

REVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 MARCH 2021



Continuing operations

	Six months ended 30 September 2020 Rm	Six months ended 31 March 2021 Rm	Year ended 31 March 2021 Rm	Year ended 31 March 2020 Rm
Income	1 565	4 121	5 686	11 686
Operating costs	(1 374)	(2 571)	(3 945)	(7 681)
Ebitda	191	1 550	1 741	4 005
Adjusted Ebitda (including leases)	151	1 509	1 660	3 883
Net finance cost (excluding leases and hedge reserve)	(477)	(434)	(911)	(1 062)
Headline (loss)/earnings	(543)	511	(32)	1 284
Dividend per share (cents)	Nil	Nil	Nil	26
Capex and investments	(86)	(86)	(172)	(1 080)
NIBD and guarantees	(11 830)	(10 931)	(10 931)	(11 442)
Short-term funding drawn down – ONL, RCF	1 650	500	500	1 350
March 2021 covenants waived				
September 2021 covenants reset				

TSOGO SUN GAMING

Tsogo Sun Gaming Limited
(Incorporated in the Republic of South Africa)
(Registration number 1989/002108/06)
Share code: TSG ISIN: ZAE000273116
JSE Alpha code: TSGI

("Tsogo Sun Gaming" or "the company" or "the group")

www.tsogosungaming.com

Commentary

Overview

The ongoing regulatory restrictions promulgated as a result of the Covid-19 pandemic, including the imposition of varying curfews, alcohol bans and capacity limitations, restricted the group's ability to trade and had a substantial negative impact on the group's results for the year under review.

All the group's businesses were closed for the first quarter of the 2021 financial year and thereafter re-opened in a staggered manner. Not all businesses are fully operational as yet, with the curfew in particular adversely affecting the businesses reliant on late evening trade.

The second wave and consequent stricter regulatory restrictions imposed during December 2020 and January 2021 hampered the recovery (which commenced in September 2020) of the group's businesses.

Income for the year reduced by R6.0 billion compared to that of the prior year, Ebitda reduced by R2.3 billion and headline earnings of R1.3 billion for the prior year were wiped out resulting in a headline loss.

On the positive side, the business recovered well in the second half of the year notwithstanding the occurrence of the second wave.

Operating expenses

Operating expenses were tightly controlled during the year, and the ongoing cost saving initiatives should provide sustainable benefits. Visibility of where the operating cost base will finish when back to a normalised trading environment, is still difficult to determine accurately.

Finance costs

Net finance costs excluding lease finance costs for the year amounted to R0.9 billion (R1.06 billion for the prior year excluding a reclassification from the cash flow hedge reserve on refinancing the group's debt of R136 million).

The R7.5 billion of interest swaps still in place negatively impacted this cost. R4.0 billion of these hedges are maturing on 30 June 2021, which will potentially realise an interest cost improvement for the group in the 2022 financial year. A portion of this saving will be offset by the margin ratchets imposed by the group's lenders who are continuing to support the businesses for the 2022 financial year.

Income, Ebitda and headline earnings

Income for the year was R5.7 billion, Ebitda R1.74 billion and Ebitda adjusted for IFRS 16 Leases R1.66 billion (R0.08 billion lease costs are now included in depreciation and finance costs in terms of IFRS 16).

The headline loss for the year amounted to (R32 million), which is a great improvement from the (R543 million) headline loss reported for the interim period ended 30 September 2020. The 2020 financial year headline earnings amounted to R1.3 billion.

Debt and covenants

We are pleased to report that the group reached agreement with its lenders to waive the expected March 2021 financial covenant breaches.

In addition, the group's net leverage covenant was reset to a maximum Net Debt : Ebitda multiple of 4.3 times for September 2021 and 3.8 times for December 2021, allowing some headroom above the forecast multiples. Furthermore the interest covenant was reset so that Ebitda covers interest by not less than 2.9 times by September 2021 and 3.0 times by December 2021.

The main conditions for the continued support by the group's lenders until 31 March 2022 are:

- a fixed margin ratchet of 58bps from 31 May 2021 until 30 August 2021;
- a tiered margin ratchet of between 27bps and 66bps (with the determination thereof being based on net leverage) from 31 August 2021 until 31 March 2022;
- Interest of approximately R400 million which was rolled up to support liquidity will be settled by 31 August 2021;
- a reasonable minimum financial results performance requirement for the quarter ending 30 June 2021;
- no material part of the business shall be locked down for more than 30 days cumulatively; and
- no dividends to be declared until the group's financial performance returns to being within its original financial covenants.

The group has done well to reduce net interest bearing debt and guarantees from the unsustainable R11.8 billion reported for the interim period, to R10.9 billion at 31 March 2021 (R11.4 billion at 31 March 2020).

The group's focus remains on reducing its medium to long-term debt levels, thereby reducing risk and funding costs.

Debt reduction should accordingly be accelerated during 2022, provided that there are no further setbacks relating to the imposition of regulatory restrictions constraining the group's ability to trade.

Casinos

The casino division experienced a very difficult 2021 financial year.

The division focused on improving the structure and efficiency of its business while reducing its operating expenses, which focus was critical in enabling the division to generate the positive cash required to assist the group to reduce its significant debt burden. The results achieved ensured the continued support of the group's lenders which assisted in the survival and recovery of the group's business.

With the cost savings achieved and natural attrition, the group has to date managed to contain retrenchments to a minimum, despite continued trading restrictions. It is, however, not sustainable for the business (or its staff) to continue trading these limited hours in the long term without significantly reducing its staff complement. It is hoped that once the expected third wave has passed the ongoing curfews that have been imposed will be lifted so that the casino division can retain its staff.

Commentary *continued*

The significant debt taken on with the refurbishment of the Suncoast precinct before the pandemic and the consequent high finance cost, resulted in a significant loss before taxation for the KwaZulu-Natal casino region until December 2020. However, with the continued support of its lenders and the group, the business managed to recover well, regardless of the second wave impact of January 2021 and turned around the position by the 2021 financial year end.

Gold Reef City Theme Park was also restructured during the year and now boasts an additional 13 rides. The pricing structure has been changed to one price for all tickets, tickets are available online and the theme park will only be open on selected days of the week.

Theatres and cinemas remain challenging, but the restaurants and tenants have finally been able to recover some of their losses since the lifting of alcohol bans and a relaxation of the curfew. The casino hotels made an Ebitda loss for the year.

Technological development will continue during the next financial year to position the casino division for the long term.

Bingo

The bingo division faced the same restrictive environment as that of the casino division, but purely due to the smaller scale and lower overheads of bingo versus casinos, the bingo division was better placed to cope with the restrictive environment.

LPMs (Limited Pay Out Machines)

The LPM division continued to be the top performer of the group for the year.

While alcohol bans and bar closures continued to negatively impact the LPM business, the management team steered the LPM division to a very successful 2021 financial year, realising a market-leading Ebitda of approximately R300 million. Despite being far below the prior year levels, this is a remarkable performance given the complete shutdown of the business for the first quarter of this financial year, and the severe restrictions imposed during the second wave of the pandemic.

Capital expenditure, investments and sale of assets

Capital expenditure and investments of approximately R0.2 billion for the year included projects involving the group's hotels which had already been committed to in prior years, and unavoidable maintenance capex.

The focus for capex spend in future will be "value adding", prioritising the needs of the gaming and entertainment aspects of the group's business, and the amount of capex to be spent on projects being contained as much as possible. With the cash flow constraints and the requirement to steer the group's financial performance to return it to be within its original financial debt covenants, no major projects are planned for the 2022 financial year.

Investments and/or acquisitions in the industry, and the possible sale of non-core assets will continually be evaluated and considered where appropriate or feasible.

Regulatory

We are disappointed that the 2018 bill relating to the Control of Tobacco Products and Electronic Delivery Systems is still being actively pursued during the most difficult time that the casino industry has ever faced. If not amended, this bill will result in the banning of smoking in the existing separate dedicated smoking areas of casinos (already limited to 25% of the floor space). This will further enable illegal gambling to thrive, resulting in significant tax and job losses.

Prospects

With the continued support of the group's lenders as agreed until 31 March 2022, the group has effectively been afforded more time to reduce its debt to more acceptable levels so that it can hopefully once again stand on its own feet after the 2022 financial year. No rights issue is accordingly currently envisaged.

Until the group's financial performance has returned to being within its original financial debt covenants (net leverage below 3 times Net Debt : Ebitda) the group will continue with its narrow focus of delivering as much positive cash as possible to reduce debt.

It is a positive development that the group's results achieved for the month of March 2021 were the best monthly results seen since the business was permitted to re-open in the second quarter of the 2021 financial year. In addition, net interest bearing debt and guarantees reduced further after year end to approximately R10.7 billion at 30 April 2021.

We are optimistic about the recovery path of the business, but remain cautious of the potential impact of the third wave of the pandemic and related restrictive regulations (especially the curfew).

Dividend

The directors have resolved not to declare a final dividend in respect of the year ended 31 March 2021.

CG du Toit

Chief Executive Officer

27 May 2021

A Hoyer

Chief Financial Officer

Independent auditor's review report on the condensed consolidated financial statements

TO THE SHAREHOLDERS OF TSOGO SUN GAMING LIMITED

We have reviewed the condensed consolidated financial statements of Tsogo Sun Gaming Limited, set out on pages 7 to 31 of the provisional report, which comprise the condensed consolidated balance sheet as at 31 March 2021 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the year then ended, and selected explanatory notes.

Directors' responsibility for the condensed consolidated financial statements

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

Auditor's responsibility

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

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of Tsogo Sun Gaming Limited for the year ended 31 March 2021 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in note 1 to the financial statements, and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: S Murugen

Registered Auditor

Johannesburg

27 May 2021

Notes to the reviewed condensed consolidated financial statements

for the year ended 31 March

1 BASIS OF PREPARATION

The condensed consolidated financial statements for the year ended 31 March 2021 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements ("Listings Requirements") for provisional reports and the requirements of the Companies Act of South Africa. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the preparation and disclosure requirements of IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council ("FRSC"). Chief Financial Officer, A Hoyer CA(SA), supervised the preparation of the condensed consolidated financial statements. The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements for the year ended 31 March 2020 other than as described in note 2 and note 14. The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2020, which have been prepared in accordance with IFRS. These condensed consolidated financial statements for the year ended 31 March 2021 have been reviewed by PricewaterhouseCoopers Inc., and their unmodified review conclusion is included on page 6.

2 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

(i) New and amended standards adopted by the group

The group adopted all the new, revised or amended accounting pronouncements as issued by the IASB which were effective for the group from 1 April 2020, the significant accounting pronouncement being the IFRS 16 *Leases* amendment. No other pronouncements had any material impact on the group.

(ii) Amendment to IFRS 16 *Leases*

As permitted by IFRS 16, the group early adopted the amendment with effect from 1 April 2020 retrospectively although there was no adjustment to the opening balance of retained earnings at the same date. The International Accounting Standards Board issued amendments to IFRS 16 to simplify how lessees account for rent concessions. As a practical expedient, a lessee may elect not to assess whether a rent concession that meets specific conditions per the amendment is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying to IFRS 16 as if the change was not a lease modification. No such relief is provided for lessors. Lessors are required to assess whether rent concessions are lease modifications and, if so, account for them accordingly.

The practical expedient in the amended standard applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic, and only if all of the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

On 31 March 2021, the IASB published additional amendments which adjusted the period from 30 June 2021 to 30 June 2022 which the group will apply.

Notes to the reviewed condensed consolidated financial statements *continued*

for the year ended 31 March

2 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES *continued*

(ii) Amendment to IFRS 16 Leases *continued*

The group applied the practical expedient to all of its leases where it is a lessee and lease concessions were granted to the group retrospectively with effect from 1 April 2020. This had the effect of reducing lease liabilities for the reporting period ended 31 March 2021 and the group recognised negative variable lease payments in profit or loss, as shown below. All of the lease concessions granted to the group were by way of forgiveness of rentals. There were no deferments of lease rentals. Total lease concessions reducing lease liabilities and recognised in profit or loss:

	Rm
Property rentals	55
Equipment rentals	12
	67

3 STANDARDS ISSUED NOT YET EFFECTIVE

Other than as noted below, the group does not anticipate that any standards or amendments to existing standards that have been published and are mandatory for the group's accounting periods beginning on or after 1 April 2021 or later periods, which the group has not early adopted, would have a material impact on the group.

IFRS 17 Insurance

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2023. The impact of IFRS 17 is currently being assessed but is not known at this time.

4 IMPAIRMENTS OF NON-CURRENT ASSETS

In terms of IAS 36 *Impairment of Assets*, the group tests for impairments in accordance with the group's accounting policy. 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 non-current assets within the next financial year are discussed below. Impairments and impairment reversals of non-current assets are shown separately in the income statement.

	2021 Rm	2020 Rm
4.1 Impairment reversals of non-current assets		
Impairment reversal of intangibles (note 4.4)	129	–
4.2 Impairment of non-current assets		
Impairment of property, plant and equipment	12	99
Impairment of right-of-use assets	–	6
Impairment of goodwill (note 4.3)	–	332
Impairment of intangibles (note 4.4)	–	1 585
	12	2 022

4 IMPAIRMENTS OF NON-CURRENT ASSETS continued

4.3 <i>Goodwill</i>	2021 Rm	2020 Rm
At 1 April	1 461	1 793
Impairments	–	(332)
At 31 March	1 461	1 461
Cost	1 814	1 814
Accumulated impairments	(353)	(353)
Net carrying amount	1 461	1 461
A summary of the goodwill allocation is as follows per CGU:		
Montecasino	273	273
Suncoast	890	890
Golden Horse	43	43
Garden Route	19	19
Blackrock	94	94
Mykonos	17	17
The Caledon	64	64
Vukani	61	61
	1 461	1 461

Impairment test for goodwill and casino licences (refer note 4.4 for casino licences)

Goodwill and casino licences are allocated and monitored based on the group's CGUs. The outbreak of Covid-19 in the prior year has significantly affected the South African economy and the gaming and hospitality industry. The closure of all the group's casino precincts during the lockdown and the uncertain economic outlook is having a material adverse effect on the group's operations and cash generations in the short to medium term. These factors are taken into account in the impairment testing of goodwill and intangibles, being mainly casino licences, most of which are indefinite lived.

Significant estimate: key assumptions used for value-in-use calculations

The recoverable amount of the CGUs is determined based on the higher of the fair value less cost of disposal and value-in-use. These calculations use management approved cash flow projections based on five-year forecasts. The expected capital cost spend in the CGUs is based on the historical experience of maintaining each property, taking into account current spend, limited to essential maintenance in order to preserve cash. Cash flows beyond the five-year period are extrapolated using the estimated long-term growth rate.

Notes to the reviewed condensed consolidated financial statements *continued*

for the year ended 31 March

4 IMPAIRMENTS OF NON-CURRENT ASSETS *continued*

4.3 *Goodwill continued*

In light of the Covid-19 implications mentioned above, the key assumptions used for value-in-use calculations were reviewed at the reporting period and estimated as follows:

- Trading assumptions – management forecast income, operating expenses and Ebitda margins based on past and current performance and its expectations of market developments. The Covid-19 pandemic and the ongoing regulatory restrictions promulgated, including the imposition of varying curfews, alcohol bans and capacity limitations restricting the group's ability to trade, had a substantial negative impact on the group's results for the year under review, which was offset by a reduction in variable and fixed costs, the most significant of these being gaming levies and VAT, payroll costs, food and beverage and operating equipment costs and advertising and marketing costs. The possibility of a third Covid-19 wave has been considered in the group's cash flow forecasts, offset by the governments' vaccination programme. The group continued to implement cost-saving initiatives during the year to provide sustainable benefits. Taking the aforementioned into account, the group's forecast models assume a strong recovery in trading during the 2022 financial year off an extremely low base, particularly due to the cost savings which results in better Ebitda margins. As a result of this, Ebitda is forecast having higher growth rates for 2022 to 2024, leveling off to normal levels with effect from 2025;
- Discount rate – the discount rate is calculated by using a weighted average cost of capital ("WACC") of the respective CGUs. WACC is calculated using a bond risk-free rate and an equity premium adjusted for specific risks relating to the relevant CGUs (share beta and small stock premium). The average pre-tax discount rate has increased in comparison with the prior year due to a higher share beta, market risk rate and small stock premium. The group believes these rates will return to more normal levels over the medium term; and
- 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. The growth rate estimations consider risks associated with the gaming and entertainment industry in which the CGUs operate and are consistent with forecasts included in publicly reported information specific to the entertainment and hospitality industries in which each CGU operates. The group has revised the long-term growth rate downward by 0.6 percentage points ("pp") to 4.7% compared to the prior year due to the negative effects of Covid-19.

The significant unobservable inputs used in the group's value-in-use calculations as at 31 March 2021 are shown below:

- Expected gaming win for the respective CGUs increases on average 70% for the 2022 financial year, then 7% for 2023 financial year and then levels out to normal trading levels of increases of 3% over the following years (2020: Expected gaming win increased by 67% for the 2022 financial year, then 8% for the 2023 financial year and then to 3% over the following years);
- Expected operating expenditure costs increase on average 64% for the 2022 financial year, then 9% for the 2023 financial year and then levels out to normal trading levels of increases of 4% (2020: Expected operating expenditure cost increased by 33% for the 2022 financial year and then to 4% over the following years);
- Risk-adjusted discount rate of an average of 19.3% (2020: 17.5%) pre-tax; and
- Long-term growth rate of 4.7% (2020: 5.3%).

4 IMPAIRMENTS OF NON-CURRENT ASSETS continued

4.3 Goodwill continued

Significant estimate – impairment charges

Taking into account the revised assumptions, no further impairments to goodwill were deemed necessary since the previous reporting date. This was mainly due to the improvement in forecast cash flows compared to those expected at 31 March 2020, offset by the increase in the average discount rate and a lower long-term growth rate. During the prior year, the impairments charge of R332 million arose in the Gold Reef City (R136 million), Silverstar (R85 million) and The Caledon (R111 million) precincts. This was mainly as a result of the Covid-19 impact, and also to a lesser extent trading related in both Silverstar and The Caledon precincts. Gold Reef City, Silverstar and Goldfields precincts also had licence impairments due to factors mentioned above – refer note 4.4.

Significant estimate: impact of possible changes in key assumptions

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 a material 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.

Sensitivities for the prior year reflects the impact (further impairments during the prior year) on goodwill if a reasonably possible change in a key assumption on which the group has based its determination of the CGUs' recoverable amounts would cause the CGUs' respective goodwill carrying amounts to exceed their recoverable amounts:

	2020		
	1 pp decrease in trading assumptions	1 pp decrease in growth rate assumption	1 pp increase in discount rate assumption
Blackrock	51	17	23
The Caledon	60	15	21

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

	2021			2020		
	Ebitda margin (average)	Long-term growth rate	Discount rate pre-tax	Ebitda margin (average)	Long-term growth rate	Discount rate pre-tax
	%	%	%	%	%	%
Montecasino	40.2	4.7	19.0	35.2	5.3	18.3
Suncoast	36.3	4.7	18.7	34.8	5.3	17.6
Gold Reef City	33.8	4.7	18.7	27.6	5.3	17.6
Silverstar	33.5	4.7	19.7	26.2	5.3	17.1
Other gaming operations ⁽¹⁾	39.9	4.7	20.4	29.6	5.3	17.7
Vukani	27.6	4.7	24.6	27.6	5.3	16.8

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

Notes to the reviewed condensed consolidated financial statements *continued*

for the year ended 31 March

4 IMPAIRMENTS OF NON-CURRENT ASSETS *continued*

4.4 <i>Casino licences (included in "Other intangible assets")</i>	2021 Rm	2020 Rm
At 1 April	2 705	4 283
Additions	12	3
Acquisition of business	1	–
Amortisation charge	(5)	(5)
Impairment reversals	129	–
Impairments	–	(1 576)
At 31 March	2 842	2 705
Cost	4 563	4 550
Accumulated amortisation	(171)	(166)
Accumulated impairments	(1 550)	(1 679)
Net carrying amount	2 842	2 705

Casino licences and related bid costs are made up as follows:

	2021 Rm	2020 Rm
<i>Indefinite lives:</i>		
Gold Reef City ⁽¹⁾	1 418	1 389
Silverstar ⁽¹⁾	147	53
Golden Horse ⁽¹⁾	554	554
Garden Route ⁽¹⁾	252	252
Goldfields ⁽¹⁾	33	26
Mykonos ⁽¹⁾	215	215
Montecasino ⁽²⁾	70	70
Suncoast ⁽²⁾	105	105
Blackrock ⁽²⁾	1	1
Galaxy ⁽³⁾	13	1
Kuruman ⁽⁴⁾	6	6
<i>Definite lives:</i>		
Hemingways ⁽⁵⁾	23	27
Vukani ⁽³⁾	4	6
Bet.co.za ⁽⁶⁾	1	–
	2 842	2 705

⁽¹⁾ Relate to the casinos acquired on the reverse acquisition of Gold Reef during the 2011 financial year

⁽²⁾ Relate to additional gaming positions

⁽³⁾ Acquisition of Gameco as a common control acquisition during the 2018 financial year, and an acquisition of a Bingo Witbank licence during the year under review (R12 million)

⁽⁴⁾ Acquisition of Kuruman as a common control transaction during the 2019 financial year

⁽⁵⁾ Relates to CSI spend and NCI acquisitions

⁽⁶⁾ Acquisition of Bet.co.za as a common control transaction (refer note 7)

4 IMPAIRMENTS OF NON-CURRENT ASSETS continued

4.4 Casino licences (included in "Other intangible assets") continued

Significant estimate – impairment charges and reversals

Taking into account the revised assumptions as described in note 4.3 *Goodwill*, the group recognised impairment reversals of R129 million in respect of licences arising in the Gold Reef City (R29 million), Silverstar (R94 million) and Goldfields (R6 million) precincts. This was mainly due to the revised forecast cash flows being more positive than expected at the previous financial year end, offset by a higher average discount rate and a lower long-term growth rate mentioned in note 4.3. During the prior year, an impairments charge of R1 576 million was recognised in the Gold Reef City (R376 million), Silverstar (R1 059 million) and Goldfields (R141 million) precincts. This was mainly as a result of the Covid-19 impact on operations, and also to a lesser extent trading related in both Gold Reef City and Silverstar precincts.

Significant estimate: impact of possible changes in key assumptions

The group's impairment reviews are sensitive to changes in the key assumptions described in note 4.3. Based on the group's sensitivity analysis, a reasonable possible change in a single assumption will not cause a material 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 intangible asset allocated to each CGU, other than the CGUs below.

The following reflects the impact (further impairments) on casino licences if a reasonably possible change in a key assumption on which the group has based its determination of the CGUs' recoverable amounts would cause the CGUs' respective casino licence carrying amounts to exceed their recoverable amounts:

	2021			2020		
	1pp decrease in trading assumption ⁽¹⁾ Rm	1pp decrease in growth rate assumption ⁽¹⁾ Rm	1pp increase in discount rate assumption ⁽¹⁾ Rm	1pp decrease in trading assumption ⁽¹⁾ Rm	1pp decrease in growth rate assumption ⁽¹⁾ Rm	1pp increase in discount rate assumption ⁽¹⁾ Rm
Gold Reef City	–	133	196	445	198	266
Silverstar	–	–	2	53	53	53
Goldfields	–	1	4	26	11	14

⁽¹⁾ Refer note 4.3 for key assumptions

Notes to the reviewed condensed consolidated financial statements *continued*

for the year ended 31 March

5 FAIR VALUE ESTIMATION

The group fair values its investment properties (categorised as level 3 values in the fair value hierarchy), fair value through other comprehensive income ("FVOCI") investments (categorised as level 3 values) and its interest rate swaps (categorised as level 2 values). There were no transfers into or out of level 3 for all fair value assets during the year under review.

5.1 Investment properties

	2021 Rm	2020 Rm
At 31 April	416	486
Additions to investment properties	1	14
Disposals	–	(3)
Fair value adjustments recognised in profit or loss	(67)	(81)
At 31 March	350	416

The group rents out commercial office space at its investment properties. The group's investment properties have been categorised as level 3 values based on the inputs to the valuation technique used. The group has elected to measure investment properties at fair value. Fair values are estimated tri-annually by an external appointed valuator, and by management during the intervening years. For the reporting period, the group engaged an external valuator who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued, to carry out the valuations of the investment properties of the group.

During the year under review, the group recognised a R67 million (2020: R81 million) fair value loss on investment properties. The fair value of the group's investment properties is determined using capitalised values of the projected rental income together with assessments of development land. Vacancies are considered based on the historical and current vacancy factors as well as the nature, location, size and popularity of the properties. The outbreak of Covid-19 during the prior year continues to significantly impact the South African economy. This impact has also been taken into account when determining the fair value of the group's investment properties.

At 31 March 2021 the significant unobservable inputs were as follows:

- Capitalisation rates applied to rental income vary between 10.0% and 10.5% (2020: varied between 9% and 10%), and
- Vacancy rate applied of between 5% and 10% (2020: 0% and 20%).

Inter-relationship between key unobservable inputs and fair value measurement are shown below. 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).

5 FAIR VALUE ESTIMATION continued

5.1 Investment properties continued

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

	2021		2020	
	Increase Rm	Decrease Rm	Increase Rm	Decrease Rm
1% change in the capitalisation rate	(27)	33	(42)	45
1% change in the vacancy rate	(4)	4	(3)	4

5.2 Financial asset at FVOCI

These investments are classified as a level 3 fair value measurement and have been accounted for as equity instruments at FVOCI.

At the end of each reporting period the group's 20% investment in each of SunWest and Worcester casinos is remeasured to fair value and the increase or decrease recognised in other comprehensive income. The asset has been remeasured at 31 March 2021 to R675 million, a R223 million decrease (R898 million at 31 March 2020). 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 post-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 fair value loss is as a result of the outbreak of Covid-19 which has significantly affected the South African economy. As discussed in note 4.3 *Goodwill*, it is anticipated that during 2022 there will be a strong recovery in trading off an extremely low base reaching normal growth rate levels from 2025.

The significant unobservable inputs used in the fair value measurement of the group's investment in SunWest and Worcester as at 31 March 2021 are shown below:

- Expected income, including gaming win, hotel rooms revenue and other income increases by 92% for the 2022 financial year, 13% for 2023 financial year, 11% for the 2024 financial year and then levels out to normal trading levels of increases of 3% over the following years (2020: Expected income, including gaming win, hotel rooms revenue and other income increased by 67% for the 2022 financial year, then 8% for the 2023 financial year and then to 3% over the following years);
- Expected operating expenditure costs increase by 44% for the 2022 financial year, 7% for the 2023 financial year, 17% for the 2024 financial year and then levels out to normal trading levels of increases of 4% (2020: Expected operating expenditure cost increased by 33% for the 2022 financial year, and then to 4% over the following years);
- Risk-adjusted discount rate of 14.8% (2020: 14.3%) post-tax; and
- Long-term growth rate of 4.7% (2020: 5.3%).

Notes to the reviewed condensed consolidated financial statements *continued*

for the year ended 31 March

5 FAIR VALUE ESTIMATION *continued*

5.2 Financial asset at FVOCI *continued*

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

	2021		2020	
	Increase Rm	Decrease Rm	Increase Rm	Decrease Rm
Expected gaming win growth	48	(47)	110	(106)
Operating expenditure cost growth	(36)	35	(84)	81
Risk-adjusted discount rate	(68)	83	(99)	124
Long-term growth rate	60	(49)	93	(75)

5.3 Interest rate swaps

The fair value of the group's derivatives used for hedge accounting is a liability of R271 million (31 March 2020: liability of R229 million) and is calculated as the present value of the estimated future cash flows based on observable yield curves, which is consistent with the prior year. The increase in the liability is due to decreases in market-related interest rates since the previous year end, mostly due to the effects of the Covid-19 pandemic. There was no ineffectiveness of the group's derivatives for the year under review. During the prior year, on refinancing the group's debt effective January 2020, an amount of R136 million was recycled and transferred from the cash flow hedge reserve to profit or loss as the debt it related to was repaid. This charge was included in finance costs.

6 CHANGES IN INTEREST BEARING BORROWINGS ARISING FROM FINANCING ACTIVITIES

Changes arising from financing activities for the year ended 31 March 2021 related to interest bearing borrowings, excluding bank overdrafts from short-term borrowings of R58 million (2020: R2 559 million), are as follows:

	Long-term Rm	Short-term Rm	Total Rm
Balance at 1 April 2020	11 200	530	11 730
Borrowings raised – cash portion	600	50	650
Borrowings repaid – cash portion	(700)	(800)	(1 500)
Borrowings reclassification to short-term	(800)	800	–
Interest capitalised ⁽¹⁾	–	449	449
Interest paid	–	(80)	(80)
Balance at 31 March 2021	10 300	949	11 249
	Long-term Rm	Short-term Rm	Total Rm
Balance at 1 April 2019	10 072	1 523	11 595
Borrowings raised – cash portion	5 856	1 450	7 306
Borrowing facilities received – non-cash ⁽²⁾	5 344	–	5 344
Borrowings repaid – cash portion	(5 800)	(1 461)	(7 261)
Borrowing facilities settled – non-cash ⁽²⁾	(4 272)	(1 072)	(5 344)
Interest capitalised	–	80	80
Debt raising fees	–	10	10
Balance at 31 March 2020	11 200	530	11 730

⁽¹⁾ Interest has been capitalised pursuant to the agreement reached with the lenders, R400 million of which to be settled by 31 August 2021

⁽²⁾ At the time of the debt refinancing during the prior year, certain borrowings in place were settled by lenders offsetting between themselves and therefore the cash did not flow through the group's bank accounts at the time the group received the new borrowing facilities and likewise the existing borrowings were settled

6 CHANGES IN INTEREST BEARING BORROWINGS ARISING FROM FINANCING ACTIVITIES continued

Changes arising from finance lease liabilities for the year ended 31 March 2021 are as follows:

	Non-current portion Rm	Current portion Rm	Total Rm
At 1 April 2020	232	91	323
New leases raised	54	8	62
Lease finance costs – non-cash portion	–	16	16
Acquisition of subsidiary	4	2	6
Principal elements of lease payments	(3)	(21)	(24)
Remeasurement of lease	1	1	2
Termination of lease	(3)	(9)	(12)
Lease concessions practical expedient applied ⁽¹⁾	(1)	(66)	(67)
Reclassification to current	(18)	18	–
At 31 March 2021	266	40	306
	Non-current portion Rm	Current portion Rm	Total Rm
At 1 April 2019	297	146	443
New leases raised	32	–	32
Principal elements of lease payments	(92)	(39)	(131)
Remeasurement of lease	(5)	(3)	(8)
Termination of lease	–	(5)	(5)
Disposal of business	–	(8)	(8)
At 31 March 2020	232	91	323

⁽¹⁾ Refer note 2 Changes in significant accounting policies

Notes to the reviewed condensed consolidated financial statements *continued*

for the year ended 31 March

7 COMMON CONTROL ACQUISITION OF BET.CO.ZA

The group acquired a 50.1% stake in Bet.co.za, effective 7 August 2020, for a cash purchase consideration of R49 million which was funded by the group's available funds. The Bet.co.za business is licensed to operate an online sports betting platform and retail sports betting licences operating in Gauteng and Limpopo. The acquisition represents a strategic opportunity for the group to enter the online sports betting sector via an existing developing business.

The transaction is deemed to be a transaction under common control and 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 as the purchase is from Niveus Investments Limited, a subsidiary of Hosken Consolidated Investments Limited ("HCI"), the company's controlling shareholder. 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 purchase consideration recognised as a separate reserve in equity, a "common control" reserve.

8 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. The group has no contract assets. The "Disaggregation of revenue from contracts with customers" table presents revenue by segment which excludes gaming win, as this is accounted for in line with IFRS 9, and other sundry income which are included in the segmental analysis.

9 RELATED PARTY TRANSACTIONS

The group has concluded certain transactions with related parties, the more significant transactions are shown below.

The company's ultimate controlling shareholder, HCI, is also the ultimate majority shareholder of Tsogo Sun Hotels Limited ("THL"). All of the group's hotel properties, which are situated at certain of the casino precincts, are managed by THL which charges management fees to the group in terms of the management fee agreements. After the group disposed of its interests in THL during the prior year, certain departments were shared which resulted in additional management fees charges to and by THL. Also, the group operates its own short-term insurance cell captive which underwrites the group's business, including that of THL and its subsidiary, Hospitality Property Fund both before and after the group disposed of its interest in THL. Transactions with THL during the year under review are shown below:

	2021 Rm	2020 Rm
Insurance premiums received from THL	30	–
Insurance claims paid to and provided for THL	(11)	–
Hotel management fees and royalties paid to THL	(10)	(50)
Management fees paid to THL for shared services	(5)	(18)
Fees paid to THL for administration of hotels	(13)	(33)
Management fees charged to THL for shared services	1	14
Tenant recoveries charged to THL	4	5

The group had no other significant related party transactions during the year under review, other than the common control acquisition in note 7.

10 SEGMENT INFORMATION

The group's reporting lines and precincts are grouped under separate regional managers who report on a regional basis to the Chief Executive Officer ("CEO"). In terms of IFRS 8 *Operating Segments*, the chief operating decision maker ("CODM") has been identified as the group's CEO.

In order to assess performance and allocate resources, the CODM reviews the businesses by region and thus the group considers its reportable segments to be geographical and has presented a by-region segmental analysis. In terms of the quantitative threshold, although Mpumalanga, Western Cape, Eastern Cape and Free State regions do not meet the 10% profit threshold, the group believes it is more appropriate to show these as separate segments because of their differing profiles.

The CODM assesses the performance of the operating segments based on Ebitda. The measure excludes the effects of items which are regarded as unusual and are infrequent and are considered to distort the numbers if they were not adjusted (there were no adjustments in the current or prior years to Ebitda), and headline adjustments in terms of Circular 1/2021 *Headline Earnings*.

The majority of the group's property leases are capitalised in line with IFRS 16 and no longer treated as operating leases. The property rental costs of these capitalised leases are now included in depreciation and finance costs. Ebitdar was used in prior years and added back property rentals, and as the majority of the group's property leases are now capitalised the CODM reviews Ebitda as opposed to Ebitdar. Finance income and finance costs are not included in the results for each operating segment as this is driven by the group's 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 CODM.

In terms of IFRS 8, as a result of the change from presenting Ebitdar to Ebitda for each segment, the comparatives have been restated. Other than this change, there has been no change in the basis of measurement of segment profit or loss from the last annual financial statements.

11 CAPITAL COMMITMENTS

The board has committed a total of R177 million for maintenance and expansion capital items which is anticipated to be spent during the next 12 months, subject to trading conditions. R45 million of the committed capital expenditure has been contracted for. Capital expenditure for the current financial year has been reduced to critical items only in order to preserve cash.

12 CONTINGENT LIABILITIES AND ASSETS

The group had no significant contingent liabilities as at 31 March 2021. Refer note 15 *Events occurring after the balance sheet date*.

13 GOING CONCERN

The directors have considered the going concern status of the group, taking into account the group's current financial position and the directors' best estimate of the group's cash flow forecasts in terms of their current knowledge and expectations of the ongoing developments relating to the Covid-19 pandemic.

The cash flow and liquidity projections for the group have been prepared for a period exceeding 12 months from the reporting date, and included sensitivity analyses.

Notes to the reviewed condensed consolidated financial statements *continued*

for the year ended 31 March

13 GOING CONCERN *continued*

The directors have considered the going concern status of the group, taking into account the group's current financial position and the directors' best estimate of the group's cash flow forecasts in terms of their current knowledge and expectations of the ongoing developments relating to the Covid-19 pandemic. Regulatory restrictions promulgated, including varying curfews, alcohol bans and capacity limitations have been considered in the forecast. The cash flow and liquidity projections for the group have been prepared for a period exceeding 12 months from the reporting date, and included sensitivity analyses taking into account a potential third wave or lockdown arising as a result of the pandemic. The forecast also took into account the positive recovery of the business in the second half of the 2021 financial year amidst the second wave.

The lenders waived the March 2021 financial debt covenants and reset the September 2021 financial debt covenants to a maximum Net Debt : Ebitda multiple of 4.3 times for September 2021 and 3.8 times for December 2021, allowing some headroom above the forecast multiples. Furthermore the interest covenant was reset so that Ebitda covers interest by not less than 2.9 times by September 2021 and 3.0 times by December 2021. Should the group not meet any of the covenants as agreed, a business plan will be required to be submitted to lenders within 15 days of such occurrence.

The main conditions for the continued support by the group's lenders until 31 March 2022 are:

- a fixed margin ratchet of 58bps from 31 May 2021 until 30 August 2021;
- a tiered margin ratchet of between 27bps and 66bps (with the determination thereof being based on net leverage) from 31 August 2021 until 31 March 2022;
- Interest of approximately R400 million which was rolled up to support liquidity will be settled by 31 August 2021;
- a reasonable minimum financial results performance requirement for the quarter ending 30 June 2021;
- no material part of the business shall be closed down for more than 30 days cumulatively; and
- no dividends to be declared until the group's financial performance returns to being within its original financial covenants.

The group has reduced its net interest bearing debt and guarantees from the R11.8 billion at 30 September 2020, to R10.9 billion at 31 March 2021 (R11.4 billion at 31 March 2020) and to R10.7 billion at 30 April 2021.

The group's focus remains on reducing its medium to long-term debt levels, thereby reducing risk and funding costs. Debt reduction should accordingly be accelerated during 2022, if projections are achieved. The group is not currently expecting a rights issue.

After taking the above factors into account, the directors consider the going concern method to be appropriate for the presentation of the reviewed condensed consolidated financial statements.

14 PRIOR YEAR RECLASSIFICATION AND RESTATEMENTS

14.1 Reclassification of property and equipment rentals

Property and equipment rentals in the prior year of R176 million have been reclassified to "Other operating expenses" as this is decreasing and no longer material that it requires to be reflected on the face of the income statement subsequent to the adoption of IFRS 16 in the prior year. Property and equipment rentals for the year under review amount to R90 million. Refer also note 10 *Segment information*.

14.2 Restatement of reinsurance recoveries and insurance claims payable

The group operates a short-term insurance cell captive for its own account, and also underwrites short-term insurance business for that of the THL group, both before and after the group disposed of its interest in THL during the prior year. During the year under review, the group established that because it acted as a short-term insurer for certain related parties, mainly THL and its subsidiary, Hospitality Property Fund, it needed to recognise the respective reinsurance receivables and insurance claim payables separately within the group's balance sheet and income statement in terms of IFRS 4 *Insurance Contracts*. Consequently, in terms of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the correction has been applied retrospectively and each financial statement line item affected has been restated as shown below.

14 PRIOR YEAR RECLASSIFICATION AND RESTATEMENTS continued

14.2 Restatement of reinsurance recoveries and insurance claims payable continued

Basis of preparation – Insurance contracts

(i) Classification

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

(ii) Recognition and measurement

For all insurance contracts, premiums are recognised as other income (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the balance sheet date is accounted for as the unearned premium liability. Premiums are shown before deduction of commission.

An unexpired risk reserve is provided for any deficiencies arising when unearned premiums are insufficient to meet expected claims and related expenses.

Insurance claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any adjustments to claims from previous years.

Provisions are made at each reporting date on the basis of available information for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the company. The estimated cost of claims includes expenses to be incurred in settling claims. The group takes all reasonable steps to ensure that it has up to date reports from brokers regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove different from the original liability established.

The estimation of claims incurred but not reported (“IBNR”) is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the group, where the information about the claim event is available. IBNR claims may not become apparent to the insurer until many months after the event which gave rise to the claims incurred.

The amounts that will be recoverable from reinsurers are estimated based upon the gross provisions, having due regard to collectability. The recoverability of reinsurance recoveries is assessed having regard to market data on the financial strength of each of the reinsurers. Amounts recovered from reinsurers in profit or loss reflect the amounts received or receivable from reinsurers in respect of those claims incurred during the period. Reinsurance premiums payable are recognised in profit or loss when due.

No reinsurance assets are past due or impaired at the reporting date and the group does not expect any significant losses from non-performance by these counterparties.

With respect to the insurance arrangement within the group, any insurance claim receivable is recognised and measured using the guidance of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and insurance premiums are expensed as they are incurred.

Critical accounting estimates and judgements

The group makes estimates and assumptions concerning the future, and the group considers the outstanding insurance claims provision estimates having a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year as discussed below.

Notes to the reviewed condensed consolidated financial statements *continued*

for the year ended 31 March

14 PRIOR YEAR RECLASSIFICATION AND RESTATEMENTS *continued*

14.2 Restatement of reinsurance recoveries and insurance claims payable *continued*

Outstanding claims provisions

There are several sources of uncertainty that need to be considered by the group in estimating the amount that will ultimately be paid on these claims. The uncertainty arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Changes in the estimate of the provision can be caused by receipt of additional claim information, changes in judicial interpretation of contracts, or significant changes in severity or frequency of claims from historical trends. The estimates are based on the group's historical experience and industry experience. The change in estimates are not considered significant due to insurance contracts the group has in place. Outstanding loss provisions are set by the group's appointed claims handlers based on information provided by loss adjusters, where relevant.

14.3 Reclassification and restatement impact

The reclassification and the restatement had no impact on the income statement, and therefore neither on earnings per share, headline earnings per share nor adjusted headline earnings per share. No opening balance sheet has been presented as at 1 April 2019 as the unbundling of THL happened with effect from 23 May 2019 and hence there was no error at 31 March 2019.

The effects of the above reclassification and restatement are as follows:

	31 March 2020 Restated Rm
Income statement	
Other operating expenses as previously stated	3 152
Adjustment in respect of reinsurance recoveries	(183)
Adjustment in respect of insurance claims expenses	183
Restated for reinsurance recoveries and insurance claims	3 152
Adjustment in respect of reclassification of rentals	176
Other operating expenses as restated	3 328
Balance sheet	
Trade and other receivables as previously stated	488
Adjustment in respect of reinsurance recoveries	183
Trade and other receivables as restated	671
Trade and other payables as previously stated	910
Adjustment in respect of insurance claims payable	183
Trade and other payables as restated	1 093

15 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The directors are not aware of any matters or circumstances arising since the end of the reporting period, not otherwise dealt with within these condensed consolidated financial statements that would affect the operations or results of the group significantly, other than the business interruption ("BI") insurance claim.

The group has reached agreement with its insurers regarding its BI claim relating to Covid-19 and settlement of the claim is expected to be R111 million.

Condensed consolidated income statement

for the year ended 31 March

	Change %	2021 Reviewed Rm	2020 Restated ⁽¹⁾ Rm
Net gaming win		5 253	9 846
Food and beverage revenue		141	647
Rooms revenue		125	490
Other revenue ⁽²⁾		73	445
Other income ⁽³⁾		94	258
Income	(51)	5 686	11 686
Gaming levies and Value Added Tax		(1 138)	(2 148)
Employee costs		(1 032)	(2 199)
Other operating expenses ⁽⁴⁾		(1 745)	(3 328)
Amortisation and depreciation ⁽⁵⁾		(844)	(881)
Impairment reversal of non-current assets		129	–
Impairments of non-current assets		(12)	(2 022)
Fair value adjustments of investment properties		(67)	(81)
Operating profit	(5)	977	1 027
Finance income		19	47
Finance costs ⁽⁶⁾		(963)	(1 289)
Share of (loss)/profit of associates		(8)	10
Profit/(loss) before income tax		25	(205)
Income tax credit/(expense)		3	(82)
Profit/(loss) for the year from continuing operations		28	(287)
Profit from discontinued operations, net of tax		–	564
Profit for the year	(90)	28	277
Profit attributable to:			
Equity holders of the company		21	207
Non-controlling interests		7	70
		28	277
Basic and diluted earnings attributable to the ordinary equity holders of the company per share (cents)			
From continuing operations		2.0	(31.4)
From discontinued operations		–	51.0
Basic and diluted earnings per share (cents)	(90)	2.0	19.6
Number of shares in issue (million)		1 046	1 046
Weighted average number of shares in issue (million)		1 046	1 056

⁽¹⁾ Restated for recognition of reinsurance recovery – refer note 14. This restatement had no impact on earnings per share nor headline earnings per share

⁽²⁾ Other revenue comprises mainly revenues from Theme Park, cinemas, parking, venue hire and other sundry revenue

⁽³⁾ Other income comprises mainly property rentals and insurance premium income, and in the prior year, dividends received from SunWest

⁽⁴⁾ Property and equipment rentals in the prior year of R176 million have been reclassified to "Other operating expenses" – refer note 14. This reclassification had no impact on earnings per share nor headline earnings per share. 2021 includes costs which are directly linked to income being LPM site owners' commission (R328 million), monitoring fees for sites (R67 million) and equipment rentals (R73 million)

⁽⁵⁾ 2021 includes R48 million depreciation in respect of right-of-use assets

⁽⁶⁾ 2021 includes R33 million finance costs in respect of IFRS 16 lease liabilities

Condensed consolidated statement of comprehensive income

for the year ended 31 March

	2021 Reviewed Rm	2020 Audited Rm
Profit for the year	28	277
Other comprehensive income for the year, net of tax		
Items that may be reclassified subsequently to profit or loss:	(29)	(26)
Cash flow hedges – continuing operations	(41)	(162)
Cash flow hedges recycled to profit or loss – continuing operations	–	136
Currency translation adjustments on discontinued operations	–	(7)
Income tax relating to items that may subsequently be reclassified to profit or loss	12	7
Items that may not be reclassified subsequently to profit or loss:	(296)	(286)
Equity instruments at FVOCI fair value adjustment – continuing operations	(223)	(368)
Income tax relating to items that may not subsequently be reclassified to profit or loss ⁽¹⁾	(73)	82
Total comprehensive loss for the year	(297)	(35)
Total comprehensive (loss)/income attributable to:		
Equity holders of the company	(304)	(105)
Non-controlling interests	7	70
	(297)	(35)
Total comprehensive (loss)/income attributable to equity holders:		
Continuing operations	(304)	(636)
Discontinued operations	–	531
	(304)	(105)

⁽¹⁾ The deferred tax on the group's equity instruments at FVOCI has been reversed due to the future profitability of the respective holding entity not being anticipated to produce taxable income in the foreseeable future and therefore this deferred tax asset is no longer considered fully recoverable

Supplementary information

for the year ended 31 March

	Change %	2021 Reviewed Rm	2020 Audited Rm
Reconciliation of earnings attributable to equity holders of the company to headline earnings and adjusted headline earnings			
Profit/(loss) attributable to equity holders of the company:			
Continuing operations		21	(331)
Discontinued operations		–	539
<i>(Less)/add: Headline adjustments</i>			
Gain on disposal of property, plant and equipment		(30)	(6)
Impairment of property, plant and equipment		12	99
Impairment of right-of-use assets		–	6
Loss on disposal of investment property		–	1
Fair value adjustment of investment properties		67	81
Impairment of goodwill		–	332
Impairment reversal of intangibles		(129)	–
Impairment of intangibles		–	1 585
Gain on disposal of business		–	(1)
Gain on unbundling of subsidiary		–	(506)
Total tax effects of adjustments		27	(482)
Headline (loss)/earnings	(102)	(32)	1 317
<i>Add: Other adjustments⁽¹⁾</i>			
Ineffective portion of cash flow hedge on debt restructure ⁽²⁾		–	136
Adjusted headline (loss)/earnings	(102)	(32)	1 453
Allocated as follows:			
Continuing		(32)	1 420
Discontinued		–	33
Number of shares in issue (million)		1 046	1 046
Weighted average number of shares in issue (million)		1 046	1 056
Basic and diluted headline (loss)/earnings per share (cents):			
– Total group		(3.1)	124.7
– Continuing operations	(103)	(3.1)	121.6
– Discontinued operations		–	3.1
Basic and diluted adjusted headline (loss)/earnings per share (cents):			
– Total group		(3.1)	137.6
– Continuing operations	(102)	(3.1)	134.5
– Discontinued operations		–	3.1

⁽¹⁾ Adjusted headline earnings are defined as earnings attributable to equity holders of the company adjusted for after tax effects of items which are regarded as unusual and are infrequent and are considered to distort the numbers if they were not adjusted (there were no adjustments in the current year), and headline adjustments in terms of Circular 1/2021 Headline Earnings

⁽²⁾ Included in finance costs

Supplementary information

for the year ended 31 March

Reconciliation of operating profit to Ebitda

Ebitda pre-exceptional items is made up as follows:

	Change %	2021 Reviewed Rm	2020 Restated ⁽¹⁾ Rm
Operating profit		977	1 027
<i>Add:</i> Amortisation and depreciation		844	881
		1 821	1 908
<i>(Less)/add:</i> Headline adjustments		(80)	2 097
Gain on disposal of property, plant and equipment		(30)	(6)
Impairment of property, plant and equipment		12	99
Impairment of right-of-use assets		–	6
Loss on disposal of investment property		–	1
Fair value adjustment of investment properties		67	81
Impairment of goodwill		–	332
Impairment reversal of intangibles		(129)	–
Impairment of intangibles		–	1 585
Gain on disposal of business		–	(1)
Ebitda	(57)	1 741	4 005

⁽¹⁾ Refer note 10 Segment information

Condensed consolidated cash flow statement

for the year ended 31 March

	2021 Reviewed Rm	2020 Audited Rm
Cash flows from operating activities		
Profit/(loss) before income tax	25	(205)
Non-cash movements	1 596	4 331
Increase/(decrease) in working capital	55	(580)
Cash generated from operations	1 676	3 546
Finance income	17	55
Finance costs	(565)	(1 080)
Income tax paid	(110)	(465)
Dividends paid to shareholders	–	(872)
Dividends paid to non-controlling interests	(7)	(23)
Dividends received	–	114
Cash flows utilised in operating activities – discontinued operations	–	(48)
Net cash generated from operating activities	1 011	1 227
Cash flows from investment activities		
Purchase of property, plant and equipment	(145)	(1 153)
Proceeds from disposals of property, plant and equipment	33	17
Additions to investment properties	(1)	(14)
Proceeds on disposal of investment properties	–	2
Purchase of intangible assets	(15)	(11)
Common control acquisitions, net of cash acquired	(44)	–
Disposal of business	–	8
Other loans granted	(2)	(8)
Net cash outflow on unbundling of THL	–	(178)
Net cash utilised for investment activities – discontinued operations	–	(95)
Net cash utilised for investment activities	(174)	(1 432)
Cash flows from financing activities		
Borrowings raised	650	7 306
Borrowings repaid	(1 500)	(7 261)
Principal elements of lease payments	(24)	(131)
Shares repurchased	–	(100)
Treasury shares settled	–	13
Acquisition of non-controlling interests	(8)	(15)
Net cash generated from financing activities – discontinued operations	–	69
Net cash utilised for financing activities	(882)	(119)
Net decrease in cash and cash equivalents	(45)	(324)
Cash and cash equivalents at beginning of the year, net of bank overdrafts	503	824
Foreign currency translation	–	3
Cash and cash equivalents at end of the year, net of bank overdrafts	458	503

Condensed consolidated balance sheet

as at 31 March

	2021 Reviewed Rm	2020 Restated ⁽¹⁾ Rm
ASSETS		
Non-current assets		
Property, plant and equipment	8 560	9 280
Right-of-use assets	224	206
Investment properties	350	416
Goodwill	1 461	1 461
Other intangible assets	2 903	2 781
Investments in associates	33	41
Financial assets at FVOCI	675	898
Non-current receivables	52	38
Deferred income tax assets	130	132
	14 388	15 253
Current assets		
Inventories	81	81
Trade and other receivables	531	671
Current income tax assets	100	119
Cash and cash equivalents	516	3 062
	1 228	3 933
Assets classified as held for sale	59	–
Total current assets	1 287	3 933
Total assets	15 675	19 186
EQUITY		
Capital and reserves attributable to equity holders of the company		
Ordinary share capital and premium	6 487	6 487
Other reserves	(4 461)	(4 081)
Accumulated losses	(555)	(576)
Total shareholders' equity	1 471	1 830
Non-controlling interests	113	126
Total equity	1 584	1 956
LIABILITIES		
Non-current liabilities		
Interest bearing borrowings	10 300	11 200
Lease liabilities	266	232
Derivative financial instruments	228	224
Deferred income tax liabilities	1 107	1 133
Provisions and other liabilities	42	88
	11 943	12 877
Current liabilities		
Interest bearing borrowings	1 007	3 089
Lease liabilities	40	91
Trade and other payables	1 068	1 093
Current income tax liabilities	33	80
	2 148	4 353
Total liabilities	14 091	17 230
Total equity and liabilities	15 675	19 186

⁽¹⁾ Restated for recognition of reinsurance recovery – refer note 14

Condensed consolidated statement of changes in equity

Attributable to equity holders of the company

	Ordinary share capital and premium Rm	Other reserves Rm	Retained earnings/ (accumulated losses) Rm	Total Rm	Non- controlling interests Rm	Total equity Rm
Balance at 31 March 2019	6 571	(1 774)	5 699	10 496	3 049	13 545
Change in accounting policy – adoption of IFRS 16 <i>Leases</i>	–	–	(133)	(133)	(7)	(140)
Restated balance at 1 April 2019 (audited)	6 571	(1 774)	5 566	10 363	3 042	13 405
Total comprehensive income	–	(312)	207	(105)	70	(35)
Profit for the year	–	–	207	207	70	277
Other comprehensive income	–	(312)	–	(312)	–	(312)
Reallocation of transactions with NCI to retained earnings on disposal of THL	–	(1 342)	1 342	–	–	–
Reallocation of surplus arising on change in control in joint venture to retained earnings on disposal of THL	–	(130)	130	–	–	–
Realisation of reserves and non-controlling interests on disposal of THL	–	(506)	–	(506)	(2 815)	(3 321)
Buy-back of ordinary share capital	(100)	–	–	(100)	–	(100)
Treasury shares settled	16	–	–	16	–	16
Acquisition of non-controlling interests	–	(17)	–	(17)	(3)	(20)
Disposal of subsidiary	–	–	–	–	5	5
Ordinary dividends	–	–	(870)	(870)	(173)	(1 043)
Dividend <i>in specie</i> distribution	–	–	(6 951)	(6 951)	–	(6 951)
Balance at 31 March 2020 (audited)	6 487	(4 081)	(576)	1 830	126	1 956
Total comprehensive income	–	(325)	21	(304)	7	(297)
Profit for the year	–	–	21	21	7	28
Other comprehensive income	–	(325)	–	(325)	–	(325)
Acquisition of common control entity	–	(35)	–	(35)	(18)	(53)
Acquisition of non-controlling interests	–	(20)	–	(20)	6	(14)
Ordinary dividends	–	–	–	–	(8)	(8)
Balance at 31 March 2021 (reviewed)	6 487	(4 461)	(555)	1 471	113	1 584

Segmental analysis

for the year ended 31 March

	Income ⁽¹⁾			Ebitda ⁽²⁾⁽³⁾		
	2021 Rm	2020 Rm	Change %	2021 Rm	Restated ⁽⁴⁾ 2020 Rm	Change %
Casinos	4 074	8 878	(54.1)	1 487	3 374	(55.9)
Gauteng	2 124	4 732	(55.1)	750	1 790	(58.1)
KwaZulu-Natal	1 103	2 327	(52.6)	430	959	(55.2)
Mpumalanga	340	777	(56.2)	127	274	(53.6)
Western Cape	316	619	(48.9)	129	245	(47.3)
Eastern Cape	130	294	(55.8)	35	74	(52.7)
Free State	61	129	(52.7)	16	32	(50.0)
Bingo	476	933	(49.0)	103	273	(62.3)
LPMs	1 086	1 658	(34.5)	297	455	(34.7)
Other gaming operations	50	217	(77.0)	(146)	(97)	(50.5)
Group	5 686	11 686	(51.3)	1 741	4 005	(56.5)

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

⁽²⁾ Refer reconciliation of operating profit to Ebitda

⁽³⁾ All casino units are reported pre-internal gaming management fees

⁽⁴⁾ The group reports its segments to the CODM using Ebitda and no longer Ebitdar and hence the comparatives have been restated – refer note 10 Segment information

Disaggregation of revenue from contracts with customers

for the year ended 31 March

	Food and beverage recognised at a point in time		Rooms revenue recognised over time		Other revenue recognised over time		Revenue from contracts with customers	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Casinos	118	573	125	490	66	323	309	1 386
Gauteng	50	295	44	257	48	253	142	805
KwaZulu-Natal	29	124	24	71	7	19	60	214
Mpumalanga	17	81	39	107	5	26	61	214
Western Cape	13	29	11	24	4	10	28	63
Eastern Cape	7	33	7	31	1	14	15	78
Free State	2	11	–	–	1	1	3	12
Bingo	23	73	–	–	2	7	25	80
LPMs	–	–	–	–	2	2	2	2
Other gaming operations	–	1	–	–	3	113	3	114
Group	141	647	125	490	73	445	339	1 582
Reconciliation to segmental analysis								
Revenue from contracts with customers per above							339	1 582
Other income							94	258
Net gaming win							5 253	9 846
Total income per segmental analysis							5 686	11 686

Other revenue comprises mainly revenue from Theme Park, cinemas, parking, venue hire and other sundry revenue. Other income comprises mainly property rentals and insurance premium income.

Forward-looking statements

This announcement contains forward-looking statements and information in relation to the group. By its very nature, such forward-looking statements and information require the company to make assumptions that may not materialise or that may not be accurate. Such forward-looking information and statements involve known and unknown risks, uncertainties and other important factors beyond the control of the company that could cause the actual performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements. Past performance of the company cannot be relied on as a guide to future performance. Forward-looking statements speak only as at the date of the full announcement and no statement is intended to be a profit forecast. Forward-looking statements are the responsibility of the board and have not been reviewed and reported on by the external auditors in accordance with ISAE 3400 *The Examination of Prospective Financial Information*.

DIRECTORS

JA Copelyn (Chairman)*
CG du Toit (Chief Executive Officer)
A Hoyer (Chief Financial Officer)
MJA Golding** BA Mabuza (Lead Independent)**
F Mall** VE Mphande** Y Shaik* RD Watson**
(*Non-executive Director **Independent Non-executive Director)

COMPANY SECRETARY

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MONTECASINO

SUNCOAST

Gold Reef City

SILVER STAR

THE RIDGE

EMNOTWENTY

GOLDEN HORSE

HEMINGWAYS | CASINO

GARDEN ROUTE

GOLDFIELDS

BLACK ROCK

the Caledon

MOKONOS

Galaxy WINING
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SLOTS