</b>	2019 Rm	2018 Restated <sup>(2)</sup> Rm
Gaming levies	990	796
VAT	1 155	908
	<b>2 145</b>	1 704
<b>10. PROPERTY AND EQUIPMENT RENTALS</b>	2019 Rm	2018 Restated <sup>(1)</sup> Rm
Properties	132	93
Plant, vehicles and equipment	159	84
	<b>291</b>	177
<b>11. AMORTISATION AND DEPRECIATION</b>	2019 Rm	2018 Restated <sup>(1)</sup> Rm
Amortisation of intangible assets	28	25
Depreciation of property, plant and equipment	1 016	887
	<b>1 044</b>	912
Less: Discontinued operations	<b>(306)</b>	(269)
Continuing operations	<b>738</b>	643
<b>12. EMPLOYEE COSTS</b>	2019 Rm	2018 Restated <sup>(1)</sup> Rm
Employee costs (including executive directors' remuneration):		
Salaries and wages	2 181	1 957
Termination benefits	12	31
Pension – defined contribution plans	131	125
Long-term incentive expense/(credit) – cash-settled (refer note 36.2)	3	(17)
	<b>2 327</b>	2 096

<sup>(1)</sup> Restated for discontinued operations – refer note 44

<sup>(2)</sup> Restated for reallocation of gaming win, other income, gaming VAT and LPM site owners' commissions – refer note 45

<sup>(3)</sup> On transition to IFRS 15, dividend income has been removed from revenue arising from contracts with customers and reclassified to other income. Prior year dividend income included with other revenue (note 7) and not reclassified upon adoption of IFRS 15 amounts to R86 million

# Notes to the consolidated financial statements continued

<b>13. OTHER OPERATING EXPENSES</b>	<b>2019 Rm</b>	2018 Restated <sup>(1) (2)</sup> Rm
Auditors' remuneration	<b>23</b>	20
Audit fees – current year	<b>21</b>	18
Other services and expenses	<b>2</b>	2
Administration fees	<b>(67)</b>	(80)
Advertising, marketing and promotional costs	<b>328</b>	344
External consultants	<b>27</b>	22
Food and beverage costs and operating equipment usage	<b>286</b>	267
Impairment charge for bad and doubtful debts, net of reversals (note 28)	<b>17</b>	7
Information technology-related costs	<b>61</b>	64
LPM site owners' commission	<b>460</b>	158
Monitoring fees for sites	<b>99</b>	35
Net foreign exchange gains	<b>(1)</b>	(7)
Property costs – rates, water and electricity	<b>405</b>	342
Repairs and maintenance expenditure on property, plant and equipment	<b>193</b>	163
Rooms departmental expenses	<b>86</b>	81
Security and surveillance costs	<b>149</b>	138
Other operating expenses	<b>865</b>	722
(Gain)/loss on disposal of property, plant and equipment	<b>(1)</b>	2
Impairment of property, plant and equipment (note 18)	<b>21</b>	68
Share-based payment charge for non-controlling interests (note 38)	<b>9</b>	–
Impairment of goodwill	–	20
Impairment of intangibles (note 21)	<b>1</b>	92
Fair value adjustment on interest rate swaps	–	1
Impairment of financial instruments	–	6
Impairment reversal of financial instruments	–	(40)
Impairment of equity loan to associate	–	7
Restructuring costs	<b>4</b>	2
Transaction costs	<b>16</b>	19
	<b>2 981</b>	2 453

  

<b>14. FINANCE INCOME</b>	<b>2019 Rm</b>	2018 Restated <sup>(1)</sup> Rm
Interest received from banks	<b>45</b>	52
Effective finance income on loans to LPM site owners	<b>10</b>	–
Related party finance income arising on discontinued operations	<b>276</b>	269
Finance income – other	<b>2</b>	11
	<b>333</b>	332

<sup>(1)</sup> Restated for discontinued operations – refer note 44

<sup>(2)</sup> Restated for reallocation of gaming win, other income, gaming VAT and LPM site owners' commissions – refer note 45



<b>15. FINANCE COSTS</b>	<b>2019 Rm</b>	2018 Restated <sup>(1)</sup> Rm
Finance costs in respect of interest-bearing debt	<b>1 043</b>	962
Effective finance costs on loans to LPM site owners	<b>1</b>	–
Related party finance costs arising on discontinued operations	<b>100</b>	48
	<b>1 144</b>	1 010
<b>16. INCOME TAX EXPENSE</b>	<b>2019 Rm</b>	2018 Restated <sup>(1)</sup> Rm
Current tax – current year charge	<b>667</b>	714
Current tax – (over)/under provision prior year	<b>(48)</b>	30
Deferred tax – current year charge/(credit) <sup>(2)</sup>	<b>69</b>	(323)
Deferred tax – over provision prior year	<b>(1)</b>	(16)
Withholding taxes	<b>6</b>	5
	<b>693</b>	410
Income tax expense/(credit) is attributable to:		
– Continuing operations	<b>644</b>	597
– Discontinued operations	<b>49</b>	(187)
	<b>693</b>	410
<b>Other comprehensive income</b>		
<i>Tax charge/(credit) relating to components of other comprehensive income on items that may be reclassified subsequently to profit or loss:</i>	<b>18</b>	(21)
Cash flow hedges – continuing operations	<b>17</b>	(22)
Cash flow hedges – discontinued operations	<b>1</b>	–
Available-for-sale investment – continuing operations	<b>–</b>	1
<i>Tax charge relating to components of other comprehensive income on items that may not be reclassified subsequently to profit or loss:</i>	<b>28</b>	1
Gains on revaluation of owner occupied property reclassified to investment property – continuing operations	<b>29</b>	–
Equity instruments at FVOCI fair value adjustment – continuing operations	<b>(2)</b>	–
Remeasurements of post-employment defined benefit liability – discontinued operations	<b>1</b>	1
	<b>46</b>	(20)

<sup>(1)</sup> Restated for discontinued operations – refer note 44

<sup>(2)</sup> Prior year includes R307 million credit deferred tax liability derecognised on property, plant and equipment on sale to the group's REIT subsidiary

# Notes to the consolidated financial statements continued

16. INCOME TAX EXPENSE <small>continued</small>	2019		2018	
	Rm	%	Restated <sup>(1)</sup> Rm	%
<b>Income tax rate reconciliation</b>				
Profit before income tax from continuing operations	2 325		2 095	
(Loss)/profit before income tax from discontinued operations	(10)		473	
Profit before income tax	2 315		2 568	
Income tax thereon at 28% (2018: 28%)	648	28.0	719	28.0
<b>Continuing operations</b>				
<i>Exempt income/credits:</i>				
Dividend income	(25)	(1.1)	(24)	(0.9)
Share of profit of associates and joint ventures	(2)	(0.1)	(2)	(0.1)
<i>Expenses/debits not deductible for tax purposes:</i>				
Amortisation and depreciation	8	0.3	10	0.4
Transaction costs	5	0.2	5	0.2
Share-based payment charge for non-controlling interests	2	0.1	–	–
Impairments	3	0.1	12	0.5
Other non-deductible items	2	0.1	3	0.1
Deferred tax not provided on losses	3	0.1	–	–
Prior year (credits)/charges (net)	(2)	(0.1)	6	0.2
<b>Discontinued operations</b>				
<i>Exempt income/credits:</i>				
Share of profit of associates and joint ventures	(4)	(0.2)	(15)	(0.6)
Profits attributable to the HPF non-controlling interests <sup>(2)</sup>	(70)	(3.0)	(77)	(3.0)
Lease settlement income not recognised in profit or loss	5	0.2	–	–
Profits earned by group entities before being sold to HPF	–	–	(14)	(0.5)
<i>Expenses/debits not deductible for tax purposes:</i>				
Fair value loss on investment property revaluations	125	5.4	52	2.0
Amortisation and depreciation	25	1.1	23	0.9
Transaction costs	9	0.4	3	0.1
Deferred tax liability derecognised on property, plant and equipment on sale to the group's REIT subsidiary <sup>(3)</sup>	–	–	(307)	(12.0)
Other non-deductible items	(2)	(0.1)	11	0.5
Deferred tax not provided on losses	13	0.6	–	–
Prior year (credits)/charges (net)	(47)	(2.0)	8	0.3
Withholding taxes	6	0.3	5	0.2
Foreign tax rate differential	(9)	(0.4)	(8)	(0.3)
	693	29.9	410	16.0

<sup>(1)</sup> Restated for discontinued operations – refer note 44

<sup>(2)</sup> Non-taxable due to HPF's REIT tax status

<sup>(3)</sup> Prior year includes R307 million credit deferred tax liability derecognised on property, plant and equipment on sale to the group's REIT subsidiary

17. DIVIDENDS DECLARED	2019 Rm	2018 Rm
<b>Ordinary</b>		
Final dividend	745	676
Interim dividend	1 400	339
	2 145	1 015
Final dividend declared on	23 May 2018	23 May 2017
Final dividend paid on	18 June 2018	19 June 2017
Final dividend cents per share	70 cents	70 cents
Interim dividend declared on	21 November 2018	21 November 2017
Interim dividend paid on	10 December 2018	18 December 2017
Interim dividend cents per share	132 cents	32 cents

## 18. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Rm	Leased land and buildings Rm	Properties under construction Rm	Plant and equipment Rm	Operating equipment Rm	Total Rm
<b>Year ended 31 March 2019</b>						
Opening net carrying amount	11 527	732	669	2 884	226	16 038
Additions	96	20	792	796	52	1 756
Acquisition of subsidiary (note 46)	34	–	–	2	–	36
Capitalisation of borrowing costs	–	–	2	–	–	2
Disposals and operating equipment usage	(2)	(2)	–	(10)	(39)	(53)
Depreciation charge	(197)	(69)	–	(750)	–	(1 016)
Impairments	(81)	(13)	–	(20)	–	(114)
Revaluation on transfer to investment property (note 19)	130	–	–	–	–	130
Transfers to investment property (note 19)	(310)	–	–	–	–	(310)
Other transfers	969	–	(1 483)	513	1	–
Currency translation	272	–	41	48	8	369
Reclassification to held for distribution to owners	(6 042)	(426)	–	(1 023)	(193)	(7 684)
<b>Closing net carrying amount</b>	<b>6 396</b>	<b>242</b>	<b>21</b>	<b>2 440</b>	<b>55</b>	<b>9 154</b>
<b>At 31 March 2019</b>						
Cost	7 321	454	21	5 500	55	13 351
Accumulated depreciation	(925)	(212)	–	(3 060)	–	(4 197)
<b>Net carrying amount</b>	<b>6 396</b>	<b>242</b>	<b>21</b>	<b>2 440</b>	<b>55</b>	<b>9 154</b>
<b>Year ended 31 March 2018</b>						
Opening net carrying amount	11 715	644	210	2 771	216	15 556
Additions	86	22	601	433	55	1 197
Acquisition of subsidiary	4	105	–	359	–	468
Capitalisation of borrowing costs	–	–	9	–	–	9
Disposals and operating equipment usage	–	–	–	(10)	(39)	(49)
Depreciation charge	(107)	(39)	–	(741)	–	(887)
Impairments	(50)	–	–	(16)	(2)	(68)
Other transfers	37	–	(151)	114	–	–
Currency translation	(158)	–	–	(26)	(4)	(188)
<b>Closing net carrying amount</b>	<b>11 527</b>	<b>732</b>	<b>669</b>	<b>2 884</b>	<b>226</b>	<b>16 038</b>
<b>At 31 March 2018</b>						
Cost	13 181	1 035	669	7 039	226	22 150
Accumulated depreciation	(1 654)	(303)	–	(4 155)	–	(6 112)
<b>Net carrying amount</b>	<b>11 527</b>	<b>732</b>	<b>669</b>	<b>2 884</b>	<b>226</b>	<b>16 038</b>
<b>At 1 April 2017</b>						
Cost	13 091	908	210	6 143	216	20 568
Accumulated depreciation	(1 376)	(264)	–	(3 372)	–	(5 012)
<b>Net carrying amount</b>	<b>11 715</b>	<b>644</b>	<b>210</b>	<b>2 771</b>	<b>216</b>	<b>15 556</b>

The group reassessed the useful lives of property, plant and equipment during the year. The impact on depreciation for the year was a credit of R53 million in respect of continuing operations (2018: credit of R36 million) and a charge of R15 million in respect of discontinued operations. The group also reviewed the residual values during the year and the impact on depreciation was a credit of R3 million (2018: R2 million debit) in respect of continuing operations. These changes in estimates are not expected to have a significant effect in respect of the depreciation charge in future periods.

Changes in useful lives and residual values are not considered significant estimates and judgements as any changes in useful lives and residual values have historically been gradual and any adjustments made, where necessary, have not been significant.

# Notes to the consolidated financial statements continued

## 18. PROPERTY, PLANT AND EQUIPMENT continued

The following land and buildings and plant and equipment at properties with respective carrying amounts were impaired during the year. Impairments are included under other operating costs (refer note 13).

	Rm
<b>Continuing operations</b>	21
Suncoast Casino due to the redevelopment project	12
Various casinos and hotel properties due to refurbishments	9
<b>Discontinued operations</b>	93
GC Nelson Mandela Boulevard as a result of a single year left on the lease agreement	19
SS Ikoyi due to revised downward medium-term trading expectations in Nigeria due to the negative impact of reductions in commodity prices negatively affecting occupancies	73
SS Ridgeway due to the refurbishment project	1
	114

During the prior year, land and buildings and plant and equipment at Suncoast Casino with a carrying amount of R64 million, together with other plant and equipment at various casino and hotel properties with a carrying amount of R4 million were impaired due to redevelopment and refurbishment projects.

## 19. INVESTMENT PROPERTIES

	2019 Rm	2018 Rm
Opening net carrying amount	5 255	4 969
Acquisition and development of investment properties	189	471
Acquisition of subsidiary	-	6
Transfer of owner occupied property	310	-
Transfers from non-current assets held for sale	66	-
Fair value adjustments recognised in profit or loss in continuing operations	(8)	(4)
Fair value adjustments recognised in discontinued operations	(445)	(187)
Reclassification to held for distribution to owners	(4 881)	-
<b>Closing net carrying amount</b>	<b>486</b>	<b>5 255</b>
Amounts recognised in profit or loss for investment properties:		
<b>Continuing operations</b>		
Rental income	28	6
Direct operating expenses from property that generated rental income	7	2
Direct operating expenses from property that did not generate rental income	-	-
<b>Discontinued operations</b>		
Rental income	351	400
Direct operating expenses from property that generated rental income	10	6
Direct operating expenses from property that did not generate rental income	-	-

The group's investment properties have been categorised as level 3 values based on the inputs to the valuation technique used – refer note 55. The group has elected to measure investment properties at fair value. The fair value of the group's investment properties were independently valued at 31 March 2019 by professionally qualified valuers having the relevant experience.

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.

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.

## 19. 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	<b>274</b>	<b>(247)</b>	282	(283)
25bps change in the terminal capitalisation rate	<b>(114)</b>	<b>123</b>	(121)	128
50bps change in the discount rate	<b>(91)</b>	<b>94</b>	(373)	326

The fair value has been determined 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:

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

- Expected rental income was higher/(lower);
- Expected vacancy rate was lower/(higher); and
- The capitalisation rate was lower/(higher).

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
1% change in the capitalisation rate	<b>(41)</b>	<b>51</b>	(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 and in note 18.

# Notes to the consolidated financial statements continued

## 20. GOODWILL

	2019 Rm	2018 Rm
At 1 April	2 134	2 106
Acquisition of subsidiary (note 47)	13	48
Impairment	–	(20)
Reclassification to held for distribution to owners	(354)	–
At 31 March	1 793	2 134

### Impairment test for goodwill

Goodwill is allocated and monitored based on the group's CGUs identified according to business segments as referred to in the segment analysis in note 6. An operating segment-level summary of the goodwill allocation is as follows:

Montecasino	273	273
Suncoast	890	890
Gold Reef City	136	136
Silverstar	85	85
Golden Horse	43	43
Garden Route	19	19
Blackrock	94	94
Mykonos	17	17
The Caledon	175	175
Vukani	61	48
South African hotels	–	347
Offshore hotels	–	7
	1 793	2 134

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

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

- Ebitdar margin – management determined budgeted gross Ebitdar margin based on past performance and its expectations of market development;
- Long-term growth rate – cash flows beyond the first five-year period are extrapolated using estimated long-term growth rates in order to calculate the terminal recoverable amount; and
- Discount rate – the discount rate is calculated by using a weighted average cost of capital ('WACC') of the respective segments. WACC is calculated using a bond risk-free rate and an equity premium adjusted for specific risks relating to the relevant operating segments.

The following assumptions have been used for the analysis of the CGUs within the operating segments:

	2019			2018		
	Ebitdar margin %	Long-term growth rate %	Discount rate pre-tax %	Ebitdar margin %	Long-term growth rate %	Discount rate pre-tax %
<i>Continuing operations</i>						
Montecasino	39.2	5.3	13.9	38.9	5.5	13.1
Suncoast	40.0	5.3	13.9	37.9	5.5	13.1
Gold Reef City	32.9	5.3	13.9	33.7	5.5	13.1
Silverstar	30.2	5.3	13.9	33.7	5.5	13.1
Other gaming operations <sup>(1)</sup>	30.3	5.3	13.9	31.3	5.5	13.1
Vukani	28.4	4.5	12.2	31.1	5.5	13.1
<i>Discontinued operations</i>						
South African hotels	35.6	5.3	12.5	38.7	5.1	12.0
Offshore hotels	23.9	1.6 – 2.4	9.7 – 15.0	21.2	2.1 – 2.5	8.3 – 14.9

<sup>(1)</sup> Includes the balance of the group's casino properties which have an allocation of goodwill

During the prior year, given the weak local economy within which Goldfields Casino operates and the continued pressure on trading, impairment losses were recognised against the goodwill raised on the acquisition of the casino and the casino licence intangible asset of R20 million and R91 million respectively. Based on the above calculations, the group has not identified any other impairment to goodwill during the current year or in the prior year.

The group's impairment reviews are sensitive to changes in the key assumptions described above. Based on the group's sensitivity analysis, a reasonable possible change in a single assumption will not cause an impairment loss in any of the group's CGUs, as the group's CGUs have significant headroom available between the calculated values-in-use and the goodwill allocated to each CGU shown above.

## 21. OTHER INTANGIBLE ASSETS

	Casino licences and bid costs Rm	Computer software Rm	Intellectual property Rm	Other Rm	Total Rm
<b>Year ended 31 March 2019</b>					
Opening net carrying amount	4 281	68	–	24	4 373
Additions	2	22	–	10	34
Acquisition of businesses (notes 46 and 47)	6	–	49	–	55
Amortisation charge	(5)	(22)	(1)	–	(28)
Impairment	(1)	–	–	–	(1)
Reclassification to held for distribution to owners	–	(17)	–	(34)	(51)
<b>Closing net carrying amount</b>	<b>4 283</b>	<b>51</b>	<b>48</b>	<b>–</b>	<b>4 382</b>
<b>At 31 March 2019</b>					
Cost	4 444	149	49	–	4 642
Accumulated amortisation	(161)	(98)	(1)	–	(260)
<b>Net carrying amount</b>	<b>4 283</b>	<b>51</b>	<b>48</b>	<b>–</b>	<b>4 382</b>
Year ended 31 March 2018					
Opening net carrying amount	4 368	69	–	24	4 461
Additions	2	17	–	–	19
Acquisition of subsidiaries	7	3	–	–	10
Amortisation charge	(4)	(21)	–	–	(25)
Impairment	(92)	–	–	–	(92)
Closing net carrying amount	4 281	68	–	24	4 373
At 31 March 2018					
Cost	4 526	228	–	29	4 783
Accumulated amortisation	(245)	(160)	–	(5)	(410)
<b>Net carrying amount</b>	<b>4 281</b>	<b>68</b>	<b>–</b>	<b>24</b>	<b>4 373</b>
At 1 April 2017					
Cost	4 517	208	–	29	4 754
Accumulated amortisation	(149)	(139)	–	(5)	(293)
<b>Net carrying amount</b>	<b>4 368</b>	<b>69</b>	<b>–</b>	<b>24</b>	<b>4 461</b>

Bid costs of R1 million relating to the fourth casino licence in Mpumalanga were impaired during the current year and the prior year each due to uncertainty surrounding the allocation of the licence. Impairments are included under other operating costs (note 13). There were no other significant changes made to useful lives or residual values of other intangible assets during the current year or in the prior year. Casino licences and related bid costs are made up as follows:

	2019 Rm	2018 Rm
<i>Indefinite lives:</i>		
Gold Reef City <sup>(1)</sup>	1 765	1 765
Silverstar <sup>(1)</sup>	1 112	1 112
Golden Horse <sup>(1)</sup>	554	554
Garden Route <sup>(1)</sup>	252	252
Goldfields <sup>(1)</sup>	167	167
Mykonos <sup>(1)</sup>	215	215
Montecasino	70	70
Suncoast	105	105
Blackrock <sup>(2)</sup>	1	1
<i>Definite lives:</i>		
Hemingways	29	33
Vukani <sup>(3)</sup>	6	6
Galaxy <sup>(3)</sup>	1	1
Kuruman (note 46)	6	–
	<b>4 283</b>	<b>4 281</b>

<sup>(1)</sup> Relate to the casinos acquired on the reverse acquisition of Gold Reef during the year ended 31 March 2011

<sup>(2)</sup> Blackrock Casino contributed R1 million towards CSI for KZN Gaming Board for additional slot machines and tables

<sup>(3)</sup> Acquisition of Gameco during the prior year

# Notes to the consolidated financial statements continued

## 22. INVESTMENTS IN ASSOCIATES

The group has the following interests in unlisted associates for continuing operations:

- 49% in Richtrau 292 Proprietary Limited ('Richtrau') which trades as a concept bookstore within the group's Montecasino property. A loan of R7 million (2018: R7 million) to Richtrau is secured by a notarial bond registered over the assets of Richtrau in favour of the group, is interest free and has no fixed terms of repayment. The loan has been fully impaired due to the associate's continuing trading losses and it is not considered to be immediately recoverable;
- 50% in TMCTS Management Company Proprietary Limited which operates entertainment venues in eight of the group's properties;
- 50% in Three Groups Cinemas Proprietary Limited which operates cinemas at the group's Suncoast casino property; and
- Other investments in various associate entities which are not material to the group and therefore no further information has been presented.

The group has the following interests in unlisted associates included in held for distribution to owners:

- 25.9% in International Hotel Properties Limited ('IHPL'), incorporated in the British Virgin Islands. IHPL will pursue hotel opportunities in the United Kingdom and Europe, the hotels to be managed by RBH Hotel Group (refer below). The shares were delisted as the listing has not provided the anticipated liquidity or access to equity capital markets to facilitate the growth of the company;
- 25% in RBH Hotel Group Limited ('RBH Hotel Group'), a leading independent hotel management company incorporated in the United Kingdom. This associate provides the group with access to additional management expertise, exposure to new markets and the potential for opportunities to deploy capital in attractive investments in the European hotel market in the future; and
- Other investments in various associate entities which are not material to the group and therefore no further information has been presented.

	2019 Rm	2018 Rm
At 1 April	513	483
Impairment of equity loan to associate	-	(7)
Share of profit after tax and other interests of associates		
– Continuing operations	7	8
– Discontinued operations	23	53
Dividends received	(20)	(24)
Reclassification to held for distribution to owners	(488)	-
At 31 March	35	513

The group has no share of associates' contingent liabilities or capital commitments.

Summarised financial information for associates, which in the opinion of the directors are material to the group, on a 100% basis after adjustments to comply with the group's accounting policies, is as follows:

	RBH Hotel Group		International Hotel Properties	
	2019 Rm	2018 Rm	2019 Rm	2018 Rm
<i>Summarised balance sheets</i>				
Total non-current assets	58	79	2 223	1 949
Total current assets	190	128	75	83
Total assets	248	207	2 298	2 032
Total non-current liabilities	-	-	891	886
Total current liabilities	209	136	139	66
Total liabilities	209	136	1 030	952
Net assets	39	71	1 268	1 080
<i>Summarised statements of comprehensive income</i>				
Revenue	1 362	973	156	296
Profit from operations	66	49	22	156
Profit for the year and total comprehensive income	66	49	22	156



## 22. INVESTMENTS IN ASSOCIATES *continued*

A reconciliation of the summarised financial information to the carrying amount of the group's interests in its associates is as follows:

	RBH Hotel Group		International Hotel Properties	
	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Opening net assets attributable to owners	71	72	1 080	887
Profit for the year	66	49	22	156
Other comprehensive income – foreign currency translation	(55)	(26)	166	98
Total comprehensive income	82	95	1 268	1 141
Dividends paid	(43)	(24)	–	(61)
Closing net assets attributable to owners	39	71	1 268	1 080
Interest in associates (%)	25.0	25.0	25.9	25.9
Interest in associates	10	18	328	280
Intangible asset	89	89	–	–
Goodwill	30	30	41	41
Translation	25	11	(35)	7
Carrying amount of investments in associates	154	148	334	328

## 23. INVESTMENTS IN JOINT VENTURES

	2019 Rm	2018 Rm
At 1 April	128	126
Share of (loss)/profit after tax and other interests of joint ventures		
– Discontinued operations	(8)	2
Reclassification to held for distribution to owners	(120)	–
At 31 March	–	128

For continuing operations, the group has a 50% interest in an unlisted joint venture, Niveus Invest 15 Proprietary Limited. The group does not consider its investment in the joint venture material and no further disclosure is provided in this regard.

For assets held for distribution to owners, a 50% interest in United Resorts and Hotels Limited, a hotel company established in the Seychelles. Although United Resorts and Hotels Limited has been in a loss-making position, the entity's trading has improved over the past two financial years and is generating positive cash flows.

The group has no share of joint ventures' contingent liabilities or capital commitments.

# Notes to the consolidated financial statements continued

## 23. INVESTMENTS IN JOINT VENTURES continued

Summarised financial information of United Resorts and Hotels Limited on a 100% basis not included in the group's financial statements as the group accounts for its investments in joint ventures on an equity basis:

	2019 Rm	2018 Rm
<i>Summarised balance sheet</i>		
<i>Assets</i>		
Non-current assets	495	400
Inventory	5	4
Trade and other receivables	15	17
Cash and cash equivalents	43	23
<b>Total assets</b>	<b>558</b>	444
<i>Liabilities</i>		
Current financial liabilities (excluding trade payables)	29	21
Other current liabilities	5	3
<b>Total liabilities</b>	<b>34</b>	24
<b>Net assets</b>	<b>524</b>	420
<i>Summarised statement of comprehensive income (loss)/profit</i>		
Income	126	122
Depreciation and amortisation	(6)	(6)
Profit before income tax	7	6
Income tax charge	(23)	(3)
<b>(Loss)/profit for the year</b>	<b>(16)</b>	3
<i>Reconciliation of summarised financial information:</i>		
A reconciliation of the summarised financial information to the carrying amount of the group's interest in United Resorts and Hotels Limited is as follows:		
Opening net assets	467	462
(Loss)/profit for the year	(16)	3
Other comprehensive income – foreign currency translation	139	2
<b>Closing net assets attributable to owners</b>	<b>590</b>	467
Interest in joint venture (%)	50.0	50.0
Interest in joint venture	295	234
Translation	(175)	(106)
<b>Carrying amount of investment in joint venture</b>	<b>120</b>	128

## 24. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income comprise investments in equity instruments which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and therefore the group considers this classification relevant. Previously, the group classified these investments as available-for-sale – refer note 1(b) *New and amended standards adopted by the group*. Refer note 1(i) *Investments and other financial assets* being the accounting policy adopted with effect from 1 April 2018.

	2019 Rm	2018 Rm
At 1 April	–	–
Transfer from available-for-sale financial assets	1 275	–
Fair value adjustment recognised in other comprehensive income	(9)	–
<b>At 31 March</b>	<b>1 266</b>	–
Financial assets previously classified as available-for-sale:		
At 1 April	1 275	1 272
Fair value adjustment recognised in other comprehensive income	–	3
Transfer to financial assets at fair value through other comprehensive income	(1 275)	–
	–	1 275

## 24. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *continued*

### *SunWest and Worcester casinos*

During 2017, 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 equity instruments at FVOCI – refer notes 1(b) *New and amended standards adopted by the group* and 55 *Fair value estimation*.

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 pre-tax 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)

## 25. NON-CURRENT RECEIVABLES

The group adopted IFRS 9 *Financial Instruments* with effect from 1 April 2018 – refer note 1(b) *New and amended standards adopted by the group*.

### *Financial instruments*

Financial assets measured at amortised cost

	2019 Rm	2018 Rm	2019 Rm
Prepayments – lease deposits	–	35	4
Loans to tenants	3	4	–
Loans to LPM site owners	11	7	–
Loans to NCI	10	6	–
Other	10	10	2
	34	62	6
<i>Non-financial instruments</i>			
Prepayments	–	4	1
	34	66	7

Non-current receivables and deposits do not contain significant credit risk and there are no significant receivables past due, not impaired or impaired. The group does not consider non-current receivables material and no further disclosure is provided in this regard. Refer note 28 *Trade and other receivables* for disclosures in respect of loans to LPM site owners.

Non-current receivables are denominated in the following currencies:

SA Rand	34	31	2
US Dollar	–	35	5
	34	66	7

# Notes to the consolidated financial statements continued

## 26. DEFERRED INCOME TAX

The movement in deferred tax assets and liabilities during the year, without taking into account the offsetting of balances of entities within the group, is as follows:

	Accelerated tax allowances Rm	Other assets <sup>(1)</sup> Rm	Provisions and accruals Rm	Deferred revenue Rm	Tax losses Rm	Items through OCI Rm	Total Rm
<i>Deferred tax liabilities</i>							
Balance at 1 April 2017	2 366	30	(256)	(17)	(94)	–	2 029
Income statement (credit)/expense	(355)	(11)	(53)	2	46	–	(371)
Deferred tax expense relating to components of other comprehensive income	–	–	1	–	–	–	1
Currency translation	11	–	–	–	–	–	11
Balance at 31 March 2018	2 022	19	(308)	(15)	(48)	–	1 670
Income statement expense/(credit)	<b>86</b>	<b>1</b>	<b>(14)</b>	<b>(5)</b>	<b>2</b>	–	<b>70</b>
Deferred tax expense relating to components of other comprehensive income	–	–	–	–	–	<b>28</b>	<b>28</b>
Currency translation	<b>(15)</b>	–	–	–	–	–	<b>(15)</b>
Reclassification to held for distribution to owners	<b>(476)</b>	<b>(7)</b>	<b>204</b>	<b>7</b>	<b>42</b>	<b>2</b>	<b>(228)</b>
<b>Deferred tax liability at 31 March 2019</b>	<b>1 617</b>	<b>13</b>	<b>(118)</b>	<b>(13)</b>	<b>(4)</b>	<b>30</b>	<b>1 525</b>
<i>Deferred tax assets</i>							
Balance at 1 April 2017	(13)	(1)	73	5	42	15	121
Income statement credit/(expense)	5	(1)	(27)	–	(9)	–	(32)
Acquisition of subsidiary	–	–	10	–	22	–	32
Deferred tax (expense)/credit relating to components of other comprehensive income	–	(1)	–	–	–	22	21
Balance at 31 March 2018	(8)	(3)	56	5	55	37	142
Income statement (expense)/credit	<b>(6)</b>	<b>(1)</b>	<b>2</b>	<b>2</b>	<b>5</b>	–	<b>2</b>
Deferred tax expense relating to components of other comprehensive income	–	–	–	–	–	<b>(18)</b>	<b>(18)</b>
Acquisition of subsidiary (note 46)	<b>(4)</b>	–	–	–	<b>5</b>	–	<b>1</b>
Acquisition of business (note 47)	<b>(13)</b>	–	–	–	–	–	<b>(13)</b>
Reclassification to discontinued operations	<b>10</b>	–	<b>(30)</b>	<b>(6)</b>	<b>(46)</b>	<b>1</b>	<b>(71)</b>
<b>Deferred tax asset at 31 March 2019</b>	<b>(21)</b>	<b>(4)</b>	<b>28</b>	<b>1</b>	<b>19</b>	<b>20</b>	<b>43</b>
<b>Total net deferred tax liability/(asset)</b>	<b>1 638</b>	<b>17</b>	<b>(146)</b>	<b>(14)</b>	<b>(23)</b>	<b>10</b>	<b>1 482</b>

<sup>(1)</sup> Includes investment property and prepaid expenditure

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

Deferred tax of R23 million on estimated tax losses of the group's subsidiaries relate mainly to Galaxy Gaming and Entertainment Proprietary Limited, Vukani Gaming Corporation Proprietary Limited and Pocatello Investments Proprietary Limited. The directors have considered the future profitability of these entities and, on the basis that they are projected to produce taxable income in the foreseeable future, these deferred tax assets are considered fully recoverable.

## 27. INVENTORIES

	2019 Rm	2018 Rm
Food and beverage	26	48
Operating equipment	22	26
Consumable stores	27	45
	<b>75</b>	119
The cost of inventories recognised as an expense and included in other operating expenses:		
Continuing operations	291	249
Discontinued operations	344	339
There were no inventories written off during the year.		

## 28. TRADE AND OTHER RECEIVABLES

	Continuing operations		Held for distribution to owners
	2019 Rm	2018 Rm	2019 Rm
The group adopted IFRS 9 <i>Financial Instruments</i> with effect from 1 April 2018 – refer notes 1(b) <i>New and amended standards adopted by the group</i> and 1(i) <i>Investments and other financial assets</i> .			
<i>Financial instruments</i>			
Financial assets measured at amortised cost			
Trade receivables – net	102	335	321
Trade receivables – gross	115	376	350
Trade receivables – loss allowance	(13)	(41)	(29)
Debt investments – net	81	73	–
LPM site owner loans – gross	120	103	–
LPM site owner loans – loss allowance	(39)	(30)	–
Deposits	170	138	8
Related party debtor arising on held for distribution to owners	53	–	92
Other receivables	39	66	6
	<b>445</b>	612	<b>427</b>
<i>Non-financial instruments</i>			
Prepayments	116	220	80
VAT receivable	2	12	9
Straight-lining of operating leases	14	13	–
	<b>132</b>	245	<b>89</b>
Total trade and other receivables	<b>577</b>	857	<b>516</b>

### *Trade receivables*

Trade receivables comprise a widespread customer base mostly in respect of the hotel, banqueting, conferencing and tenancing of retail and office space provided in the ordinary course of business at the group's properties. Credit sales mostly have negotiated credit terms of 30 days and are therefore all classified as current. Trade receivables also comprise amounts owed by LPM site owners relating to gross gaming win. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable as shown above. The group does not hold any collateral as security.

The carrying value less the respective credit loss allowance of trade receivables is assumed to approximate their fair values due to the short-term nature of trade receivables.

### *Debt investments*

The group's debt investments at amortised cost comprise mainly short-term loans to LPM site owners by Vukani, are unsecured, interest free and are repayable in weekly instalments.

# Notes to the consolidated financial statements continued

## 28. TRADE AND OTHER RECEIVABLES continued

### Credit risk

#### Trade receivables

The group performs ongoing credit evaluations of the financial condition of its customers for both new credit applications and existing customers having credit facilities. These reviews include evaluating previous relations the customer has had with the group, taking into account the length of time and amount of business. New customers are given credit only after meeting strict minimum requirements. The utilisation of credit limits are regularly monitored by reviewing the ageing analysis of these debtors on an ongoing basis. At 31 March 2019, no single customer was in debt in excess of 10% of the total trade receivables balance. The trade receivables are of a strong credit standing.

Credit limits exceeded during the year under review were closely monitored, and management does not expect any losses from non-performance by these counterparties that have not been provided for.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

#### Debtor loss allowance calculated under the provision matrix:

The group measures the loss allowance for trade receivables by applying a provision matrix which is permitted by IFRS 9, which is presented below. In accordance with this approach, the loss allowance for trade receivables is determined as the lifetime expected credit losses on trade receivables. Trade receivables are categorised into respective characteristics, namely geographical and business type. The provision matrices have been developed by making use of judgement, past default experience of debtors but also incorporates 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. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows.

The customer accounts separately identified and risk weighted differently to the general customer listing are those that the group has determined are affected by the following factors used to determine forward looking information of which the impact is not material:

- Vulnerability of state owned enterprises at present in South Africa;
- Ongoing energy crisis facing South Africa;
- GDP in South Africa; and
- Large travel management companies ('TMCs') operating against the backdrop of the above factors along with their burgeoning cost base, driven by increasing salary costs along with cash flow issues emanating from the slow payments from government departments and parastatals. This combined with their low levels of commission earned leaves them as highly risky, yet they comprise the largest proportion of the group's business. These entities, typically when reaching business failure have a very small/no asset base to try and recoup losses from.

### Continuing operations

On this basis, the loss allowance as at 31 March 2019 (subsequent to the adoption of IFRS 9) was determined as follows for trade receivables:

	Current – performing Rm	30 to 60 days past due Rm	60 to 90 days past due Rm	More than 90 days past due Rm	Total Rm
Expected loss rate %	2.3	3.9	28.3	60.9	
Gross carrying amount	82	7	2	13	104
Loss allowance	2	*	*	8	10

\* Amount less than R1 million

28. TRADE AND OTHER RECEIVABLES <i>continued</i>	Continuing operations	
	2019 Rm	2018 Rm
<i>Tenant debtors – specific trade debtors</i>		
Tenant debtors are specific debtors from the tenanting of retail and office space that are long outstanding and generally have slower payment terms, and are managed and provided for on a one-on-one basis.		
Gross carrying amount	11	
Loss allowance in respect of specific trade debtors	3	
The closing loss allowance for trade receivables as at 31 March reconciled to the opening loss allowance is as follows:		
At 1 April	41	35
Increase in loss allowance as calculated under IFRS 9	–	–
At 1 April calculated under IFRS 9	41	35
Provision for receivables impairment	10	9
Written off as uncollectible	(9)	(3)
Unused amounts reversed	–	(3)
Acquisition of subsidiary	–	5
Currency translation	–	(2)
Reclassification to held for distribution to owners	(29)	–
At 31 March	13	41

#### *Held for distribution to owners*

As per the basis mentioned above the loss allowance as at 31 March 2019 (subsequent to the adoption of IFRS 9) was determined as follows for trade receivables:

	Current – performing Rm	30 to 60 days past due Rm	60 to 90 days past due Rm	More than 90 days past due Rm	Total Rm
<i>South African hotels – large TMCs</i>					
Expected loss rate %	1.3	2.5	13.1	24.9	
Gross carrying amount	46	13	*	1	60
Loss allowance	1	*	*	*	1
<i>South African hotels – other remaining debtors (excluding large TMCs):</i>					
Expected loss rate %	0.5	2.7	20.6	21.4	
Gross carrying amount	172	17	1	*	190
Loss allowance	1	1	*	*	2
<i>Offshore hotels – trade debtors</i>					
Expected loss rate %	2.9	3.6	11.9	48.6	
Gross carrying amount	38	6	3	16	63
Loss allowance	1	*	*	8	9

\* Amount less than R1 million

# Notes to the consolidated financial statements continued

## 28. TRADE AND OTHER RECEIVABLES continued

2019  
Rm

### *South African hotels – specific trade debtors*

Specific trade debtors are debtors that are long outstanding and generally have slower payment terms. These are considered to have a higher risk profile due to their customer base. These are credit impaired (stage 3).

Gross carrying amount	<b>37</b>
Loss allowance in respect of specific trade debtors	<b>17</b>

The loss allowance has been established as follows:

- Specific debtors provided for completely amounted to R4 million; and
- Other specific debtors were provided for at a range between 30% and 40% of the carrying value.

The closing loss allowance for trade receivables held for distribution to owners as at 31 March 2019 reconciled to the opening loss allowance is as follows:

	2019 Rm	2018 Rm
At 1 April	<b>28</b>	30
Increase in loss allowance as calculated under IFRS 9	–	–
At 1 April calculated under IFRS 9	<b>28</b>	30
Provision for receivables impairment	<b>(1)</b>	2
Written off as uncollectible	<b>4</b>	1
Unused amounts reversed	<b>(3)</b>	(3)
Currency translation	<b>1</b>	(2)
At 31 March	<b>29</b>	28

Trade receivables are written off when there is no expectation of recovering additional cash. Indicators that there is no reasonable expectation of recovery is the failure of a debtor to engage in a repayment plan with the group, and a failure to make payments for a period of greater than 90 days past due. The creation of the provisions is offset by the release of provisions for impaired receivables and has been included in other expenses in the income statement (refer note 13).

### *Previous accounting policy for impairment of trade receivables*

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. Amounts charged to the provision account were generally written off when there was no expectation of recovering additional cash.

### **Credit risk**

#### **Continuing operations**

##### ***LPM site owner loans***

The loans receivable comprise amounts due by LPM site owners resulting from initial costs incurred to get the gaming site approved by the gambling board, as well as funding requirements for maintaining and expanding their operations. The loan repayment periods range between three and 36 months on a weekly basis. Other loans receivable are amounts lent to site owners and are unsecured, interest free and repayable in weekly periods ranging from four to 52 weeks once gaming sites are approved by the gambling board and commence operation. Any amounts older than 52 weeks are provided for in full. The maximum exposure to credit risk at the reporting date is the carrying value of the loan receivables as shown above. The company does not hold any collateral as security.

IFRS 9's expected credit loss model requires the classification and measurement of expected credit losses using the general model for loans and advances measured at amortised cost. In essence, the general model is a three stage model. The three stages are Performing (stage 1), Underperforming (stage 2) and Non-performing (stage 3). Impairment of loans in stage 1 are measured based on a 12-month expected credit loss and loans in stages 2 and 3 are based on a lifetime expected credit loss.

In terms of IFRS 9, all loans and advances are assessed on a monthly basis to determine whether there has been a significant increase in credit risk. In cases where a significant increase in credit risk has occurred, an impairment equal to the lifetime expected credit loss is recognised. The company considers a significant decrease of monthly gross gaming revenue over a six-month period (significant being 20%) to be a significant increase in credit risk events.



## 28. TRADE AND OTHER RECEIVABLES *continued*

The three stage model has been developed by making use of judgement, past default experience of loans but also incorporates forward looking information such as general economic conditions of the industry and geographic location 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. Loans and other receivables were previously impaired only when there was objective evidence that the asset was impaired.

The key inputs used for measuring expected credit losses are:

- Probability of default;
- Loss given default; and
- Exposure at default.

Probability of default is an estimate of the likelihood of default over a given time horizon. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact the probability of default. A loss given default is an estimate of the loss arising on default. The time of recovery and the recovery rate is taken into account when the loss given default is estimated. Exposure at default is an estimate of the exposure at a future default date, which is the total balance outstanding at default.

On this basis, the loss allowance was determined as follows for LPM site operator loan receivables as at 31 March 2019:

	Expected credit loss rate %	Estimated gross carrying amount at default Rm	Carrying amount (net of impairment provision) Rm
Company internal rating:			
Stage 1 Performing	6	62	58
Stage 2 Underperforming	8	4	4
Stage 3 Non-performing	65	54	19
<b>Total</b>		<b>120</b>	<b>81</b>

Loans in stage 2 and 3 are minimised and controlled through strict loan granting criteria and site-owner assessment before loans are issued.

### Reconciliation of loss allowances

The following table shows the movement in the expected credit losses for LPM site operator loan receivables as at 31 March 2019:

	Performing Rm	Under-performing Rm	Non-performing Rm	Total Rm
Opening balance in accordance with IAS 39 <i>Financial Instruments: Recognition and Measurement</i>				29
Adjustments upon application of IFRS 9				-
Opening balance in accordance with IFRS 9	1	*	28	29
New financial assets originated	1	*	16	17
Write-offs	-	-	(1)	(1)
Recoveries	(1)	*	(5)	(6)
Other changes	-	-	-	-
<b>Closing balance</b>	<b>1</b>	<b>*</b>	<b>38</b>	<b>39</b>

\* Amount less than R1 million

### Other receivables and deposits

Other receivables and deposits do not contain significant credit risk and there are no significant receivables past due, not impaired or impaired. No further disclosure is provided in this regard.

# Notes to the consolidated financial statements continued

## 28. TRADE AND OTHER RECEIVABLES continued

### Reconciliation of loss allowances continued

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

	Continuing operations		Held for distribution to owners
	2019 Rm	2018 Rm	2019 Rm
SA Rand	577	799	425
Nigerian Naira	–	12	22
US Dollar	–	10	21
Mozambican Metical	–	9	17
Tanzanian Shilling	–	6	7
United Arab Emirates Dirham	–	2	7
Other	–	19	17
	<b>577</b>	<b>857</b>	<b>516</b>

## 29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents measured at amortised cost

	2019 Rm	2018 Rm
Current accounts	2 555	2 206
Call and fixed deposit accounts	217	389
Cash	176	183
Gross cash and cash equivalents	<b>2 948</b>	2 778
Less: Bank overdrafts included in borrowings	<b>(2 124)</b>	(1 707)
Net cash and cash equivalents per cash flow statement	<b>824</b>	1 071

	Gross cash and cash equivalents Rm	Bank overdrafts Rm	Net cash Rm
Cash and cash equivalents are allocated as follows at 31 March 2019:			
Continuing operations	2 541	(1 929)	612
Held for distribution to owners	407	(195)	212
	<b>2 948</b>	<b>(2 124)</b>	<b>824</b>

Gross cash and cash equivalents are denominated in the following currencies:

	Continuing operations		Held for distribution to owners
	2019 Rm	2018 Rm	2019 Rm
SA Rand	2 541	2 725	304
US Dollar	–	18	62
Nigerian Naira	–	18	20
Euro	–	10	10
Mozambican Metical	–	1	3
Other	–	6	8
	<b>2 541</b>	<b>2 778</b>	<b>407</b>

30. NON-CURRENT ASSETS HELD FOR SALE	2019 Rm	2018 Rm
Opening net carrying amount	66	66
Capitalised expenditure	–	2
Fair value adjustment recognised in profit or loss	–	(1)
Disposals	–	(1)
Reclassification to investment property	(66)	–
<b>Closing net carrying amount</b>	<b>–</b>	<b>66</b>

### 31. ORDINARY SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Number of treasury shares	Net number of shares	Ordinary share capital Rm	Share premium Rm	Treasury shares Rm	Total Rm
At 31 March 2017	1 049 181 389	(91 808 300)	957 373 089	2	4 782	(208)	4 576
Issue of shares	98 476 395	–	98 476 395	2	1 972	–	1 974
Treasury shares settled	–	3 339 806	3 339 806	–	–	86	86
At 31 March 2018	1 147 657 784	(88 468 494)	1 059 189 290	4	6 754	(122)	6 636
Buy-back of ordinary share capital and cancellation of shares	(3 129 377)	–	(3 129 377)	–	(65)	–	(65)
<b>At 31 March 2019</b>	<b>1 144 528 407</b>	<b>(88 468 494)</b>	<b>1 056 059 913</b>	<b>4</b>	<b>6 689</b>	<b>(122)</b>	<b>6 571</b>

The total authorised number of ordinary shares is 1 200 000 000 (2018: 1 200 000 000) with a par value of 2 cents per share (2018: 2 cents per share). The company also has 20 000 000 authorised unissued preference shares of no par value. All issued shares, other than those related to the Gold Reef Share Scheme and the IFRS 2 *Share-based Payment* – equity-settled (refer note 36.1), are fully paid up.

The company's authorised but unissued ordinary share capital was placed under the control of the directors until the forthcoming AGM. The board of directors has the authority to allot and issue any shares required to be issued for the purpose of carrying out the terms in accordance with the provisions of any share-based incentive scheme established by the company subject to section 38 of the Companies Act of South Africa and the Listings Requirements of the JSE, during the period of two years commencing on the date of the adoption of the special resolution, dated 18 October 2018. The board of directors has also been given, in terms of the Listings Requirements of the JSE, the authority to acquire ordinary shares issued by the company and shall be valid until the company's next AGM, or 15 months from the date of the passing of the special resolution, whichever period is the shorter. The board of directors has been authorised to determine the preferential rights attaching to the future issue of preference shares (subject to the approval of the JSE).

During the year under review, the company embarked on a share buy-back programme as shown above, and these shares were subsequently cancelled. During the prior year, the group acquired Gameco by way of common control and issued ordinary shares as shown above as part of the purchase price.

During April 2019 and May 2019, the company cancelled and subsequently delisted 83 632 695 ordinary shares of 2 cents each which were categorised as treasury shares. These shares were held by subsidiary companies of Tsogo Sun Hotels, Gaming and Entertainment Proprietary Limited ('TSHG&E') and were received as a dividend in specie by TSHG&E. The company in turn received the shares from TSHG&E, a wholly owned subsidiary of the company, as a dividend in specie. The shares cancelled represent 7.3% of the total issued share capital of the company immediately prior to such cancellation. Following the cancellation, the issued share capital of the company will now comprise 1 060 895 712 ordinary shares of 2 cents each, while the number of treasury shares that will continue to be held by the Gold Reef Share Scheme in the company is 408 615 ordinary shares.

# Notes to the consolidated financial statements continued

## 32. OTHER RESERVES

	Available- for-sale investments fair value reserve Rm	Financial assets at FVOCI Rm	PPE revaluation reserve Rm	Surplus arising on change in control in joint venture Rm	Transactions with non- controlling interests Rm	Cash flow hedge reserve Rm	Foreign currency translation reserve Rm	Common control reserve Rm	Total Rm
Balance at 1 April 2017	(11)	–	–	130	360	(35)	430	–	874
Cash flow hedges	–	–	–	–	–	(60)	–	–	(60)
Fair value losses during the year	–	–	–	–	–	(82)	–	–	(82)
Deferred tax on fair value losses	–	–	–	–	–	22	–	–	22
Currency translation adjustments	–	–	–	–	–	–	(86)	–	(86)
Available-for-sale investments fair value reserve	2	–	–	–	–	–	–	–	2
Available for sale financial asset fair value adjustment	3	–	–	–	–	–	–	–	3
Deferred tax on available-for-sale financial assets	(1)	–	–	–	–	–	–	–	(1)
Consideration to HPF non-controlling interests in hotel assets	–	–	–	–	(37)	–	–	–	(37)
Acquisition of non-controlling interests from HPF	–	–	–	–	436	–	–	–	436
Consideration to HPF non-controlling interests – Sandton Isle	–	–	–	–	(15)	–	–	–	(15)
Common control reserve arising on acquisition of Gameco	–	–	–	–	–	–	–	(3 154)	(3 154)
<b>Balance at 31 March 2018</b>	<b>(9)</b>	<b>–</b>	<b>–</b>	<b>130</b>	<b>744</b>	<b>(95)</b>	<b>344</b>	<b>(3 154)</b>	<b>(2 040)</b>
Cash flow hedges	–	–	–	–	–	45	–	–	45
Fair value gains during the year	–	–	–	–	–	63	–	–	63
Deferred tax on fair value gains	–	–	–	–	–	(18)	–	–	(18)
Currency translation adjustments	–	–	–	–	–	–	170	–	170
Revaluation of owner occupied property reclassified to investment property	–	–	101	–	–	–	–	–	101
Owner occupied property fair value adjustment	–	–	130	–	–	–	–	–	130
Deferred tax on owner occupied property fair value adjustment	–	–	(29)	–	–	–	–	–	(29)
Reclassification on adoption of IFRS 9	9	(9)	–	–	–	–	–	–	–
Financial assets at FVOCI fair value reserve	–	(7)	–	–	–	–	–	–	(7)
Equity instruments fair value adjustment at FVOCI	–	(9)	–	–	–	–	–	–	(9)
Deferred tax on equity instruments fair value adjustment at FVOCI	–	2	–	–	–	–	–	–	2
Common control reserve arising on acquisition of Kuruman Casino (note 46)	–	–	–	–	–	–	–	(42)	(42)
Acquisition of non-controlling interests – Galaxy	–	–	–	–	(1)	–	–	–	(1)
<b>Balance at 31 March 2019</b>	<b>–</b>	<b>(16)</b>	<b>101</b>	<b>130</b>	<b>743</b>	<b>(50)</b>	<b>514</b>	<b>(3 196)</b>	<b>(1 774)</b>

### 33. INTEREST-BEARING BORROWINGS

	Continuing operations		Held for distribution to owners
	2019 Rm	2018 Rm	2019 Rm
The group adopted IFRS 9 <i>Financial Instruments</i> with effect from 1 April 2018 – refer notes 1(b) <i>New and amended standards adopted by the group</i> and 1(r) <i>Borrowings and finance costs</i> .			
Borrowings are made up as follows:			
Financial liabilities measured at amortised cost			
Bank borrowings	11 605	12 733	2 293
Corporate bonds (Domestic Medium-term Note Programme)	–	902	890
Bank overdrafts	1 929	1 707	195
	<b>13 534</b>	<b>15 342</b>	<b>3 378</b>
Less: Facility raising fees	(10)	(27)	(8)
	<b>13 524</b>	<b>15 315</b>	<b>3 370</b>
Analysed as:			
Non-current portion	10 072	12 667	2 885
Current portion	3 452	2 648	485
	<b>13 524</b>	<b>15 315</b>	<b>3 370</b>
Secured	13 534	15 262	3 298
Unsecured	–	80	80
	<b>13 534</b>	<b>15 342</b>	<b>3 378</b>
The following represents the carrying amount of the security for these borrowings:			
Property, plant and equipment (note 18)	5 213	5 180	1 216
Investment properties (note 19) <sup>(1)</sup>	–	9 272	4 881
Intangible assets (note 21)	26	37	50
Equity instruments at FVOCI (note 24)	1 266	–	–
Available-for-sale financial assets (note 24)	–	1 275	–
Inventories (note 27)	45	62	46
Pledge of cash in bank accounts (note 29)	2 213	1 852	212
Non-current investment property held for sale	–	66	–
Cession of Tsogo Sun shares (treasury shares)	441	533	–
	<b>9 204</b>	<b>18 277</b>	<b>6 405</b>
The carrying amounts of the group's borrowings are denominated in the following currencies:			
SA Rand	13 524	14 349	2 148
US Dollar	–	944	–
Mozambican Metical	–	22	1 222
	<b>13 524</b>	<b>15 315</b>	<b>3 370</b>
The group has the following committed direct facilities excluding bank overdrafts (from banks and corporate bonds):			
Expiring within 1 year	2 366	1 486	354
Expiring beyond 1 year	11 052	15 819	3 430
	<b>13 418</b>	<b>17 305</b>	<b>3 784</b>
Undrawn facility of committed direct bank borrowings	1 813	3 670	601
Weighted average effective interest rates (including cash held in call accounts)	9.25%	9.41%	8.50%

<sup>(1)</sup> Investment properties represent the value of the properties in Hospitality Property Fund Limited ('HPF') over which mortgage bonds have been registered in favour of the debt funding providers to HPF included in borrowings. On consolidation, these properties leased and managed by Southern Sun Hotel Interests Proprietary Limited are, however, accounted for as property, plant and equipment (both companies being subsidiary companies of the group)

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments and is within level 3 of the fair value hierarchy. The fair values of long and medium-term borrowings are based on cash flows discounted using commensurate variable rates chargeable by SA Rand lenders for continuing operations of the above loans ranging between 8.30% and 8.55% (2018: 4.36% and 10.58%), and for the held for distribution to owners borrowings, chargeable by both US Dollar and SA Rand lenders of the above loans ranging between 4.90% and 8.85%. The fair values of the current portion of borrowings equals their carrying amount, as the impact of discounting is not significant. All borrowings bear interest at floating rates (refer note 53.1(a) (ii)).

# Notes to the consolidated financial statements continued

## 33. INTEREST-BEARING BORROWINGS continued

The carrying amounts and fair values of the above mentioned non-current borrowings are as follows:

	Carrying amount		Fair value	
	2019 Rm	2018 Rm	2019 Rm	2018 Rm
<b>Continuing operations</b>				
Bank borrowings	10 072	11 777	11 737	11 191
Corporate bonds (Domestic Medium-term Note Programme)	–	890	–	897
	<b>10 072</b>	<b>12 667</b>	<b>11 737</b>	<b>12 088</b>
			<b>Carrying amount 2019 Rm</b>	<b>Fair value 2019 Rm</b>
<b>Held for distribution to owners</b>				
Bank borrowings			<b>2 267</b>	<b>2 306</b>
Corporate bonds (Domestic Medium-term Note Programme)			<b>618</b>	<b>897</b>
			<b>2 885</b>	<b>3 203</b>

## 34. DERIVATIVE FINANCIAL INSTRUMENTS

	Continuing operations		Held for distribution to owners
	2019 Rm	2018 Rm	2019 Rm
The group adopted IFRS 9 <i>Financial Instruments</i> with effect from 1 April 2018 – refer notes 1(b) <i>New and amended standards adopted by the group</i> and 1(j) <i>Derivative instruments and hedge accounting</i> .			
Derivative financial instruments measured at fair value are made up as follows:			
Interest rate swaps – cash flow hedges:			
Tsogo Sun Proprietary Limited	68	129	–
HPF	–	6	–
Net liabilities	68	135	–
Less: Current portion liability (net)	–	(3)	–
Non-current portion liability (net)	68	132	–
Non-current portion made up as follows:			
Asset	3	–	2
Liability	(71)	(132)	(2)
Net liability	(68)	(132)	–

For effective hedges, gains and losses are recognised in the hedging reserve directly in other comprehensive income (after tax). For continuing operations, there was no ineffective portion recognised in the income statement from cash flow hedges for the year, and discontinued operations recognised losses amounting to R2 million (2018: R1 million) which are included in operating expenses in note 44. Refer also notes 53.1(c) *Liquidity risk* and 55 *Fair value estimation*.

34. DERIVATIVE FINANCIAL INSTRUMENTS <i>continued</i>	Continuing operations		Held for distribution to owners
	2019 Rm	2018 Rm	2019 Rm
The notional amounts of the outstanding effective interest rate swap contracts at 31 March were:			
<b>Continuing operations</b>			
<b>Tsogo Sun Proprietary Limited linked to the three-month JIBAR</b>			
With a fixed rate of 6.93% maturing 30 June 2020	1 500	1 500	–
With a fixed rate of 8.045% maturing 30 June 2021	1 000	1 000	–
With a fixed rate of 8.09% maturing 30 June 2021	2 000	2 000	–
With a fixed rate of 7.80% maturing 30 June 2021	500	500	–
With a fixed rate of 7.82% maturing 30 June 2021	500	500	–
<b>Silverstar Casino Proprietary Limited linked to the one-month JIBAR</b>			
With a fixed rate of 7.22%, excluding credit and liquidity margins, matured 3 April 2018	–	90	–
	<b>5 500</b>	<b>5 590</b>	<b>–</b>
<b>Discontinued operations</b>			
HPF linked to the three-month JIBAR			
With a fixed rate of 7.24% maturing 30 June 2020	–	500	<b>500</b>
With a fixed rate of 7.42% maturing 31 March 2022	–	–	<b>300</b>
With a fixed rate of 7.16% maturing March 2023	–	300	<b>300</b>
	–	800	<b>1 100</b>
The notional amounts of the outstanding ineffective interest rate swap contracts at 31 March were:			
<i>HPF</i>			
With a fixed rate of 7.88% matured 14 February 2019	–	250	–
<b>Total</b>	<b>5 500</b>	<b>6 640</b>	<b>1 100</b>

#### SI put option

In terms of the acquisition agreement of the SunWest and Worcester interests (refer note 24), 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 option by the issue of new ordinary shares in SI and/or for a cash consideration, based on the aggregate value of the group's interest in SunWest and Worcester. No derivative has been recognised as the fair value of the option is Rnil at 31 March 2019 (Rnil at 31 March 2018).

# Notes to the consolidated financial statements continued

## 35. DEFERRED REVENUE AND INCOME

The group's contract liabilities consist of the customer reward programmes and are shown as deferred income and revenue. The group accounts for its gaming customer reward programmes (gaming win) in terms of IFRS 9 *Financial Instruments* and this liability is allocated to deferred income on the balance sheet. The hotel customer reward programmes (rooms and food and beverage revenue) are accounted for in terms of IFRS 15 *Revenue from Contracts with Customers* with the liability allocated to deferred revenue on the balance sheet and has been reclassified to held for distribution to owners at 31 March 2019. Deferred revenue and income is made up as follows:

	2019 Rm	2018 Rm
<i>Financial instruments</i>		
<b>Continuing operations</b>		
Deferred income		
At 1 April	19	19
Created during the year	160	143
Forfeitures during the year	(7)	(9)
Utilised during the year	(152)	(134)
At 31 March	20	19
Less: Current portion	(20)	(19)
Non-current portion	–	–

The expected timing of the recognition of deferred income is within one year (2018: one year) and is considered current.

### *Non-financial instruments*

#### **Held for distribution to owners**

Deferred revenue		
At 1 April	95	87
Created during the year	142	132
Forfeitures during the year	(34)	(31)
Utilised during the year	(100)	(93)
At 31 March	103	95
Less: Current portion	(70)	(64)
Non-current portion	33	31

The expected timing of the recognition of deferred revenue is within three years (2018: three years).

	2020 Rm	2021 Rm	Total Rm
Revenue expected to be recognised in respect of deferred revenue as of 31 March 2019	70	33	103

	2019 Rm	2018 Rm
Revenue recognised that was included in the contract liability balance at the beginning of the period	67	72



### 36. LONG-TERM INCENTIVE PLANS

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

#### 36.1 Equity-settled – Executive facility

During the 2015 year end, on 12 August 2014, a R200 million facility was made available to senior executives for the sole purpose of acquiring shares in the company at R25.75 per share. The facility is interest free and has no fixed repayment date but must be repaid if the shares are sold or if the executive leaves the employ of the group. The executives are subject to fringe benefits tax on the facility. The executives are not eligible for any new allocations under the existing share appreciation scheme until the loans are repaid in full. Allocations of appreciation units made prior to the provision of the facility remain unaffected. A once-off IFRS 2 *Share-based Payment* executive facility charge of R118 million was debited to profit or loss during the 2015 year end.

The following executive employees participate in the executive facility:

	Number of shares acquired	Loan facility 2019 Rm	Loan facility 2018 Rm
J Booysen (CEO) <sup>(1)</sup>	1 825 243	47	47
RB Huddy (CFO)	1 048 543	27	27
GD Tyrrell	776 699	20	20
FV Dlamini	776 699	20	20
	4 427 184	114	114

<sup>(1)</sup> J Booysen resigned on 30 June 2019. Following his early retirement J Booysen has until his normal retirement date on 30 September 2022 to dispose of his shares and repay the loan

#### 36.2 Cash-settled – Tsogo Sun Share Appreciation Bonus Plan

The Tsogo Sun Share Appreciation Bonus Plan is a bonus scheme whereby participants receive cash bonuses, the amounts of which are determined with reference to the growth in the company's share price. Participants under this bonus appreciation plan are not entitled to take up shares or options whatsoever. Allocations vest in full three years after date of allocation.

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

	2019	2018
Average share price utilised to value the liability	R23,50	R25,50
Number of appreciation units granted and outstanding ('000)	39 488	33 320
Number of appreciation units vested and outstanding ('000)	19 547	17 203

For continuing operations, the group recognised a charge of R3 million (2018: R17 million credit) related to this bonus appreciation plan during the year and at 31 March 2019 the group had recorded liabilities of R43 million (2018: R87 million) in respect of this plan. The current portion of this liability is R39 million (2018: R60 million). R34 million was reclassified to held for distribution to owners at 31 March 2019 of which R29 million is current – refer note 44.

# Notes to the consolidated financial statements continued

## 37. PROVISIONS

	2019 Rm	2018 Rm
<i>At 1 April</i>		
Long-service awards	203	199
Short-term incentives	188	180
Jackpot provisions	6	10
	<b>397</b>	<b>389</b>
<i>Acquisition of subsidiary</i>		
Short-term incentives	-	7
	-	7
<i>Created during the year</i>		
Long-service awards	22	27
Short-term incentives	178	182
Jackpot provisions	-	136
	<b>200</b>	<b>345</b>
<i>Utilised during the year</i>		
Long-service awards	(31)	(23)
Short-term incentives	(178)	(181)
Jackpot provisions	(4)	(140)
	<b>(213)</b>	<b>(344)</b>
<i>Reclassification to held for distribution to owners</i>		
Long-service awards	(58)	-
Short-term incentives	(68)	-
	<b>(126)</b>	<b>-</b>
<i>At 31 March</i>		
Long-service awards	136	203
Short-term incentives	120	188
Jackpot provisions	2	6
Total provisions	<b>258</b>	<b>397</b>
Less: Current portion	<b>(133)</b>	<b>(225)</b>
Non-current portion	<b>125</b>	<b>172</b>

### Long-service awards

The group pays its employees a long-service benefit. The benefit is paid when employees reach predetermined years of service. The method of accounting and frequency of valuation are similar to those used for defined benefit schemes. The actuarial valuation to determine the liability is performed annually by independent actuaries using the projected unit credit method.

	2019 Rm	2018 Rm
Movement in unfunded obligation:		
Benefit obligation at 1 April	203	199
Interest cost	20	18
Service cost	18	19
Actuarial gain	(16)	(10)
Reclassification to held for distribution to owners	(58)	-
Benefits paid	(31)	(23)
Obligation at 31 March	<b>136</b>	<b>203</b>
The amounts recognised in the income statement are as follows:		
Interest cost	20	18
Current service cost	18	19
Actuarial gain	(16)	(10)
	<b>22</b>	<b>27</b>

**37. PROVISIONS** continued

	2019 Rm	2018 Rm
The principal actuarial assumptions used for accounting purposes are:		
Discount rate	<b>9.20%</b>	8.40%
Inflation rate	<b>5.40%</b>	5.40%
Salary increase rate	<b>5.90%</b>	5.90%
Pre-retirement mortality rate	<b>SA 85 – 90 (Light) table</b>	
The present value of the long-service award obligations for the current and prior years are as follows:		
Present value of unfunded obligations	<b>136</b>	203
Experience adjustment on plan obligations	–	–
There are no plan assets in respect of the long-service award liability.		

**Jackpot provisions**

Provision is made for the potential jackpot payouts on slot machines and table progressives and is based on the meter readings. From 1 April 2018, the group no longer provides for further progressive jackpot provisions. Due to the nature of the jackpot provisions the timing of their utilisation is uncertain, however, it is not expected to be longer than 12 months.

	Continuing operations		Held for distribution to owners
	2019 Rm	2018 Rm	2019 Rm
<b>38. OTHER NON-CURRENT LIABILITIES</b>			
Capital creditors (note 47)	<b>21</b>	–	–
Gross	<b>31</b>	–	–
Less: Current portion	<b>(10)</b>	–	–
Share-based payment to non-controlling interests	<b>14</b>	–	–
Straight-lining of operating leases	<b>37</b>	237	<b>186</b>
Gross	<b>92</b>	292	<b>187</b>
Less: Current portion	<b>(55)</b>	(55)	<b>(1)</b>
Non-current portion	<b>72</b>	237	<b>186</b>

The share-based payment liability is the fair value of the transfer of portions of shareholdings, in terms of the respective gaming licence conditions, in Galaxy Bingo Tonga (5%), Galaxy Bingo Hazyview (10%) and Leitlho SPV (Kuruman Casino) (20%) to B-BBEE shareholders by August 2020, January 2021 and December 2034 respectively. A share-based payment charge of R9 million was recognised in operating costs during the year (refer note 13).

The straight-lining of operating leases relates mainly to Sandton Convention Centre which expires in August 2020, leases relating to a portion of the cinema complex at Hemingways Casino which expire in 2024 and an Emnotweni Casino lease relating to a portion of the cinema complex which expires in 2023. The straight-lining also includes leases relating to slot machines and other property, plant and equipment at the casino properties. Refer note 50 *Operating lease commitments*.

For held for distribution to owners, the straight-lining of operating leases relates to the Cape Town City Bowl hotels and various leases of other properties within the group's portfolio of hotels.

# Notes to the consolidated financial statements continued

39. TRADE AND OTHER PAYABLES	Continuing operations		Held for distribution to owners
	2019 Rm	2018 Rm	2019 Rm
Trade and other payables for continuing operations are made up as follows:			
<i>Financial instruments</i>			
Trade and other payables	<b>944</b>	1 138	<b>463</b>
Trade payables	<b>255</b>	295	<b>120</b>
Accrued expenses	<b>191</b>	230	<b>72</b>
Advance deposits	<b>39</b>	87	<b>61</b>
Derivative financial instruments current portion (note 34)	<b>–</b>	3	<b>–</b>
Deferred income current portion (note 35)	<b>20</b>	19	<b>–</b>
Related party creditor arising on held for distribution group	<b>91</b>	–	<b>53</b>
Other payables	<b>348</b>	504	<b>157</b>
<i>Non-financial instruments</i>	<b>497</b>	738	<b>292</b>
VAT payable	<b>73</b>	85	<b>27</b>
Leave pay liability	<b>87</b>	129	<b>51</b>
Payroll-related payables	<b>68</b>	77	<b>40</b>
Gaming levies	<b>42</b>	43	<b>–</b>
Deferred revenue current portion (note 35)	<b>–</b>	64	<b>70</b>
Long-term incentive liabilities current portion (note 36.2)	<b>39</b>	60	<b>29</b>
Provisions current portion (note 37)	<b>133</b>	225	<b>74</b>
Straight-lining of operating leases current portion (note 38)	<b>55</b>	55	<b>1</b>
	<b>1 441</b>	1 876	<b>755</b>

The carrying values of trade and other payables are assumed to approximate their fair values due to the short-term nature of trade and other payables. Other payables include capital expenditure creditors, unallocated deposits received, Smartcard gaming credits due to customers and other sundry payables. The carrying amounts of the group's trade and other payables are denominated in the following currencies:

	Continuing operations		Held for distribution to owners
	2019 Rm	2018 Rm	2019 Rm
SA Rand	<b>1 441</b>	1 729	<b>624</b>
US Dollar	<b>–</b>	69	<b>35</b>
Zambian Kwacha	<b>–</b>	25	<b>7</b>
Nigerian Naira	<b>–</b>	17	<b>22</b>
Seychelles Rupee	<b>–</b>	12	<b>13</b>
Kenyan Shilling	<b>–</b>	11	<b>22</b>
Tanzanian Shilling	<b>–</b>	8	<b>10</b>
Mozambican Metical	<b>–</b>	4	<b>21</b>
United Arab Emirates Dirham	<b>–</b>	1	<b>1</b>
	<b>1 441</b>	1 876	<b>755</b>

40. CASH GENERATED FROM OPERATIONS	2019 Rm	2018 Restated <sup>(1)</sup> Rm
Profit before tax from continuing operations	2 325	2 095
<i>Adjusted for finance income and costs, share of profit of equity accounted entities, dividends received and non-cash movements:</i>		
Finance income	(333)	(332)
Finance costs	1 144	1 010
Share of profit of associates	(7)	(8)
Dividends received from investments in equity instruments designated at FVOCI	(90)	–
Dividends received from available-for-sale financial assets	–	(86)
Amortisation and depreciation	738	643
Impairment charge for bad and doubtful debts, net of reversals	20	7
Operating equipment usage	41	40
Straight-lining of operating leases and other lease adjustments	(42)	(29)
Movement in provisions	288	281
Long-term incentive expense/(credit)	3	(17)
(Gain)/loss on disposal of property, plant and equipment	(1)	2
Impairment of property, plant and equipment	21	68
Fair value adjustment on investment properties	8	4
Impairment of intangibles	1	92
Impairment of goodwill	–	20
Impairment of equity loan to associate	–	7
Fair value adjustment on interest rate swaps	–	1
Impairment of financial instruments	–	7
Other non-cash moves and adjustments	(4)	3
<b>Cash generated from operations before working capital movements</b>	<b>4 112</b>	<b>3 808</b>
<i>Working capital movements</i>		
Increase in inventories	(21)	(16)
Increase in trade and other receivables	(110)	(68)
Decrease in payables and provisions	(212)	(601)
<b>Cash generated from operations</b>	<b>3 769</b>	<b>3 123</b>
41. INCOME TAX PAID	2019 Rm	2018 Restated <sup>(1)</sup> Rm
<b>Continuing operations</b>		
Tax liability at 1 April	4	46
Current tax provided	(543)	(613)
Acquisition of subsidiary	–	(15)
Tax liability at 31 March	(20)	(4)
	<b>(559)</b>	<b>(586)</b>
42. DIVIDENDS PAID TO THE COMPANY'S SHAREHOLDERS	2019 Rm	2018 Rm
<b>Ordinary</b>		
Unclaimed dividends owing to shareholders at 1 April	(1)	(1)
Dividends declared	(2 145)	(1 015)
Dividend contribution by discontinued operations	5	–
Unclaimed dividends owing to shareholders at 31 March	4	1
	<b>(2 137)</b>	<b>(1 015)</b>

<sup>(1)</sup> Restated for discontinued operations – refer note 44

# Notes to the consolidated financial statements continued

## 43. CHANGES IN INTEREST-BEARING BORROWINGS ARISING FROM FINANCING ACTIVITIES

Changes arising from financing activities for the year under review 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 borrowings 2019 Rm	Short-term borrowings 2019 Rm	Total 2019 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 borrowings 2018 Restated <sup>(1)</sup> Rm	Short-term borrowings 2018 Restated <sup>(1)</sup> Rm	Total 2018 Restated <sup>(1)</sup> Rm
Balance at 1 April 2017	9 439	3 399	12 838
Reclassification to discontinued operations	(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

<sup>(1)</sup> Restated for discontinued operations – refer note 44

## 44. 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 Sun Hotels Limited<sup>(1)</sup> ('THL') from Tsogo Sun so that THL will be an independent, publicly traded company. The separation was 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 was effected on 23 May 2019 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 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. Consequently, Tsogo Sun and THL are independent public companies, having shares listed on the JSE and have separate public ownership, boards of directors and management.

In terms of the unbundling, all inter-company loan balances, which were not in the ordinary course of business, were settled between Tsogo Sun and THL, including the treasury loan owed by THL to Tsogo Sun. The remaining inter-company 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 of THL 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 and cash flow statement, and the respective notes, have been restated.

<sup>(1)</sup> Previously Southern Sun Hotels Proprietary Limited – refer note 59

#### 44. DISCONTINUED OPERATIONS *continued*

	2019 Rm	2018 Rm
Profit attributable to discontinued operations for the year ended 31 March:		
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
(Loss)/profit before tax	(10)	473
Income tax (expense)/credit	(49)	187
<b>(Loss)/profit for the year from discontinued operations</b>	<b>(59)</b>	<b>660</b>

	2019 Rm
The carrying amount of assets and liabilities classified as held for distribution to owners as at 31 March 2019:	
<i>Non-current assets:</i>	
Property, plant and equipment	7 684
Investment properties	4 881
Goodwill	354
Other intangible assets	51
Investments in associates	488
Investments in joint ventures	120
Non-current receivables	7
Derivative financial instruments	2
Deferred income tax assets	71
<i>Current assets:</i>	
Inventory	46
Trade and other receivables	516
Current income tax assets	4
Cash and cash equivalents	407
<b>Total assets classified as held for distribution to owners</b>	<b>14 631</b>
<i>Long-term liabilities:</i>	
Interest-bearing borrowings	2 885
Derivative financial instruments	2
Deferred income tax liabilities	228
Deferred revenue	34
Long-term incentive liabilities	5
Provisions	51
Other non-current liabilities	186
<i>Current liabilities:</i>	
Interest-bearing borrowings	485
Trade and other payables	755
Current income tax liabilities	102
<b>Total liabilities classified as held for distribution to owners</b>	<b>4 733</b>

	2019 Rm	2018 Rm
Net cash flows attributable to discontinued operations for the year ended 31 March:		
Net cash generated from operating activities	524	562
Net cash utilised for investment activities	(479)	(736)
Net cash generated by financing activities	29	114
<b>Net cash generated by/(utilised for) discontinued operations</b>	<b>74</b>	<b>(60)</b>

# Notes to the consolidated financial statements continued

## 45. 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 year. 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 in the 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.

## 46. 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 60% of 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 HCI, 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
Less: Purchase consideration in the form of cash paid	(95)
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 year	95
Add: Cash balances acquired with Kuruman	4
Net inflow of cash during the year	4



## 47. BUSINESS ACQUISITION

### 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 no revenue nor earnings to the group from acquisition date to 31 March 2019 and nor would it have contributed had it been acquired on 1 April 2018. 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
Cost of the acquisition	
Purchase consideration paid	49
Fair value of net assets acquired	(36)
Goodwill	13

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

## 48. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

### Acquisition of NCI by Galaxy

During May 2018, the group acquired an additional 1% in each of Galaxy Bingo Port Elizabeth and Galaxy Bingo East London thereby increasing the group's shareholding to 60% in each of the entities for a cost of R2 million.

No further disclosure has been supplied as this transaction is considered not material to the group.

## 49. RELATED PARTIES

The company's ultimate majority shareholder is HCI (a company listed on the JSE) which, at the balance sheet date, directly and indirectly owned 49.3% (2018: 51.2%) of the company's issued share capital (excluding treasury shares). HCI directly owned 9.7% (2018: 7.8%) and is the majority shareholder of TIHC Investments (RF) Proprietary Limited ('TIHC') and TIHC directly owned 39.3%. HCI is also the majority shareholder of Tsogo Investment Holding Company Proprietary Limited ('TIH'), which, in the prior year, TIH held 43.4% (nil at 31 March 2019). These percentage shareholdings exclude treasury shares.

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

	2019 Rm	2018 Rm
<b>49.1 Transactions with related parties</b>		
Dividends paid to HCI	191	26
Dividends paid to TIH	322	469
Dividends paid to TIHC	548	–
Dividends paid to other subsidiaries of HCI	4	1
	<b>1 065</b>	<b>496</b>

### 49.2 Acquisitions and discontinued operations

Details of the acquisition of Kuruman Casino from Niveus are included in note 46 and discontinued operations are included in note 44.

# Notes to the consolidated financial statements continued

## 49. RELATED PARTIES continued

### 49.3 Key management compensation

Directors of the company and prescribed officers of the group are considered to be the group's key management personnel. All remuneration and fees are paid by subsidiary companies. Remuneration and IFRS 2 share-based payments and fees paid to key management during the year by the group are as follows:

#### 49.3.1 Executive directors

	Year ended 31 March 2019				
	Basic remuneration R'000	Benefits R'000	Short-term incentives <sup>(3)</sup> R'000	Long-term incentives R'000	Total paid R'000
J Booyesen <sup>(1)</sup>	6 997	836	2 562	1 138	11 533
RB Huddy	3 825	521	1 315	1 138	6 799
<b>Total remuneration</b>	<b>10 822</b>	<b>1 357</b>	<b>3 877</b>	<b>2 276</b>	<b>18 332</b>

  

	Year ended 31 March 2018					
	Basic remuneration R'000	Benefits R'000	Short-term incentives <sup>(4)</sup> R'000	Long-term incentives R'000	Other R'000	Total paid R'000
J Booyesen <sup>(2)</sup>	4 933	572	–	–	–	5 505
MN von Aulock <sup>(2)</sup>	1 723	153	3 456	12 357	28 887	46 576
RB Huddy	3 546	1 249	1 630	–	–	6 425
<b>Total remuneration</b>	<b>10 202</b>	<b>1 974</b>	<b>5 086</b>	<b>12 357</b>	<b>28 887</b>	<b>58 506</b>

<sup>(1)</sup> J Booyesen retired 30 June 2019 and CG du Toit appointed as executive director 1 June 2019 and as CEO 1 July 2019

<sup>(2)</sup> MN von Aulock resigned and J Booyesen appointed 1 June 2017

<sup>(3)</sup> Short-term incentives paid relate to the achievement against target for 2018

<sup>(4)</sup> Short-term incentives paid relate to the achievement against target for 2017

#### 49.3.2 Non-executive directors

	Directors' fees for the year ended 31 March	
	2019 R'000	2018 R'000
JA Copelyn	1 044	981
MSI Gani	617	579
MJA Golding	300	282
BA Mabuza	617	579
VE Mphande	300	282
JG Ngcobo	381	357
Y Shaik	462	433
<b>Total</b>	<b>3 721</b>	<b>3 493</b>

#### 49.3.3 Other key management and prescribed officers

	Year ended 31 March 2019				
	Basic remuneration R'000	Benefits R'000	Short-term incentives <sup>(2)</sup> R'000	Long-term incentives R'000	Total paid R'000
<b>Continuing operations</b>					
CG du Toit <sup>(1)</sup>	2 411	–	–	–	2 411
G Joseph	3 048	528	1 055	–	4 631
<b>Discontinued operations</b>					
MN von Aulock <sup>(2)</sup>	5 191	435	–	–	5 626
R Nadasen	2 450	483	1 063	–	3 996
RF Weilers <sup>(3)</sup>	2 045	92	2 494	288	4 919
<b>Total remuneration</b>	<b>15 145</b>	<b>1 538</b>	<b>4 612</b>	<b>288</b>	<b>21 583</b>

## 49. RELATED PARTIES continued

### 49.3 Key management compensation continued

#### 49.3.3 Other key management and prescribed officers continued

	Year ended 31 March 2018			Total paid R'000
	Basic remuneration R'000	Benefits R'000	Short-term incentives <sup>(8)</sup> R'000	
<b>Continuing operations</b>				
G Joseph <sup>(4)</sup>	2 024	699	–	2 723
<b>Discontinued operations</b>				
R Nadasen <sup>(5)</sup>	1 648	427	–	2 075
J Booyesen <sup>(6)</sup>	1 054	422	1 693	3 169
RF Weilers	4 090	–	1 543	5 633
<b>Total remuneration</b>	<b>8 816</b>	<b>1 548</b>	<b>3 236</b>	<b>13 600</b>

<sup>(1)</sup> Appointed as Chief Operating Officer – Alternative Gaming 1 June 2018

<sup>(2)</sup> Appointed as Chief Executive Officer – Hotels 1 June 2018

<sup>(3)</sup> Retired on 30 September 2018

<sup>(4)</sup> Appointed as Chief Operating Officer – Gaming 1 July 2017

<sup>(5)</sup> Appointed as Chief Operating Officer – Hotels 1 July 2017

<sup>(6)</sup> Appointed as an executive director 1 June 2017

<sup>(7)</sup> Short-term incentives paid relate to the achievement against target for 2018

<sup>(8)</sup> Short-term incentives paid relate to the achievement against target for 2017

During the 2015 year end, the group granted interest-free loans to the participating executives in the IFRS 2 share-based payment scheme as shown in note 36.1 which are secured by the shares taken up by these participating executives. These loans have no specified dates of repayment. There are no other loans to directors, key management or their families of the group.

A listing of all members of the board of directors is shown on page 05 of the consolidated annual financial statements.

### 49.4 Contingencies, commitments and guarantees

There are no contingencies, commitments or guarantees of the group's related parties, other than as mentioned in note 52 to these consolidated annual financial statements.

## 50. OPERATING LEASE COMMITMENTS

*Operating lease arrangements where the group is a lessee:*

The operating lease commitments relate mainly to the Sandton Convention Centre, certain gaming machines and other plant and equipment included in continuing operations and some hotel property leases, including the Cape Town City Bowl hotels lease which commenced in September 2017, included in held for distribution operations, where the group is the lessee. The group's main lease, the aforementioned Cape Town City Bowl hotels lease, has a lease term of 15 years escalating at 7% per annum with an option to renew for a further period of 10 years. The Sandton Convention Centre lease arrangement expires in August 2020 with lease payments escalating at 9% per annum and an option to renew at renegotiated terms.

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

	Continuing operations		Held for distribution to owners
	2019 Rm	2018 Rm	2019 Rm
Not later than 1 year	188	276	130
Later than 1 year and not later than 5 years	267	712	476
Later than 5 years	58	1 535	1 345
	<b>513</b>	<b>2 523</b>	<b>1 951</b>

*Operating lease arrangements where the group is a lessor:*

The group's main leases are contracts with tenants in respect of its investment properties held in HPF (included in held for distribution to owners). The group also rents out retail and commercial office space in its gaming and hotels properties. Rental income is based on fixed, fixed and variable and variable lease agreements concluded with tenants. The majority of the leases are fixed and variable with the fixed rental amounts resetting after a number of years. In the long term, fixed rentals should always exceed variable rental income received. Property rentals (including investment property rentals – refer note 19 *Investment properties*) earned during the year was R137 million (2018: R133 million) in respect of continuing operations and R358 million (2018: R416 million) in respect of discontinued operations.

# Notes to the consolidated financial statements continued

## 50. OPERATING LEASE COMMITMENTS continued

At the balance sheet date the group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods. The rentals below relate only to fixed rentals and do not include any variable rentals or escalations based on CPI:

	Continuing operations		Held for distribution to owners
	2019 Rm	2018 Rm	2019 Rm
Not later than 1 year	51	252	135
Later than 1 year and not later than 5 years	137	715	477
Later than 5 years	13	1 443	1 345
	<b>201</b>	<b>2 410</b>	<b>1 957</b>

	Continuing operations		Held for distribution to owners
	2019 Rm	2018 Rm	2019 Rm
<b>51. FUTURE CAPITAL EXPENDITURE</b>			
Authorised by directors but not yet contracted for:			
Property, plant and equipment	1 330	2 113	415
Investment property	31	150	232
Intangible assets: software	23	12	–
	<b>1 384</b>	<b>2 275</b>	<b>647</b>
Authorised by directors and contracted for:			
Property, plant and equipment	231	905	107
Investment property	43	69	19
Intangible assets: software	3	5	1
	<b>277</b>	<b>979</b>	<b>127</b>

## 52. CONTINGENCIES AND GUARANTEES

The group has entered into various agreements with its bankers and the respective gambling boards whereby the bank has guaranteed agreed capital amounts not exceeding R185 million (2018: R175 million) for gambling board taxes and working capital. The group has also entered into various agreements with its bankers and respective utility boards and municipalities whereby the bank has guaranteed agreed capital amounts not exceeding R20 million (2018: R19 million) for utility expenses. Landlord rental guarantees amounting to R4 million (2018: R5 million) have also been provided through bank guarantees.

## 53. FINANCIAL RISK MANAGEMENT

### 53.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group uses derivative financial instruments to hedge certain risk exposures.

#### *Risk management process*

The Tsogo Sun board recognises that the management of business risk is crucial to the group's continued growth and success and this can only be achieved if all three elements of risk – namely threat, uncertainty and opportunity – are recognised and managed in an integrated fashion. The audit and risk committee is mandated by the board to establish, coordinate and drive the risk management process throughout the group. It has overseen the establishment of a comprehensive risk management system to identify and manage significant risks in the operational divisions, business units and subsidiaries. Internal financial and other controls ensure a focus on critical risk areas, are closely monitored and are subject to management oversight and internal audit reviews.

The systems of internal control are designed to manage rather than eliminate risk, and provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial statements, the compliance with statutory laws and regulations and to safeguard and maintain accountability of the group's assets. The board and executive management acknowledge that an integrated approach to the total process of assurance improves the assurance coverage and quality in addition to being more cost-effective.

## 53. FINANCIAL RISK MANAGEMENT continued

### 53.1 Financial risk factors continued

#### *Risk management process* continued

In addition to the risk management processes embedded within the group, the group executive committee identifies, quantifies and evaluates the group's risks annually utilising a facilitated risk assessment workshop. The severity of risks is measured in qualitative (e.g. zero tolerance for regulatory risks) as well as quantitative terms, guided by the board's risk tolerance and risk appetite measures. The scope of the risk assessment includes risks that impact shareholder value or that may lead to a significant loss, or loss of opportunity. Appropriate risk responses to each individual risk are designed, implemented and monitored.

The risk profiles, with the risk responses, are reviewed by the audit and risk committee at least once every six months. In addition to the group risk assessment, risk matrices are prepared and presented to the audit and risk committee for each operational division. This methodology ensures that identified risks and opportunities are prioritised according to the potential impact on the group and cost-effective responses are designed and implemented to counter the effects of risks and take advantage of opportunities.

Financial risk management is carried out by a central treasury department (Group Treasury) under policies approved by the board of directors. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the group's operating units. The board provides principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and non-derivative financial instruments and investing excess liquidity.

Credit risk is managed at an entity level for trade receivables.

#### (a) **Market risk**

*The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk*

##### (i) *Currency risk*

*The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates*

For continuing operations, the group is not exposed to significant foreign exchange risk. The net assets held for distribution to owners includes US Dollar debt and is also not exposed to significant foreign exchange risk as the group seeks to mitigate this exposure, where cost-effective, by securing its debt denominated in US Dollars in the offshore entities with assets and cash flows of those offshore operations where the functional currency of those entities is US Dollars, with no recourse to the South African operations. As a result, no forward cover contracts are required in respect of this debt. The group does not hedge currency exposures from the translation of profits earned in foreign currency subsidiaries, associates and joint ventures.

Foreign exchange risk also arises from exposure in the foreign operations held in net assets held for distribution to owners due to trading transactions denominated in currencies other than the functional currency but is not considered material to the group and therefore no further information has been presented.

##### (ii) *Interest rate risk*

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

Hedge accounting is applied to the group's interest rate swaps. The group's primary interest rate risk arises from long-term borrowings (excluding bank overdrafts). Borrowings at variable rates expose the group to cash flow interest rate risk. Borrowings at fixed rates expose the group to fair value interest rate risk. In line with group policy, a portion of the group debt is hedged.

The group's policy is to borrow in floating rates, having due regard that floating rates are generally lower than fixed rates in the medium term.

The group manages its interest rate risk by using floating-to-fixed interest rate swaps. Interest rate swaps have the economic effect of converting floating rate borrowings to fixed rates. Where the group raises long-term borrowings at floating rates, it swaps them into fixed rates in terms of group policy. Under the interest rate swaps, the group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to an agreed reference interest rate calculated on agreed notional principal amounts. The settlement dates coincide with the dates on which interest is payable on the underlying debt and settlement occurs on a net basis.

Group policy requires that between 25% and 75% of its net borrowings (net borrowings = gross borrowings net of cash and cash equivalents) are to be in fixed rate instruments over a 12-month rolling period. For continuing operations, as at 31 March 2019, 47% (2018: 52%) of consolidated gross borrowings and 50% (2018: 57%) of consolidated net borrowings were in fixed rates taking into account interest rate swaps. As at 31 March 2018, 49% of consolidated gross borrowings and 53% of consolidated net borrowings were in fixed rates taking into account interest rate swaps. The hedge ratio is monitored on an ongoing basis taking into account the interest rate cycle.

# Notes to the consolidated financial statements continued

## 53. FINANCIAL RISK MANAGEMENT continued

### 53.1 Financial risk factors continued

#### Risk management process continued

##### (a) Market risk continued

##### (ii) Interest rate risk continued

Hedge effectiveness is determined at the inception of the hedge relationship, and at specified intervals effectiveness is assessed to ensure that an economic relationship exists between the hedged item and the hedging instrument. The group enters into interest rate swaps that have similar terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amounts. As the group does not hedge 100% of its borrowings, the hedged item is identified as a proportion of the outstanding borrowings up to the notional amount of the swaps. The effectiveness of the hedges is tested at inception and thereafter annually and the ineffective portion is recognised immediately in profit or loss (note 13). Hedge ineffectiveness for interest rate swaps may occur due to:

- The credit or debit value adjustment on the interest rate swaps which is not matched by borrowings; and
- Differences in critical terms between the interest rate swaps and borrowings.

The effects of the interest rate swaps on financial position and performance are as follows:

	Continuing operations		Held for distribution to owners
	2019 Rm	2018 Rm	2019 Rm
Carrying amount (liability)	68	132	–
Notional amount – note 34	5 500	6 640	1 100
Maturity dates – note 34			
Hedge ratio	47%	49%	35%
The change in the fair value of the outstanding hedging swaps since 1 April	61	85	6
The change in the fair value of the interest rate swap used as the basis for recognising hedge ineffectiveness for the year	–	–	2
Weighted average hedged rate for the year (%)	7.71%	7.65%	7.27%

For continuing operations, fixed interest rate swaps ranged from 6.93% to 8.09% as at 31 March 2019 referenced against the three-month JIBAR of 7.15%, as well as one-month JIBAR of 6.975% (2018: Fixed interest rate swaps ranged from 6.93% to 8.09% as at 31 March 2018 referenced against the three-month JIBAR of 6.867%, as well as one-month JIBAR of 6.633%). For held for distribution to owners, fixed interest rate swaps ranged from 7.16% to 7.42% as at 31 March 2019 referenced against the three-month JIBAR of 7.15%.

At 31 March floating rate borrowings are linked/referenced to various rates the carrying amounts of which are as follows:

	Continuing operations		Held for distribution to owners
	2019 Rm	2018 Rm	2019 Rm
Linked to the Rand Overnight Deposit Index	251	600	–
Linked to one-month JIBAR	–	7	–
Linked to three-month JIBAR	5 854	5 419	1 959
Linked to three-month USD Libor	–	947	1 178
Linked to Central Bank prime rate in Mozambique	–	22	46
	6 105	6 995	3 183

## 53. FINANCIAL RISK MANAGEMENT continued

### 53.1 Financial risk factors continued

#### Risk management process continued

#### (a) Market risk continued

##### (ii) Interest rate risk continued

At 31 March the interest rate profile of the group's interest-bearing financial instruments, excluding the effect of interest rate swaps and bank overdrafts, was:

	Carrying amount		
	Continuing operations		Held for distribution to owners
	2019 Rm	2018 Rm	2019 Rm
Variable rate instruments			
Financial assets	–	–	–
Financial liabilities	11 605	13 635	3 183
	11 605	13 635	3 183

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates would have increased/decreased pre-tax profit or loss by R61 million (2018: R77 million), including the effects of the interest rate swaps for continuing operations. For held for distribution to owners, a change of 100 basis points in interest rates would have increased/decreased pre-tax profit or loss by R32 million, including the effects of the interest rate swaps. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2018.

##### (iii) Other price risk

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

The group has pricing risk – refer note 24.

#### (b) Credit risk

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

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

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to the group's customer base, including outstanding receivables.

For banks and financial institutions, only group audit and risk committee approved parties are accepted (on behalf of the board). The group has policies that limit the amount of credit exposure to any bank and financial institution. The group limits its exposure to banks and financial institutions by setting credit limits based on their credit ratings and generally only with counterparties with a minimum credit rating of BBB by Standard & Poor's and Baa3 from Moody's. For banks with a lower credit rating, or with no international credit rating, limits are set by the audit and risk committee on behalf of the board. The utilisation of credit limits is regularly monitored. To reduce credit exposure, the group has International Swaps and Derivatives Association Master Agreements with most of its counterparties for financial derivatives which permit net settlement of assets and liabilities in certain circumstances.

Refer note 28 *Trade and other receivables* for further credit risk analysis in respect of trade and other receivables.

# Notes to the consolidated financial statements continued

## 53. FINANCIAL RISK MANAGEMENT continued

### 53.1 Financial risk factors continued

#### Risk management process continued

##### (c) Liquidity risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. Although current liabilities exceed current assets at 31 March 2019, the group generates sufficient cash flows during the period to meet all current liability obligations.

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

The group's policy is to ensure that it has, at all times, in excess of 15% of surplus, undrawn committed borrowing facilities. At 31 March 2019, the group had 14% (2018: 21%) surplus facilities. Bank overdrafts are not considered to be long-term debt but rather working capital arrangements as part of cash management as set up with the banking institutions.

	Continuing operations		Held for distribution to owners
	2019 Rm	2018 Rm	2019 Rm
Debt at 1 April	(13 635)	(12 871)	(2 920)
Reclassified to held for distribution to owners	3 183	–	–
Net increase in debt during the year	(1 160)	(782)	(263)
Accrued interest	7	18	18
Debt at 31 March	(11 605)	(13 635)	(3 165)
Credit facilities <sup>(1)</sup>	13 418	17 305	3 784
Headroom available	1 813	3 670	619

<sup>(1)</sup> Excludes indirect facilities (letters of guarantees, forward exchange contracts and letters of credit) and bank overdrafts

The group sources its funding from a syndicate of three large South African banks, and the held for distribution to owners group includes debt capital markets through the HPF Domestic Medium-term Note Programme, thereby reducing liquidity concentration risk. The facilities for continuing operations (2018 shown below includes facilities for the held for distribution to owners group) comprise a mix of short, medium and long-term tenure, with utilisations and available facilities as follows:

	2019 facility			2018 facility		
	Total Rm	Utilisation Rm	Available Rm	Total Rm	Utilisation Rm	Available Rm
<b>Continuing operations</b>						
Demand facilities (overdrafts)	169	–	169	189	–	189
364-day notice facilities	1 197	251	946	1 200	618	582
Term facilities matured 1 October 2018	–	–	–	97	97	–
Term facilities maturing 15 April 2019	–	–	–	230	230	–
Term facilities maturing 30 June 2019	1 000	1 000	–	1 000	1 000	–
Term facilities maturing 20 February 2020	–	–	–	95	69	26
Term facilities maturing 30 June 2020	6 852	6 852	–	7 102	7 102	–
Term facilities maturing 30 June 2020	–	–	–	1 050	550	500
Term facilities maturing 31 March 2021	–	–	–	177	177	–
Term facilities maturing 30 June 2021	4 200	3 502	698	4 200	1 910	2 290
Term facilities maturing 31 December 2021	–	–	–	171	171	–
Term facilities maturing 31 March 2022	–	–	–	694	611	83
Term facilities maturing 30 June 2022	–	–	–	500	500	–
Term facilities maturing 31 March 2023	–	–	–	600	600	–
	13 418	11 605	1 813	17 305	13 635	3 670



## 53. FINANCIAL RISK MANAGEMENT continued

### 53.1 Financial risk factors continued

#### Risk management process continued

#### (c) Liquidity risk continued

	2019 facility		
	Total Rm	Utilisation Rm	Available Rm
<b>Held for distribution to owners</b>			
Demand facilities (overdrafts)	20	–	20
Term facilities maturing 15 April 2019	230	230	–
Term facilities maturing 20 February 2020	104	60	44
Term facilities maturing 31 July 2020	1 050	550	500
Term facilities maturing 31 March 2021	218	218	–
Term facilities maturing 31 December 2021	210	210	–
Term facilities maturing 31 March 2022	852	797	55
Term facilities maturing 31 July 2022	500	500	–
Term facilities maturing 31 March 2023	600	600	–
	<b>3 784</b>	<b>3 165</b>	<b>619</b>

The table below analyses the group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, inclusive of capital and interest:

	Less than 1 year Rm	Between 1 and 2 years Rm	Between 2 and 5 years Rm	Over 5 years Rm
<b>At 31 March 2019</b>				
<b>Continuing operations</b>				
Bank borrowings	2 528	7 051	3 582	–
Bank overdrafts	1 929	–	–	–
Derivative financial instruments	–	19	49	–
Trade and other payables	944	–	–	–
	<b>5 401</b>	<b>7 070</b>	<b>3 631</b>	<b>–</b>
<b>Held for distribution to owners</b>				
Bank borrowings	172	901	1 625	–
Corporate bonds	370	55	709	–
Bank overdrafts	195	–	–	–
Trade and other payables	463	–	–	–
	<b>1 200</b>	<b>956</b>	<b>2 334</b>	<b>–</b>
<b>At 31 March 2018</b>				
Bank borrowings	1 981	2 183	10 977	–
Corporate bonds	81	349	759	–
Bank overdrafts	1 707	–	–	–
Derivative financial instruments	3	–	132	–
Trade and other payables	1 138	–	–	–
	<b>4 910</b>	<b>2 532</b>	<b>11 868</b>	<b>–</b>

Gross cash inflows and outflows in respect of the group's derivative financial instruments are not material and therefore no further information has been presented.

# Notes to the consolidated financial statements continued

## 53. FINANCIAL RISK MANAGEMENT continued

### 53.2 Financial instruments by category

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

	Loans and receivables (IAS 39) <sup>(1)</sup>	Amortised cost (IFRS 9) <sup>(1)</sup>	Available-for-sale financial assets <sup>(1)</sup>	Financial assets at FVOCI <sup>(1)</sup>	Derivatives used for hedging	Other financial liabilities at amortised cost	Not categorised as a financial instrument	Total	Non-current	Current
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
<b>At 31 March 2019</b>										
<i>Financial assets</i>										
<b>Continuing operations</b>										
Financial assets at FVOCI	–	–	–	1 266	–	–	–	1 266	1 266	–
Non-current receivables	–	34	–	–	–	–	–	34	34	–
Derivative financial instruments	–	–	–	–	3	–	–	3	3	–
Trade and other receivables	–	445	–	–	–	–	132	577	–	577
Cash and cash equivalents	–	2 541	–	–	–	–	–	2 541	–	2 541
<b>Held for distribution to owners</b>										
Non-current receivables	–	6	–	–	–	–	1	7	7	1
Derivative financial instruments	–	–	–	–	2	–	–	2	2	–
Trade and other receivables	–	427	–	–	–	–	89	516	–	516
Cash and cash equivalents	–	407	–	–	–	–	–	407	–	407
<i>Financial liabilities</i>										
<b>Continuing operations</b>										
Interest-bearing borrowings	–	–	–	–	–	13 534	(10)	13 524	10 072	3 452
Derivative financial instruments	–	–	–	–	71	–	–	71	71	–
Other non-current liabilities	–	–	–	–	–	21	51	72	72	–
Trade and other payables	–	–	–	–	–	944	497	1 441	–	1 441
<b>Held for distribution to owners</b>										
Interest-bearing borrowings	–	–	–	–	–	3 378	(8)	3 370	2 885	485
Derivative financial instruments	–	–	–	–	2	–	–	2	2	–
Trade and other payables	–	–	–	–	–	463	292	755	–	755
<b>At 31 March 2018</b>										
<i>Financial assets</i>										
Available-for-sale financial assets	–	–	1 275	–	–	–	–	1 275	1 275	–
Non-current receivables	62	–	–	–	–	–	4	66	66	–
Trade and other receivables	612	–	–	–	–	–	245	857	–	857
Cash and cash equivalents	2 778	–	–	–	–	–	–	2 778	–	2 778
<i>Financial liabilities</i>										
Interest-bearing borrowings	–	–	–	–	–	15 342	(27)	15 315	12 667	2 648
Derivative financial instruments	–	–	–	–	132	–	–	132	132	–
Trade and other payables	–	–	–	–	3	1 135	738	1 876	–	1 876

<sup>(1)</sup> On adoption of IFRS 9, the financial instruments included in trade and other receivables were reclassified from loans and receivables to amortised cost and available-for-sale financial assets were reclassified to financial assets at FVOCI. There were no other changes in classification upon adoption of IFRS 9

## 54. CAPITAL RISK MANAGEMENT

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

The group defines capital as equity funding provided by shareholders and debt funding from external parties. Shareholder funding comprises permanent paid-up capital, share premium, revenue reserves and other reserves as disclosed in the balance sheet. Debt funding comprises loans from shareholders, banking institutions and corporate bonds and net debt represents gross debt net of all cash reserves.

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

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound equity position. The group's debt capacity and optimal gearing levels are determined by the cash flow profile of the group and are measured through applicable ratios such as net debt to Ebitdar and interest cover which ratios were complied with throughout the year. These ratios provide a framework within which the group's capital base is managed. The group's current utilisation of debt facilities is shown in note 53.1(c).

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

Under the terms of the borrowing facilities, the group is required to comply with the following financial covenants:

- Ebitda covers net interest by at least 3.0 times; and
- Net debt:Ebitda required to be less than 3.0 times.

No debt covenants in respect of external borrowings were breached during the year under review. The covenants are monitored and reported to the board and chief operating decision-maker on a quarterly basis. Apart from the external debt borrowing covenants, the group is not subject to externally imposed capital requirements, with the exception of HPF (part of the net assets held for distribution to owners group). HPF, being a REIT status entity, is subject to its total liabilities being limited by the Listings Requirements of the JSE for REITs to 60% of total assets. Furthermore, HPF's borrowings are limited in terms of the Listings Requirements of the JSE to 60% of the directors' *bona fide* valuation of the consolidated property portfolio of HPF. These requirements were not breached during the year under review.

During 2019, the group's internal covenants strategy was to ensure that net debt was no more than 3.0 times (2018: 3.0 times) Ebitdar. Ebitdar, being the driver of profitability and equity contributor, is the critical measurement criteria used to manage debt and capital levels.

	2019 Rm	2018 Rm
<b>For continuing and discontinued operations</b>		
Total borrowings (note 33)	<b>16 894</b>	15 315
Less: Cash and cash equivalents (note 29)	<b>(2 948)</b>	(2 778)
Net debt	<b>13 946</b>	12 537
Ebitdar (refer note 5)	<b>5 562</b>	5 271
Net debt/Ebitdar (times)	<b>2.5</b>	2.4

## 55. FAIR VALUE ESTIMATION OF FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY

Specific valuation techniques used to value financial instruments and investment property include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments and investment property.

### Financial instruments in level 1

The group has no level 1 financial instruments.

### Financial instruments in level 2

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The group has the following level 2 financial instruments (note 34):

	2019 Rm	2018 Rm
Derivative financial instruments – interest rate swaps liability (net)	<b>68</b>	135

# Notes to the consolidated financial statements continued

## 55. FAIR VALUE ESTIMATION OF FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY continued

### *Financial instruments and investment property in level 3*

The level 3 basis of fair value is 'market value' which is defined as an opinion of the best price at which the sale of a financial instrument and investment property, taking into account existing conditions, would have been completed unconditionally for a cash consideration on the date of valuation assuming:

- A willing seller;
- That the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as at the date of valuation;
- That no account is taken of any additional bid by a prospective purchaser with a special interest; and
- That both parties to the transaction had acted knowledgeably, prudently and without compulsion.

The group has the following level 3 financial instruments and investment property:

	2019 Rm	2018 Rm
Equity instruments at FVOCI – continuing operations (note 24)	<b>1 266</b>	–
Available-for-sale investments – continuing operations (note 24)	–	1 275
Investment properties – continuing operations (note 19)	<b>486</b>	5 255
Investment properties – held for distribution to owners (note 19)	<b>4 881</b>	–
	<b>6 633</b>	6 530

There were no transfers between levels 1, 2 and 3 during the year under review or in the prior year. The group has no other financial assets or liabilities measured at fair value.

## 56. OFFSETTING

The group has the following financial instruments which are subject to enforceable master netting arrangements which are not offset due to offsetting requirements not being met as at 31 March:

	Continuing operations		Held for distribution to owners
	2019 Rm	2018 Rm	2019 Rm
<i>Interest rate swap derivatives</i>			
Gross interest rate swap – asset	<b>3</b>	–	<b>2</b>
Gross interest rate swap – liability	<b>(71)</b>	(135)	<b>(2)</b>
Net liability if offset	<b>(68)</b>	(135)	–

	Continuing operations		Held for distribution to owners
	2019 Rm	2018 Rm	2019 Rm
<i>Current bank accounts</i>			
Gross bank balances	<b>2 230</b>	1 956	<b>2</b>
Gross bank overdrafts	<b>(1 929)</b>	(1 569)	<b>(2)</b>
Net bank balance if offset	<b>301</b>	387	–

## 57. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Other than as mentioned below, the directors are not aware of any matter or circumstance arising since the balance sheet date and up to the date of these annual financial statements, not otherwise dealt with within the financial statements, that would affect the operations or results of the group significantly.

### 57.1 Dividend declared and paid

Subsequent to the company's reporting date, on 22 May 2019, the board of directors declared a final gross cash dividend of 56.0 cents per share in respect of the year ended 31 March 2019. The aggregate amount of the dividend, which was 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.

### 57.2 Division of the group into a gaming company, hotel management company and property company

Refer note 44 for details in respect of the division of the group into a gaming company, hotel management company and property company.

### 57.3 Cancellation and delisting of 83 632 695 ordinary Tsogo Sun shares

Refer note 31 for details in respect of the cancellation and delisting of 83 632 695 ordinary Tsogo Sun shares.

### 57.4 Change of name

Following on from the division of the group into a gaming company, hotel management company and property company as mentioned in note 44 and as per the circular distributed to shareholders of Tsogo Sun on 23 May 2019 and the SENS announcements on 24 June 2019 and 28 June 2019, the shareholders of Tsogo Sun approved the change of name of the company to 'Tsogo Sun Gaming Limited' and the company received CIPC approval for the change of name. The listing of, and trading in, shares on the JSE under the new name 'Tsogo Sun Gaming Limited', under share code TSG and ISIN ZAE000273116, commenced on Wednesday, 10 July 2019.

## 58. SUBSIDIARIES HAVING MATERIAL NON-CONTROLLING INTERESTS

The total non-controlling interests' share of profit for the year and accumulated non-controlling interests are allocated as follows:

	Place of business	Ownership as at 31 March		Share of profit for the year 31 March		Accumulated non-controlling interests as at 31 March	
		2019 %	2018 %	2019 Rm	2018 Rm	2019 Rm	2018 Rm
<b>Continuing operations</b>							
Tsogo Sun Emonti Proprietary Limited	South Africa	35	35	11	12	142	137
Various Galaxy non-controlling interests	South Africa	Various	Various	18	5	(15)	(15)
Various Vukani non-controlling interests	South Africa	Various	Various	12	4	(10)	(15)
Other non-material non-controlling interests				–	–	(9)	2
				<b>41</b>	<b>21</b>	<b>108</b>	<b>109</b>
<b>Discontinued operations</b>							
HPF	South Africa	41	41	22	165	2 767	3 036
Ikoyi Hotels Limited	Nigeria	24	24	2	(4)	161	159
Other non-material non-controlling interests				(5)	5	13	14
				<b>19</b>	<b>166</b>	<b>2 941</b>	<b>3 209</b>
Total group				<b>60</b>	<b>187</b>	<b>3 049</b>	<b>3 318</b>

# Notes to the consolidated financial statements continued

## 58. SUBSIDIARIES HAVING MATERIAL NON-CONTROLLING INTERESTS continued

Summarised financial information, before intergroup eliminations, for subsidiaries having material non-controlling interests is as follows:

Summarised balance sheets as at 31 March	Continuing operations Tsogo Sun Emonti Proprietary Limited		Held for distribution to owners HPF Ikoyi Hotels Limited			
	2019 Rm	2018 Rm	2019 Rm	2018 Rm	2019 Rm	2018 Rm
Non-current assets	356	366	12 025	12 535	806	644
Current assets	114	95	176	590	94	80
Total assets	470	461	12 201	13 125	900	724
Non-current liabilities	27	27	1 674	1 942	186	151
Current liabilities	36	41	305	79	49	40
Total liabilities	63	68	1 979	2 021	235	191
Net assets	407	393	10 222	11 104	665	533
<b>Summarised income statements for the year ended 31 March</b>						
Revenue	307	314	830	867	111	96
Profit/(loss) before income tax	46	52	(194)	113	14	(6)
Income tax (expense)/credit	(14)	(17)	–	–	(4)	4
Profit/(loss) for the year	32	35	(194)	113	10	(2)
Other comprehensive income	–	–	–	2 389	–	–
Foreign currency translation	–	–	–	–	–	(16)
Total comprehensive income	32	35	(194)	2 502	10	(18)
Dividends paid to non-controlling interests	6	2	279	159	–	–
<b>Summarised cash flows for the year ended 31 March</b>						
Cash generated from operations	96	87	762	906	27	16
Interest received	6	4	17	28	1	1
Finance costs paid	(1)	–	(184)	(192)	(10)	(8)
Income tax paid	(21)	(13)	10	–	–	–
Dividends paid	(18)	–	(688)	(351)	–	–
Net cash generated from/(utilised in) operations	62	78	(83)	391	18	9
Net cash utilised for investment activities	(24)	(19)	(212)	(1 446)	(21)	(6)
Net cash (utilised for)/generated from financing activities	(34)	(57)	308	1 026	–	–
Net increase/(decrease) in cash and cash equivalents	4	2	13	(29)	(3)	3
Cash and cash equivalents at beginning of the year	12	10	(8)	21	22	22
Foreign currency translation	–	–	–	–	6	(3)
<b>Cash and cash equivalents at end of the year</b>	<b>16</b>	<b>12</b>	<b>5</b>	<b>(8)</b>	<b>25</b>	<b>22</b>

## 59. SUBSIDIARY COMPANIES

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

Subsidiary	Issued share capital		Effective holding		Shares at cost	
	2019 Rm	2018 Rm	2019 %	2018 %	2019 Rm	2018 Rm
<i>Direct shareholding:</i>						
Akani Egoli Management Proprietary Limited	*	*	100	100	*	*
Akani Egoli Proprietary Limited	*	*	100	100	985	985
Akani Msunduzi Proprietary Limited	*	*	100	100	136	136
Akani Msunduzi Management Proprietary Limited	*	*	100	100	*	*
Aldiss Investments Proprietary Limited	*	*	100	100	*	*
Garden Route Casino Proprietary Limited	*	*	100	100	221	221
Gold Reef Management Proprietary Limited	*	*	100	100	98	98
Goldfields Casino and Entertainment Centre Proprietary Limited	*	*	100	100	165	165
Silverstar Casino Proprietary Limited	*	*	100	100	973	973
Tsogo Sun Alternative Gaming Investments Proprietary Limited (previously Niveus Invest 19 Proprietary Limited)	4 759	4 759	100	100	3 735	3 735
Tsogo Sun Hotels, Gaming and Entertainment Proprietary Limited	*	*	100	100	16 594	15 769
West Coast Leisure Proprietary Limited	*	*	100	100	63	63
<i>Indirect shareholding:</i>						
Galaxy Gaming and Entertainment Proprietary Limited	*	*	100	100	–	–
Tsogo Sun Proprietary Limited	*	*	100	100	–	–
Tsogo Sun Gaming Investments Proprietary Limited (previously Tsogo Sun Gaming Proprietary Limited)	*	*	100	100	–	–
Vukani Gaming Corporation Proprietary Limited	*	*	100	100	–	–
<i>Held for distribution to owners</i>						
Hospitality Property Fund Limited	578	578	59	59	–	–
Tsogo Sun Hotels Proprietary Limited (previously Southern Sun Hotels Proprietary Limited) <sup>(1)</sup>	2 719	*	100	100	–	–
Southern Sun Offshore Proprietary Limited	94	*	100	100	–	–
					<b>22 970</b>	22 145

<sup>(1)</sup> Tsogo Sun Hotels Limited with effect from 15 May 2019 – refer note 44

\* Amount less than R1 million

The group comprises a large number of companies. The list above only includes those subsidiary undertakings which materially affect the profit or net assets of the group, or a business segment, together with the principal intermediate holding companies of the group. In addition to the above mentioned subsidiaries, the company has interests in other indirectly held subsidiaries. A register detailing such information in respect of all subsidiaries of the company is available for inspection at the registered office of the company, which may be inspected by members or their duly authorised agents.

All of the above subsidiaries are unlisted with the exception of Hospitality Property Fund Limited which is listed on the JSE, and are incorporated in South Africa.

# Analysis of shareholding

as at 31 March 2019

	Number of shareholders	%	Number of shares	%
<b>Portfolio size</b>				
Range				
1 – 1 000	3 088	46.38	1 077 286	0.09
1 001 – 5 000	2 151	32.30	4 917 033	0.43
5 001 – 10 000	440	6.61	3 145 111	0.27
10 001 – 50 000	393	5.90	8 957 710	0.78
50 001 – 100 000	120	1.80	8 863 039	0.77
100 001 – and more	467	7.01	1 117 568 228	97.66
	6 659	100.00	1 144 528 407	100.00

## Shareholder spread

Public	6 650	99.85	531 537 129	46.44
Individuals	4 804	72.13	5 936 430	0.52
Banks and insurance companies	63	0.95	39 890 475	3.49
Pension funds and medical aid societies	323	4.85	62 772 610	5.48
Collective investment schemes and mutual funds	224	3.36	272 851 598	23.84
Other corporate bodies	1 236	18.56	150 086 016	13.11
Non-public	9	0.15	612 991 278	53.56
Directors <sup>(1)</sup>	3	0.05	11 040 298	0.96
Subsidiary companies <sup>(2)</sup>	3	0.05	83 632 695	7.31
Gold Reef Share Scheme <sup>(2)</sup>	1	0.02	408 615	0.04
Majority shareholders (10% of issued share capital or more)	2	0.03	517 909 670	45.25
	6 659	100.00	1 144 528 407	100.00

## Major shareholders owning 1% or more of total number of shares in issue, including treasury shares:

TIHC Investments (RF) Proprietary Limited	415 182 027	36.28
Hosken Consolidated Investments Limited	102 727 643	8.98
Allan Gray Equity Fund	48 438 443	4.23
Citiclient Nominees No 8 NY GW	44 821 132	3.92
Tsogo Sun Gaming Proprietary Limited <sup>(2)</sup>	42 876 046	3.75
SBSA ITF Prud Core Val Fund	27 465 148	2.40
Old Mutual Life Assurance Co SA Limited	27 273 667	2.38
Tsogo Sun Expansion No 1 Proprietary Limited <sup>(2)</sup>	26 329 047	2.30
SSBTC Client Omni Non Lux Om01	20 265 866	1.77
Alexander Forbes Investments Limited	19 290 168	1.69
SBSA ITF PSG Flexible Fund	17 958 828	1.57
JPMC-Vanguard BBH Lending Account	17 545 934	1.53
Geomer Investments Proprietary Limited	15 872 978	1.39
Aldiss Investments Proprietary Limited <sup>(2)</sup>	14 427 602	1.26

<sup>(1)</sup> At 31 March 2019 1 973 836 shares were indirectly held (2018: 1 973 836 shares indirectly held) by JA Copelyn, Non-Executive Director and Chairman, 1 825 243 shares directly and 4 000 shares indirectly held (2018: 1 825 243 shares directly and 4 000 shares indirectly held) by J Booysen, Executive Director and CEO (retired 30 June 2019), 1 048 543 shares directly held (2018: 1 048 543 directly held) by RB Huddy, Executive Director and CFO and 16 112 894 shares indirectly held (2018: 16 112 894 shares indirectly held) by MJA Golding, Non-Executive Director. All the aforementioned held shares are beneficially held with the exception of the indirectly held shares by JA Copelyn, MJA Golding and J Booysen (as shown above) and no other director holds shares in the company. There has been no other change to directors' shareholdings between the balance sheet date and the date of these annual financial statements. Certain of the directors are nominees of HCl and they (or their associates) may have an indirect interest in Tsogo Sun as a result of those interests in HCl

<sup>(2)</sup> Treasury shares\*

	Number of shares
There are 88 468 494 treasury shares made up as follows:	
Treasury shares per above:	
– held by subsidiary companies*	83 632 695
– held by the Gold Reef Share Scheme	408 615
Treasury shares allocated as part of the executive facility – refer note 36.1 to the consolidated annual financial statements	4 427 184
	88 468 494

\* Refer note 31 to the consolidated annual financial statements in respect of treasury shares cancelled and delisted after the reporting date



# Glossary

AGM	Annual General Meeting
the board	The board of directors of Tsogo Sun Holdings Limited
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash-generating unit
CIPC	Companies and Intellectual Property Commission
Companies Act	The Companies Act of 2008, as amended
Ebitda	Earnings before interest, tax, depreciation and amortisation, and exceptional items
Ebitdar	Earnings before interest, tax, depreciation, amortisation and rentals, and exceptional items
Ebitdar margin	This is calculated by expressing Ebitdar as a percentage of income
EBTs	Electronic Bingo Terminals
FVOCI	Fair value through other comprehensive income
Gameco	Niveus Invest 19 Limited, the holding company of certain gaming businesses acquired from the Niveus group
GEC	Group Executive Committee
Gold Reef	Gold Reef Resorts Limited
HCI	Hosken Consolidated Investments Limited
HEPS	Headline earnings per share
HPF	Hospitality Property Fund Limited
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
JIBAR	Johannesburg Interbank Agreed Rate
JSE	JSE Limited, or as the context dictates, the trading platform operated by the JSE Limited
LPMs	Limited Payout Machines
Net debt	This comprises gross debt (including borrowings, loans from non-controlling interests and overdrafts) net of gross cash and cash equivalents
REIT	Real Estate Investment Trust
SA	South Africa
SARS	South African Revenue Service
SENS	Stock Exchange News Service of the JSE Limited
SI	Sun International Limited
Strate	Share Transactions Totally Electronic, an unlisted company owned by the JSE and CSDP
the group	Tsogo Sun Holdings Limited and its subsidiaries, associates and joint ventures
TIH	Tsogo Investment Holding Company Proprietary Limited
TIHC	TIHC Investments (RF) Proprietary Limited
Tsogo Sun or the company	Tsogo Sun Holdings Limited
VAT	Value Added Tax
WACC	Weighted average cost of capital

# BEE annual compliance report

## SCHEDULE FORMS TO REGULATIONS

### BROAD-BASED BLACK ECONOMIC EMPOWERMENT COMMISSION

FORM: B-BBEE 1

#### COMPLIANCE REPORT BY SPHERE OF GOVERNMENT, PUBLIC ENTITIES, ORGANS OF STATE OR COMPANY LISTED ON THE JOHANNESBURG STOCK EXCHANGE *(in terms of section 13G(1) of the Act)*

##### SECTION A: DETAILS OF ENTITY

Name of entity/organisation: Tsogo Sun Holdings Limited

Registration number: 1989/002108/06

Physical address: Palazzo Towers East, Montecasino Boulevard, Fourways, 2055

Telephone number: 011 510 7500

Email address: Candy.Tothill@Tsogosun.com

Indicate type of entity/organisation: Hotel and Casino Operator

Industry/sector: Tourism

Relevant code of good practice: Tourism Charter

Name of verification agency: Empower BEE

##### SECTION B: INFORMATION AS VERIFIED BY THE BROAD-BASED BLACK ECONOMIC EMPOWERMENT VERIFICATION PROFESSIONAL AS PER SCORECARDS

B-BBEE elements	Target score including	Bonus points	Actual score achieved
Ownership	<i>E.g. 25 points</i> 27.00	0	27.00
Management control	<i>E.g. 19 points</i> 19.00	2	12.51
Skills development	<i>E.g. 20 points</i> 20.00	5	20.17
Enterprise and supplier development	<i>E.g. 40 points</i> 40.00	2	38.72
Socio-economic development	<i>E.g. 5 points</i> 5.00	3	8.00
Total score	<i>E.g. 109 points</i> 111.00	12	106.40

Priority elements achieved *Y/N and specify them*  
Yes All achieved

Empowering supplier status *Y/N and specify them*  
Yes

Final B-BBEE status level One

\* Indicate how each element contributes to the outcome of the scorecard

##### SECTION C: FINANCIAL REPORT

###### BASIC ACCOUNTING DETAILS:

Accounting officer's name: Rob Huddy – Chief Financial Officer

Address: Palazzo Towers East, Montecasino Boulevard, Fourways, 2055

Accounting policy: (are your accounts done weekly, monthly, other – specify): Monthly

Has the attached financial statements and annual report been approved by the entity? Y/N: Yes

###### PLEASE ATTACH THE FOLLOWING:

1. COPY OF ANNUAL FINANCIAL STATEMENT INCLUDING BALANCE SHEET AND INCOME AND EXPENDITURE REPORT ATTACHED
2. ANNUAL REPORT ATTACHED

Entity annual turnover: R16 billion

FORM: B-BBEE 1

# Corporate information

## COMPANY SECRETARY AND REGISTERED OFFICE

### GD Tyrrell

Tsogo Sun Gaming Limited  
(formerly Tsogo Sun Holdings Limited)  
(Registration number: 1989/002108/06)  
Palazzo Towers East  
Montecasino Boulevard  
Fourways, 2055  
(Private Bag X200, Bryanston, 2021)

## SPONSOR

### Investec Bank Limited

(Registration number: 1969/004763/06)  
100 Grayston Drive, Sandown  
Sandton, 2196  
(PO Box 785700, Sandton, 2146)

## ATTORNEYS

### Tabacks Attorneys

(Registration number: 2000/024541/21)  
13 Eton Road  
Parktown, 2193  
(PO Box 3334, Houghton, 2041)

### Nortons Inc.

(Registration number: 2009/006902/21)  
135 Daisy Street  
Sandton, 2196  
(PO Box 41162, Craighall, 2024)

## AUDITORS

### PricewaterhouseCoopers Inc.

Registered Accountants and Auditors  
(Registration number: 1998/012055/21)  
4 Lisbon Lane, Waterfall City  
Jukskei View, 2090  
(Private Bag X36, Sunninghill, 2157)

## TRANSFER SECRETARIES

### Link Market Services South Africa Proprietary Limited

(Registration number: 2000/007239/07)  
13th Floor, Rennie House  
19 Ameshoff Street  
Braamfontein  
Johannesburg, 2001  
(PO Box 4844, Johannesburg, 2000)

## COMMERCIAL BANKERS

### Nedbank Limited

(Registration number: 1966/010630/06)  
1st Floor, Corporate Park  
Nedcor Sandton  
135 Rivonia Road  
Sandown, 2196  
(PO Box 1144, Johannesburg, 2000)

### Rand Merchant Bank

A division of FirstRand Bank Limited  
(Registration number: 1929/001225/06)  
1 Merchant Place  
Cnr Fredman Drive and Rivonia Road  
Sandton, 2196  
(PO Box 786273, Sandton, 2146)

### Absa Group Limited

(Registration number: 1986/003934/06)  
3rd Floor  
Absa Towers East  
170 Main Street  
Johannesburg, 2001  
(PO Box 7735, Johannesburg, 2000)

### Standard Bank

(Registration number: 1969/017128/06)  
9th Floor, Standard Bank Centre  
5 Simmonds Street  
Johannesburg, 2001  
(PO Box 7725, Johannesburg, 2000)

