



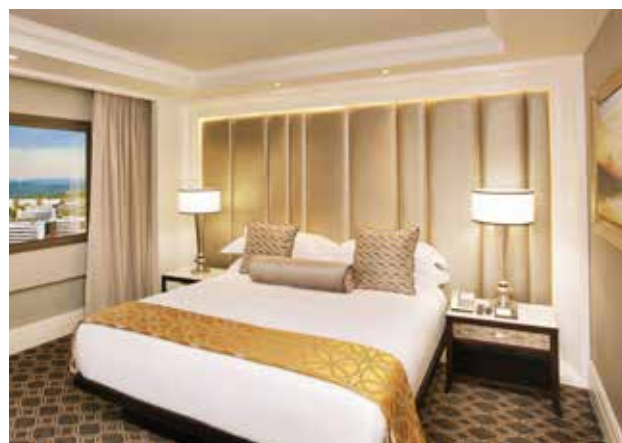
# TSOGO SUN

Consolidated financial statements  
for the year ended 31 March 2018





# Contents



## CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2018

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# Statement of responsibility by the board of directors

for the year ended 31 March 2018

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 2019. 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 2018

The preparation of the financial statements set out on page 04 to page 70 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 20 July 2018 and are signed on its behalf by:



**J Booysen**  
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, I confirm that for the year ended 31 March 2018, 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

20 July 2018

# Report of the audit and risk committee

for the year ended 31 March 2018

## 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 accordingly nominates PricewaterhouseCoopers Inc. as independent auditors to continue in office. Mr B Humphreys 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 49 years, with the rotation of the designated audit partner during 2016;
- 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 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;
- 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 appointment of a new 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 2018 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*

20 July 2018

# Directors' report

for the year ended 31 March 2018

## 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 as mentioned in the consolidated annual financial statements. Refer note 54 for status of the planned disposal of various casino properties to Hospitality Property Fund ('HPF') and the proposed division of the group into a gaming company, hotel management company and property company.

## 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 amounted to R2.2 billion (2017: R3.0 billion). 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 54 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, not otherwise dealt with within the financial statements, that would affect the operations or results of the group significantly.

## 4. OTHER SIGNIFICANT TRANSACTIONS

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

The construction of the R1.6 billion expansion and refurbishment programme of the Suncoast Casino and Entertainment World continued during the year. The project includes past spend with the Salon Privé scheduled to open in July 2018 and the remainder of the project scheduled to open in December 2018. In total, R291 million was spent during the year under review.

### 4.2 StayEasy Maputo hotel development

The development of the StayEasy Maputo hotel was substantially completed by the end of March 2018 and was included in property, plant and equipment categorised as 'Property under construction' having a cost of R145 million, including capitalised finance costs of R9 million. The hotel commenced trading during April 2018.

### 4.3 Cape Town City Bowl hotels

During September 2017, the new SunSquare and StayEasy Cape Town City Bowl hotels commenced trading. Included in property rental costs are rentals of R28 million related to these new leased hotels.

### 4.4 Replacement capex spend

The group invested R670 million on replacement capex group-wide, including gaming system replacements and casino floor and major hotel refurbishments, ensuring the group's assets remain best in class.

## 5. DIVIDENDS

An interim dividend of 32.0 (thirty-two) cents per share was paid to shareholders on 18 December 2017 in respect of the year ended 31 March 2018.

Subsequent to year end, on 23 May 2018, the board of directors declared a final gross cash dividend from income reserves in respect of the year ended 31 March 2018 of 70.0 (seventy) 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, 15 June 2018. The number of ordinary shares in issue at the date of this declaration was 1 059 189 290 (excluding treasury shares of 88 468 494). The dividend was subject to a local dividend tax rate of 20%, which resulted in a net dividend of 56.0 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:

	2018
Last date to trade <i>cum</i> dividend	Tuesday, 12 June
Shares trade <i>ex</i> dividend	Wednesday, 13 June
Record date	Friday, 15 June
Payment date	Monday, 18 June

## 6. SHARE CAPITAL

During the year under review, the group acquired Gameco by way of common control and issued 98 476 395 ordinary shares as shown in note 30 as part of the purchase price. Refer notes 30 and 44 for further detail of the transaction.

The company has been granted general authority in terms of a special resolution approved at the previous Annual General Meeting ('AGM') to repurchase shares in accordance with the Listings Requirements of the JSE and the Companies Act.

The company's authorised but unissued share capital was placed under the control of the directors until the forthcoming AGM with authority to allot and issue any shares required to be issued for the purpose of carrying out the terms of the Gold Reef Share Scheme, limited to a maximum of three million shares, at their discretion, subject to section 38 of the Companies Act of South Africa and the Listings Requirements of the JSE. 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).

## 7. ASSOCIATES, JOINT VENTURES AND SUBSIDIARIES

Refer notes 21 and 22 of the consolidated annual financial statements for details of associates and joint ventures respectively, note 55 of the consolidated annual financial statements for details of subsidiary companies with material non-controlling interests and note 56 of 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>

### Executive

J Booysen (CEO)

Appointed 1 June 2017

MN von Aulock (CEO)

Resigned 1 June 2017

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 46.3 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 51.2% (2017: 48.0%) of the company's issued share capital (excluding treasury shares). HCI directly owned 7.8% (2017: nil) and is the majority shareholder of Tsogo Investment Holding Company Proprietary Limited ('TIH') which directly owned 43.4% (2017: 48.0%) (excluding treasury shares). Refer note 46 *Related parties* of the consolidated annual financial statements and page 70 of the integrated annual report for a detailed analysis of the company's shareholders.

# 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 2018, 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 69 comprise:

- the consolidated balance sheet as at 31 March 2018;
- 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 *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors ('IRBA Code')* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

#### OUR AUDIT APPROACH

##### Overview

	<b>Overall group materiality</b> <ul style="list-style-type: none"> <li>• R128 million, which represents 5% of consolidated profit before income tax.</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 in respect of the centralised functions.</li> </ul>
	<b>Key audit matters</b> <ul style="list-style-type: none"> <li>• Valuation of investment properties at year end of R5.3 billion.</li> <li>• Goodwill and indefinite life intangible assets impairment assessment related to the gaming division.</li> <li>• Valuation of the investment in SunWest and Worcester casinos.</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 consolidated 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 consolidated financial statements as a whole.

<b>Overall group materiality</b>	R128 million
<b>How we determined it</b>	5% of consolidated profit before income tax
<b>Rationale for the materiality benchmark applied</b>	We chose profit before tax 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. We chose 5%, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

## 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.

After completion of our initial risk assessment and consideration of the size and complexity of the business, its control environment, management's process to evaluate internal controls and knowledge obtained during previous audits, we have developed the following multi-location scope of work for our 2018 audit. Decisions regarding multi-location scoping require a significant degree of professional judgement based on the unique facts and circumstances of each company.

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 in respect of the 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 IT 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 centralised functions and the consolidation process. The work performed at operational levels as well as the procedures performed at group level, provided us with sufficient evidence to express an opinion on the group financial statements as a whole.

# Independent auditor's report continued

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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.

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of investment properties at year end of R5.3 billion</b></p> <p>The group owns a portfolio of properties approximating R5 billion through its REIT subsidiary, Hospitality Property Fund ('HPF'), which is rented to parties external to the group and is thus classified as investment property.</p> <p>At 31 March 2018, the carrying value of the group's total investment property portfolio was R5.3 billion representing a R286 million increase compared to the prior year (refer note 18). The movement mainly relates to the acquisition of additional investment properties which was offset by a decrease in the fair value of the properties of R191 million.</p> <p>The group's accounting policy is to measure investment properties at fair value using the discounted cash flow approach. The value of investment properties is dependent on the operating results of the hotel operations and the inputs into the valuation model. Factors such as prevailing market conditions and country-specific risks directly impact fair values.</p> <p>Among others, the following assumptions are key in determining the fair value:</p> <ul style="list-style-type: none"> <li>• Net cash flows; and</li> <li>• The discount rate applied by management.</li> </ul> <p>The fair value of the investment properties was determined with reference to the group's valuation policy. This policy requires all properties to be externally valued by a qualified real estate appraiser ('the appraiser').</p> <p>We considered the year-end valuation of the investment properties a matter of most significance to our current year audit because of the:</p> <ul style="list-style-type: none"> <li>• Significant judgement required in determining the net cash flows, exit capitalisation and discount rates;</li> <li>• Relative size of the investment properties in the consolidated balance sheet as at 31 March 2018; and</li> <li>• The increase in the investment property balance as a result of the additional properties acquired as well as the valuation loss during the year.</li> </ul> <p>Further details of the matter have been included in note 2 <i>Critical accounting estimates and judgements</i> and note 18 <i>Investment properties</i> to the consolidated financial statements.</p>	<p>In respect of the additional properties acquired, we agreed the acquisition cost to the relevant transaction agreements and the consideration transferred to the bank statement transactions. We considered the relevant accounting treatment of the acquisition and found this to be in accordance with IAS 40.</p> <p>For the valuation at year end we obtained the latest hospitality industry reports to understand the prevailing market conditions in which the group operates.</p> <p>We updated our understanding of and tested the relevant controls related to:</p> <ul style="list-style-type: none"> <li>• Entering and amending of leases in support of contractual rental income;</li> <li>• 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, we:</p> <ul style="list-style-type: none"> <li>• Considered his 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 noting no exceptions.</li> </ul> <p>On a risk-based sample basis, we independently tested the calculation of the fair values in the appraiser's valuation reports by performing the following procedures, which included:</p> <ul style="list-style-type: none"> <li>• Utilising our internal property valuation expertise to assess the appropriateness of the valuation methodology;</li> <li>• Assessing the reasonableness of the cash flows relating to the hotel operations against prior year actual results;</li> <li>• Assessing the reasonableness of the growth, exit capitalisation and discount rates against market-related data for similar investment-properties noting no exceptions;</li> <li>• Independent recalculation of the accuracy of the valuations; and</li> <li>• Inspection of the final valuation reports, agreeing the fair value to the group's accounting records noting no exceptions.</li> </ul>

## 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 has goodwill arising from business combinations that the group has entered into in prior years. The group's net assets include a significant amount of goodwill relating to the gaming division business (R1.8 billion). Further, due to the nature of the gaming division business, the group also owns a significant amount of indefinite life intangible assets related to the casino licences and bid costs of R4.3 billion.

The group annually tests whether goodwill and indefinite useful life intangible assets have suffered any impairment.

To determine recoverable amounts of the casino cash-generating units ('CGUs'), management has 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 assessment that other than the Goldfields Precinct CGU, the current carrying values of each of the individual CGUs were below the recoverable amount determined and therefore no impairment was required on goodwill relating to the gaming division business or the indefinite life intangible assets relating to casino licences at 31 March 2018.

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

- 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 both of these balances, amounting to approximately 18% of the group's total assets.

Refer note 19 *Goodwill* and note 20 *Other intangible assets* where detail on these items is included. Further disclosure is also included in note 2 *Critical accounting estimates and judgements*.

Management's cash flow forecasts used in the impairment model were agreed to their latest five-year strategic plan, which has been presented to and approved by the board of directors. We compared the current year actual results to the 2018 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, we accepted the reasonability of management's assumptions and conclusions in respect of the future cash flows applied in the impairment model.

The terminal growth rate was compared to forecast industry trends and to management's past forecast history and found to be consistent and within an acceptable range.

We utilised our own 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. Our valuation expertise 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.

As part of our sensitivity procedures, we flexed the discount rate, the annual growth rates, the terminal growth rate and forecast cash flows for each CGU to determine the degree by which these key assumptions needed to change in order to trigger an impairment. Other than the impairment of R111 million arising on the Goldfields Precinct CGU, there was still sufficient headroom between the carrying amount and the recalculated recoverable amount for all other CGUs.

# Independent auditor's report continued

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of the investment in SunWest and Worcester casinos</b></p> <p>During April 2016 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').</p> <p>The investment is carried as an available-for-sale financial asset under IAS 39 <i>Financial Instruments: Recognition and Measurement</i> ('IAS 39'). This investment is classified as a level 3 fair value measurement using unobservable inputs, and is remeasured at each reporting date with the fair value movements recognised in other comprehensive income.</p> <p>A discounted cash flow valuation was used to estimate the fair value at 31 March 2018 which equated to R1.275 billion. Management has recognised the fair value gain of R3 million in other comprehensive income (refer note 23).</p> <p>This measurement of fair value is considered to be a matter of most significance to the current year audit due to:</p> <ul style="list-style-type: none"> <li>The significant judgements made by management regarding the discount rates, growth rates, expected gaming win growth rate and the terminal growth rate included in the analyses used to perform the valuation.</li> </ul> <p>Further details of the matter have been included in note 2 <i>Critical accounting estimates and judgements</i> and note 23 <i>Available-for-sale financial assets</i> to the consolidated financial statements.</p>	<p>Management used a discounted cash flow valuation to estimate the fair value. The expected cash flows are discounted using a risk-adjusted discount rate.</p> <p>We utilised our 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 rate used by management. Our valuation expertise further independently performed the discounted cash flow calculation using the discount rate determined by our valuation expertise, and we found that management's valuation was within an acceptable range of our independent calculation.</p> <p>We compared the current year actual published results for these entities to the 2018 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. The terminal growth rate and gaming win growth rate was compared to forecast industry trends and to management's past forecast history for similar operations and found to be consistent and within an acceptable range.</p> <p>We further performed a regression analysis and the trend forecast by management is in line with the trend identified.</p>

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Tsogo Sun Holdings Limited consolidated financial statements for the year ended 31 March 2018 and Tsogo Sun Holdings Limited annual financial statements for the year ended 31 March 2018, which includes the declaration by the Company Secretary, report of the audit and risk committee, directors' report as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the integrated annual report 2018, which is expected to be made available to us after that date. Other information does not include the consolidated and 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 and will 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 on the other information that we obtained prior to the date of this auditor's report, 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'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 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 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 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 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 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; and
- 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.

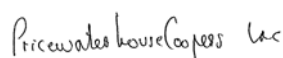
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 49 years.



**PricewaterhouseCoopers Inc.**

Director: BS Humphreys

Registered Auditor

Johannesburg

20 July 2018

# Consolidated income statement

for the year ended 31 March

	Notes	2018 Rm	2017 Rm
Net gaming win		7 940	7 483
Rooms revenue		3 160	3 078
Food and beverage revenue		1 561	1 434
Property rental income		549	445
Other revenue	7	765	782
<b>Income</b>		<b>13 975</b>	<b>13 222</b>
Gaming levies and Value Added Tax	8	(1 681)	(1 557)
Property and equipment rentals	9	(380)	(303)
Amortisation and depreciation	10	(912)	(846)
Employee costs	11	(3 184)	(3 044)
Other operating expenses	12	(3 965)	(3 530)
Fair value adjustment of investment properties	18	(191)	757
<b>Operating profit</b>		<b>3 662</b>	<b>4 699</b>
Interest income	13	72	43
Finance costs	14	(1 229)	(1 066)
Share of profit of associates and joint venture	21, 22	63	38
<b>Profit before income tax</b>		<b>2 568</b>	<b>3 714</b>
Income tax expense	15	(410)	(665)
<b>Profit for the year</b>		<b>2 158</b>	<b>3 049</b>
<b>Profit attributable to:</b>			
Equity holders of the company		1 971	2 507
Non-controlling interests		187	542
		<b>2 158</b>	<b>3 049</b>
Basic and diluted earnings per share (cents)	4	198.3	262.0

The notes on page 16 to page 69 form an integral part of these consolidated financial statements.

# Consolidated statement of comprehensive income

for the year ended 31 March

	2018 Rm	2017 Rm
<b>Profit for the year</b>	<b>2 158</b>	<b>3 049</b>
<b>Other comprehensive income for the year, net of tax</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>	<b>(145)</b>	<b>(194)</b>
Cash flow hedges	(83)	(121)
Currency translation adjustments	(86)	(96)
Available-for-sale investment fair value adjustment	3	-
Income tax relating to available-for-sale investments	-	(11)
Income tax relating to items that may subsequently be reclassified to profit or loss	21	34
<b>Items that may not be reclassified subsequently to profit or loss:</b>	<b>3</b>	<b>2</b>
Remeasurements of post-employment defined benefit liability	4	3
Income tax relating to items that may not subsequently be reclassified to profit or loss	(1)	(1)
<b>Total comprehensive income for the year</b>	<b>2 016</b>	<b>2 857</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the company	1 830	2 315
Non-controlling interests	186	542
	<b>2 016</b>	<b>2 857</b>

The notes on page 16 to page 69 form an integral part of these consolidated financial statements.

# Consolidated balance sheet

as at 31 March

	Notes	2018 Rm	2017 Rm
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17	16 038	15 556
Investment properties	18	5 255	4 969
Goodwill	19	2 134	2 106
Other intangible assets	20	4 373	4 461
Investments in associates	21	513	483
Investments in joint ventures	22	128	126
Available-for-sale financial assets	23	1 275	1 272
Non-current receivables	24	66	60
Deferred income tax assets	25	142	121
		<b>29 924</b>	29 154
<b>Current assets</b>			
Inventories	26	119	115
Trade and other receivables	27	857	696
Current income tax assets		36	78
Cash and cash equivalents	28	2 778	2 424
		<b>3 790</b>	3 313
Non-current assets held for sale	29	66	66
Total current assets		<b>3 856</b>	3 379
<b>Total assets</b>		<b>33 780</b>	32 533
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the company</b>			
Ordinary share capital and premium	30	6 636	4 576
Other reserves	31	(2 040)	874
Retained earnings		6 280	5 321
Total shareholders' equity		<b>10 876</b>	10 771
Non-controlling interests		3 318	2 685
<b>Total equity</b>		<b>14 194</b>	13 456
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing borrowings	32	12 667	9 439
Derivative financial instruments	33	132	37
Deferred income tax liabilities	25	1 670	2 029
Post-employment benefit liability	34	1	4
Deferred revenue and income	35	31	29
Long-term incentive liabilities	36	27	19
Provisions	37	172	210
Other non-current liabilities	38	237	249
		<b>14 937</b>	12 016
<b>Current liabilities</b>			
Interest-bearing borrowings	32	2 648	5 098
Trade and other payables	39	1 876	1 867
Current income tax liabilities		125	96
		<b>4 649</b>	7 061
<b>Total liabilities</b>		<b>19 586</b>	19 077
<b>Total equity and liabilities</b>		<b>33 780</b>	32 533

The notes on page 16 to page 69 form an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity

for the year ended 31 March

Attributable to equity holders of the company						
Notes	Ordinary share capital and premium	Other reserves <sup>(1)</sup>	Retained earnings	Total	Non- controlling interests	Total equity
	Rm	Rm	Rm	Rm	Rm	Rm
<b>Balance at 1 April 2016</b>	4 576	(232)	3 974	8 318	654	8 972
Total comprehensive income	–	(194)	2 509	2 315	542	2 857
Profit for the year	–	–	2 507	2 507	542	3 049
Cash flow hedges, net of tax	–	(87)	–	(87)	–	(87)
Currency translation adjustments	–	(96)	–	(96)	–	(96)
Deferred tax on available-for-sale financial assets	–	(11)	–	(11)	–	(11)
Remeasurements of post-employment defined benefit liability, net of tax	–	–	2	2	–	2
Settlement of Cullinan put liability with non-controlling interests	–	493	(187)	306	(306)	–
Consideration to HPF non-controlling interests in hotel assets	–	968	–	968	353	1 321
Acquisition of non-controlling interests from HPF	–	–	–	–	1 592	1 592
Acquisition of Mykonos and Blackrock casinos' non-controlling interests	–	(161)	–	(161)	(37)	(198)
Ordinary dividends	–	–	(975)	(975)	(113)	(1 088)
<b>Balance at 31 March 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	30	1 974	–	1 974	–	1 974
Treasury shares settled	36.1	86	–	86	–	86
Consideration to HPF non-controlling interests in hotel assets	45.1	–	(37)	(37)	1 067	1 030
Acquisition of non-controlling interests from HPF	45.2	–	436	436	(436)	–
Consideration to HPF non-controlling interests – Sandton Isle	45.3	–	(15)	(15)	15	–
Common control reserve arising on acquisition of Gameco	44	–	(3 154)	(3 154)	–	(3 154)
Acquisition activity of Gameco	44	–	–	–	(38)	(38)
Ordinary dividends	16	–	(1 015)	(1 015)	(161)	(1 176)
<b>Balance at 31 March 2018</b>	<b>6 636</b>	<b>(2 040)</b>	<b>6 280</b>	<b>10 876</b>	<b>3 318</b>	<b>14 194</b>

<sup>(1)</sup> Refer note 31 for details of other reserves

The notes on page 16 to page 69 form an integral part of these consolidated financial statements.



# Consolidated cash flow statement

for the year ended 31 March

	Notes	2018 Rm	2017 Rm
<b>Cash flows from operating activities</b>			
Cash generated from operations	40	4 394	4 776
Interest received		72	43
Finance costs paid		(1 220)	(1 119)
Income tax paid	41	(688)	(627)
Dividends paid to shareholders	42	(1 015)	(975)
Dividends paid to non-controlling interests		(161)	(113)
Pre-acquisition dividend paid		–	(133)
Dividends received		110	134
Net cash generated from operating activities		1 492	1 986
<b>Cash flows from investment activities</b>			
Purchase of property, plant and equipment – expansionary		(546)	(665)
Purchase of property, plant and equipment – replacement		(564)	(573)
Proceeds from disposal of property, plant and equipment		8	1
Acquisition and development of investment properties		(443)	(92)
Proceeds from disposal of investment property		–	144
Purchase of intangible assets		(20)	(14)
Purchase of available-for-sale financial assets		–	(1 272)
Proceeds from disposal of non-current assets held for sale		1	–
Acquisition of Gameco, net of cash acquired	44	(1 542)	–
Acquisition of HPF, net of cash acquired		–	189
Acquisition of Umhlanga and Pietermaritzburg businesses		–	(310)
Loans repaid by associates		–	3
Other loans granted		–	(2)
Net cash utilised for investment activities		(3 106)	(2 591)
<b>Cash flows from financing activities</b>			
Borrowings raised		6 494	4 156
Borrowings repaid		(5 599)	(2 651)
Treasury shares settled		86	–
Cash proceeds from rights issue to HPF non-controlling interests, net of share issue costs		995	–
Share issue expenses arising from the issue of shares for Gameco acquisition		(9)	–
Acquisition of non-controlling interests		–	(655)
Decrease in amounts due by share scheme participants		1	6
Net cash generated from financing activities		1 968	856
Net increase in cash and cash equivalents		354	251
Cash and cash equivalents at beginning of the year, net of bank overdrafts		725	479
Foreign currency translation		(8)	(5)
<b>Cash and cash equivalents at end of the year, net of bank overdrafts</b>	28	<b>1 071</b>	<b>725</b>

The notes on page 16 to page 69 form an integral part of these consolidated financial statements.

# 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) Adoption of annual improvements

The group has adopted all the new, revised or amended accounting standards as issued by the IASB which were effective for the group from 1 April 2017, none of which had a material impact on the group.

### 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 Chief Executive Officer ('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 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.

#### (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 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 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 such as equity investments classified as available-for-sale 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 into SA Rand at the rates of exchange prevailing on the day of the transaction. All other items are translated at weighted average rates of exchange for the relevant reporting period. Assets and liabilities of these undertakings are translated at closing rates of exchange at each balance sheet date. All translation exchange differences arising on the retranslation of opening net assets together with differences between income statements translated at average and closing rates are recognised as a separate component of other comprehensive income. For these purposes net assets include loans between group companies that form part of the net investment, for which settlement is neither planned nor likely to occur in the foreseeable future and is either denominated in the functional currency of the parent or the foreign entity. When a foreign operation is disposed of, any related exchange differences in other comprehensive income are reclassified in 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 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 – 6 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 17 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 book 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 hotels and includes furniture, fixtures and equipment and the underlying letting enterprise.

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.

### 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

#### (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 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) Other

Other comprises management contracts recognised on business combinations and trademarks.

### i) Financial assets and financial liabilities

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.

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities are derecognised when they are extinguished, that is discharged, cancelled or expired.

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

All financial instruments are recognised initially at fair value plus transaction costs unless accounted for at fair value through profit or loss whereby transaction costs are expensed.

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale investments. The group determines the classification of its financial assets at initial recognition and determines subsequent measurement.

#### (i) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. All subsequent measurement adjustments are accounted for in profit or loss.

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They include loans, trade and other receivables and cash and cash equivalents. Such instruments are measured subsequently at amortised cost using the effective interest method.

#### (iii) Available-for-sale investments

Available-for-sale investments consist of equity investments only. All fair value movements are accounted for in other comprehensive income (unless impaired) and dividends are accounted for in profit and loss. Interest on available-for-sale securities calculated using the effective interest rate method is recognised in the income statement as part of interest income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other revenue when the group's right to receive payments is established.

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

### i) **Financial assets and financial liabilities** *continued*

The group classifies its financial liabilities in the following categories: at fair value through profit or loss and at amortised cost.

#### (i) **Financial liabilities at fair value through profit or loss**

The group does not designate any financial liabilities at fair value through profit or loss. Only derivatives are included in this category. All fair value movements on these financial liabilities are recognised in profit or loss.

#### (ii) **Financial liabilities at amortised cost**

All other financial liabilities are included this in the category and include borrowings (refer note 1(q)) and trade and other payables. All such financial liabilities are recognised at amortised cost using the effective interest rate method.

### j) **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 – refer note 52.

### k) **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 – refer note 53.

### l) **Impairment of financial assets**

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

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is 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 is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from other comprehensive income and recognised in the income statement. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

# Notes to the consolidated financial statements continued

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### m) Derivative instruments and hedge accounting

The derivative instruments used by the group, which are used solely for hedging purposes (i.e. to offset interest rate risks), comprise interest rate swap contracts. Such derivative instruments are used to alter the risk profile of an existing underlying exposure of the group in line with the group's risk management policies.

Derivatives are initially recorded at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the hedging relationship.

In order to qualify for hedge accounting, the group is required to document the relationship between the hedged item and the hedging instrument. The group is also required to document and demonstrate that the relationship between the hedged item and the hedging instrument will be highly effective. This effectiveness test is reperformed at each period end to ensure that the hedge has remained and will continue to remain highly effective.

Derivatives are designated as hedges of highly probable forecast transactions or commitments (cash flow hedge).

Certain derivative instruments, while providing effective economic hedges under the group's policies, are not designated as hedges. Changes in the fair value of any derivative instruments that do not qualify or have not been designated as hedges are recognised immediately in profit or loss. The group does not hold or issue derivative financial instruments for speculative purposes.

Cash flow hedges comprise derivative financial instruments designated in a hedging relationship to manage currency or interest rate risk to which the cash flows of certain liabilities are exposed. The effective portion of changes in the fair value of the derivative that is designated and qualifies for hedge accounting is recognised in other comprehensive income. The ineffective portion is recognised immediately in profit or loss. Amounts accumulated in other comprehensive income are recycled to the income statement in the period in which the hedged item affects profit or loss. However, where a forecast transaction results in a non-financial asset or liability, the accumulated fair value movements previously deferred in other comprehensive income are included in the initial cost of the asset or liability.

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 transferred to profit or loss within other operating expenses.

### n) 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.

### o) Non-current assets held for sale

Non-current assets held for sale are those non-current assets of which the carrying amount will be recovered principally through sale rather than use. These non-current assets are available for immediate sale in their present condition, subject only to terms that are usual for the sale of such assets, and the sale is probable within a year as management is committed to a plan to dispose of the non-current assets, actively market them, and expect that these assets will be sold within a year.



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

### p) 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.

### q) 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.

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 f(iv)), are recognised in the income statement in the period in which they are incurred.

### r) 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.

### s) Provisions

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

Provision is made for the potential jackpot payouts on slot machines and table progressives and is based on the meter readings.

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

### t) Revenue recognition

#### (i) *Hotel, gaming, Theme Park and cinema revenues*

Revenue includes the fair value of income derived from hotel trading, restaurant revenues, Theme Park entrance fees, banqueting and venue hire, parking revenues, ticket sales and other non-net gaming win and hotel sundry revenues. Value Added Tax ('VAT') on these revenue transactions is excluded from revenue. Revenue is recognised on the accrual basis as goods and services are provided to the customer.

#### (ii) *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.

# Notes to the consolidated financial statements continued

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### t) Revenue recognition continued

#### (iii) Royalty and management fee income

Royalty income (which is included in other revenue) and management fee income are recognised on an accrual basis in accordance with the relevant agreements as and when royalties become due and when services are provided.

#### (iv) Customer reward programmes

Provision is made for the estimated liability arising from the issue of benefits under the group's customer reward programmes, based on the value of rewards earned by the programme members, and the expected utilisation of these rewards. The fair value attributed to these awards is deferred as a liability included in deferred revenue and income in the balance sheet, and released to profit or loss as the awards are redeemed. The expected utilisation is determined through consideration of historical usage and forfeiture rates.

#### (v) Interest income

Interest income is recognised using the effective interest method.

#### (vi) Dividend income

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

### u) Net gaming win

Net gaming win comprises the net table and slot machine win derived by casino operations, slot machine win derived by limited payout 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 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 included in net gaming win that is disclosed separately on the face of the income statement.

### v) 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 f) and investment property (refer note g) in the balance sheet.

### w) 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) Other post-employment obligations

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

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

### w) **Employee benefits** *continued*

#### (ii) **Other post-employment obligations** *continued*

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

Actuarial gains or losses arising from experience adjustments, and changes in actuarial assumptions, are recognised in full as they arise outside the income statement and are charged or credited to equity in other comprehensive income in the period in which they arise.

All other costs are recognised immediately in profit or loss.

#### (iii) **Termination benefits**

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

#### (iv) **Bonus plans**

The group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments 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.

#### (v) **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 was recognised as an expense.

#### (vi) **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.

#### (vii) **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.

#### (viii) **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.

# Notes to the consolidated financial statements continued

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### x) 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 real estate investment trust ('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 and 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 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.

### y) Dividend distributions

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

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *continued*

### b) Investment property

Investment property represents a large proportion of the group's asset base. Therefore, the judgements made in determining their classification and 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 but will move to a three-year rotation from the next financial year, and will be fair valued by internal management for the intervening years. For a more detailed explanation regarding the estimates and judgements involved in the valuation of investment property, refer note 18.

### 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 19 and 20 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 available-for-sale 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.

#### ***Available-for-sale unlisted investment***

The group has used a discounted cash flow analysis for the valuing of the group's available-for-sale asset that is not traded in an active market. Refer note 23 for the significant unobservable inputs together with a sensitivity analysis should these significant unobservable inputs change.

### e) Classification of certain casino precinct properties

The proposed transaction, as noted in note 54 *Events occurring after the balance sheet date*, if approved by Tsogo Sun shareholders and subsequently implemented, the group will have transferred a significant portion of its casino real estate assets to HPF. As the necessary shareholder approvals, which is a substantive condition for the transaction to take place, are not considered to be highly probable by the board of directors, these assets have not been classified as non-current assets held for sale in terms of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

# 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 2018 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 2018. The group is concluding on the impact of the new standards, interpretations and amendments that will be applied from the annual period beginning 1 April 2019.

### • IFRS 2 (Amendment) *Share-based Payment*

Classification and measurement of share-based payment transactions: A collection of three distinct narrow-scope amendments dealing with classification and measurement of share-based payments.

These amendments address:

- the effects of vesting conditions on the measurement of cash-settled share-based payments;
- the accounting requirements for a modification to the terms and conditions of share-based payments that changes the classification of the transactions from cash-settled to equity-settled; and
- classification of share-based payment transactions with net settlement features.

The group has reviewed its share-based payment schemes and has confirmed that these amendments will not have a significant impact on the group's financial results.

The effective date of the amendment is for years beginning on or after 1 January 2018 and the group will apply the IFRS 2 amendment from the annual period beginning 1 April 2018.

### • IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The group has reviewed its financial assets and financial liabilities and is expecting the following impact from the adoption of the new standard on 1 April 2018:

#### **Classification and measurement**

The majority of financial assets held by the group include:

- debt instruments – trade and other receivables – currently classified as loans and receivables and are measured at amortised cost. Trade and other receivables 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; and
- an investment in unlisted equity instruments – these are currently classified as available-for-sale financial assets for which the fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVPL') elections are available. The group has elected to measure equity instruments at FVOCI.

Accordingly, the group does not expect the new guidance to affect the classification and measurement of these financial assets. There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVPL and the group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

#### **Hedge accounting**

The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. The group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9.

#### **Impairment**

Trade and other receivables is the most significant financial asset in the group that will be impacted. The provision matrix is used to calculate expected credit losses. The impact of forward looking information is immaterial on trade receivables and as such no significant impact was noted on adoption.

#### **Disclosure**

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

#### **Date of adoption**

The impact of applying IFRS 9 will be adjusted against opening retained earnings on 1 April 2018 and comparatives will not be restated.

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

- **IFRS 15 Revenue from Contracts with Customers**

As the group recognises significantly all of its revenue at a point in time, there will be no significant impact on the group's revenue recognition by the adoption of the new standard, IFRS 15 *Revenue from Contracts with Customers*. The impact on the group's customer loyalty programmes will also not be significant. IFRS 15 must be applied for financial years commencing on or after 1 January 2018. The group will apply the new standard from 1 April 2018.

- **IFRS 16 Leases**

The group is in the process of assessing the possible impact of the application of IFRS 16 *Leases* which has been issued but is not effective at year end.

The Sandton Convention Centre and some hotel property leases (accounted for as operating leases), where the group is the lessee, will be mostly impacted. 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.

- **IAS 40 (Amendment) Investment Property**

The amendments clarify that transfers to or from investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets or ceases to meet the definition of investment property. A change in intention alone is not sufficient to support a transfer.

The list of evidence for a change of use in the standard was re-characterised as a non-exhaustive list of examples to help illustrate the principle. The board provided two options for transition:

- Prospectively, with any impact from the reclassification recognised as adjustment to opening retained earnings as at the date of initial recognition; or
- Retrospectively, only permitted without the use of hindsight.

Additional disclosures are required if an entity adopts the requirements prospectively.

The effective date of the amendment is for years beginning on or after 1 January 2018 and the group will apply the IAS 40 amendment from the annual period beginning 1 April 2018.

- b) The following interpretations have been published that are mandatory for the group's accounting periods beginning on or after 1 April 2018 or later, which the group has not early adopted.

- **IFRIC 22 Foreign Currency Transactions and Advance Consideration**

This interpretation addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practise. The group does not anticipate the impact to be significant, based on the group's current IFRIC 22 exposure.

The effective date of IFRIC 22 is for years beginning on or after 1 January 2018 and the group will apply IFRIC 22 from the annual period beginning 1 April 2018.

- **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 applying this interpretation. The group will assess the impact of IFRIC 23.

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	2018		2017	
	Gross Rm	Net <sup>(1)</sup> Rm	Gross Rm	Net <sup>(1)</sup> Rm
Profit attributable to equity holders of the company		1 971		2 507
Loss on disposal of property, plant and equipment	2	2	12	9
Impairment of property, plant and equipment	68	63	77	45
Gain on disposal of investment property	–	–	(36)	(18)
Fair value adjustment of investment properties	191	115	(757)	(385)
Impairment of goodwill	20	20	–	–
Impairment of casino licences and bid costs (intangibles)	92	66	1	1
Impairment of equity loan to associate	7	7	–	–
Fair value adjustment on non-current assets held for sale	1	1	–	–
Gain on deemed disposal of financial asset classified as available-for-sale	–	–	(46)	(46)
Gain on bargain purchases	–	–	(82)	(82)
Share of associates' headline earnings adjustments (net)		(7)		2
<b>Headline earnings</b>		<b>2 238</b>		<b>2 033</b>
Transaction costs	33	32	27	26
Impairment of financial instruments, net of recoveries	(34)	(34)	4	4
Fair value adjustment on interest rate swaps	2	1	6	3
Restructuring costs	38	28	7	4
Pre-opening expenses	19	14	–	–
Early debt settlement costs	3	2	–	–
Gain on remeasurement of put liability	–	–	(35)	(35)
Deferred tax liability derecognised on property, plant and equipment on sale to the group's REIT subsidiary		(307)		(56)
Deferred tax asset derecognised on foreign subsidiary assessed losses		–		19
Share of associates' exceptional items (net)		(8)		(11)
<b>Adjusted headline earnings<sup>(2)</sup></b>		<b>1 966</b>		<b>1 987</b>
Number of shares in issue (million)		1 059		957
Weighted average number of shares in issue (million)		994		957
Basic and diluted earnings per share (cents)		198.3		262.0
Basic and diluted headline earnings per share (cents)		225.2		212.4
Basic and diluted adjusted headline earnings per share (cents)		197.8		207.6

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

<sup>(2)</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 GAAP; 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>

	2018 Rm	2017 Rm
Ebitdar pre-exceptional items is made up as follows:		
Operating profit	3 662	4 699
Add/(less):		
Property rentals	282	242
Amortisation and depreciation	912	846
Long-term incentive (credit)/expense	(24)	49
	4 832	5 836
Add/(less): Exceptional losses/(gains)	439	(787)
Loss on disposal of property, plant and equipment	2	12
Impairment of property, plant and equipment	68	77
Gain on disposal of investment property	–	(36)
Fair value adjustment of investment properties	191	(757)
Impairment of goodwill	20	–
Impairment of casino licences and bid costs (intangibles)	92	1
Impairment of equity loan to associate	7	–
Fair value adjustment on non-current assets held for sale	1	–
Gain on deemed disposal of financial asset classified as available-for-sale	–	(46)
Gain on bargain purchases	–	(82)
Fair value adjustment on interest rate swaps	2	6
Impairment of financial instruments, net of recoveries	(34)	4
Pre-opening expenses	19	–
Restructuring costs	38	7
Transaction costs	33	27
Ebitdar	5 271	5 049

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

## 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 the inclusion of Gameco in the gaming division with effect from the acquisition date 20 November 2017 (refer note 44). The following are the four segments identified and monitored by the chief operating decision-maker:

- Gaming consists of the group's 13 South African casino precincts, comprising casinos and hotels, generating gaming win and related revenue, together with Gameco (Vukani and Galaxy) being alternative gaming (limited payout machines ('LPMS') and electronic bingo terminals ('EBTs')). Other gaming operations consist mainly of the Sandton Convention Centre and gaming head office costs;
- South African hotels division consists of the group's South African hotels division which owns, operates and manages hotels in South Africa;
- Offshore hotels division consists of the group's non-South African hotels division 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. It is closely monitored as it is expected to materially contribute to group revenue in the future; and
- The corporate segment includes the treasury and management function of the group.

The group's CEO and GEC assess the performance of the operating segments based on Ebitdar. The measure excludes the effects of long-term incentives and the effects of non-recurring expenditure. The measure also excludes all headline earnings adjustments, impairments and fair value adjustments on non-current and current assets and liabilities and other exceptional items. Interest income and finance costs are not included in the result for each operating segment as this is driven by the Group Treasury function which manages the cash and debt position of the group. 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	
	2018 Rm	2017 Rm	2018 Rm	2017 Rm	2018 %	2017 %	2018 Rm	2017 Rm
Casino gaming								
Montecasino	2 625	2 694	1 135	1 196	43.3	44.4	111	111
Suncoast	1 681	1 732	752	810	44.7	46.8	84	88
Gold Reef City	1 497	1 450	569	549	38.0	37.9	118	109
Silverstar	686	735	212	248	30.9	33.7	80	82
Golden Horse	397	392	177	176	44.6	44.8	31	34
Emnotweni	381	383	136	145	35.7	37.9	28	29
The Ridge	381	382	145	147	38.0	38.6	30	29
Hemingways	314	306	97	95	30.8	31.2	38	40
Garden Route	235	225	99	96	41.9	42.8	16	15
Mykonos	183	162	86	72	47.2	44.5	11	11
The Caledon	177	175	49	54	28.0	30.6	11	10
Blackrock	160	170	54	65	33.6	37.9	12	12
Goldfields	135	133	38	41	28.5	31.0	12	10
Alternative gaming <sup>(3)</sup>								
Galaxy	263	n/a	69	n/a	26.2	n/a	12	n/a
Vukani	362	n/a	169	n/a	46.7	n/a	34	n/a
Other gaming operations	184	195	(141)	(154)			13	14
Total gaming operations	9 661	9 134	3 646	3 540	37.7	38.8	641	594
South African hotels division <sup>(4)</sup>	3 799	3 509	1 470	1 359	38.7	38.7	231	213
Offshore hotels division	565	635	120	108	21.2	17.0	38	35
Pre-foreign exchange gains/(losses)			119	146	21.1	23.0		
Foreign exchange gains/(losses)			1	(38)				
Corporate <sup>(4)</sup>	(50)	(56)	35	42			2	4
Group	13 975	13 222	5 271	5 049	37.7	38.2	912	846

<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> Gaming division includes Galaxy and Vukani (Gameco) with effect from 20 November 2017 – refer note 44

<sup>(4)</sup> Includes R50 million (2017: R55 million) intergroup management fees

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

	Associates and joint ventures		Capital expenditure	
	2018 Rm	2017 Rm	2018 Rm	2017 Rm
Gaming operations	36	37	928	805
South African hotels division	1	–	608	456
Offshore hotels division	604	572	160	59
Corporate	–	–	1	1
Group	641	609	1 697	1 321

Non-current assets, other than financial instruments and deferred income tax assets by country:

	2018 Rm	2017 Rm
South Africa	25 845	25 062
Nigeria	966	1 134
Mozambique	574	422
Seychelles	250	248
United Kingdom	476	445
Zambia	126	145
Tanzania	161	193
Kenya	40	51
Other	7	7
	28 445	27 707

	2018 Rm	2017 Rm
<b>7. OTHER REVENUE</b>		
Management fees revenue	62	78
Theme Park revenue	131	118
Sandton Convention Centre revenue	83	112
Cinema revenue	70	67
Parking revenue	42	44
Venue hire revenue	71	73
Dividends – listed	–	14
Dividends – unlisted	86	70
Other revenue	220	206
	<b>765</b>	<b>782</b>
<b>8. GAMING LEVIES AND VAT</b>		
Gaming levies	796	718
VAT	885	839
	<b>1 681</b>	<b>1 557</b>
<b>9. PROPERTY AND EQUIPMENT RENTALS</b>		
Properties	282	242
Plant, vehicles and equipment	98	61
	<b>380</b>	<b>303</b>
<b>10. AMORTISATION AND DEPRECIATION</b>		
Amortisation of intangible assets	25	28
Depreciation of property, plant and equipment	887	818
	<b>912</b>	<b>846</b>
<b>11. EMPLOYEE COSTS</b>		
Employee costs (including executive directors' remuneration):		
Salaries and wages	2 986	2 814
Other	32	6
Pension – defined contribution plans	189	174
Other post-retirement benefits – medical aid (note 34)	1	1
Long-term incentive (credit)/expense – cash-settled (note 36.2)	(24)	49
	<b>3 184</b>	<b>3 044</b>

# Notes to the consolidated financial statements continued

<b>12. OTHER OPERATING EXPENSES</b>	<b>2018 Rm</b>	2017 Rm
Auditors' remuneration	40	39
Audit fees – current year	37	33
Tax services	1	3
Other services and expenses	2	3
Administration fees	2	2
Advertising, marketing and promotional costs	538	516
External consultants	47	40
Food and beverage costs and operating equipment usage	627	605
Impairment charge for bad and doubtful debts (note 27)	11	11
Information technology-related costs	162	143
Net foreign exchange (gains)/losses	(8)	37
Property costs – rates, water and electricity	625	573
Repairs and maintenance expenditure on property, plant and equipment	284	277
Rooms departmental expenses	410	374
Security and surveillance costs	190	182
Other operating expenses	821	767
Loss on disposal of property, plant and equipment	2	12
Impairment of property, plant and equipment (note 17)	68	77
Gain on disposal of investment property	–	(36)
Impairment of goodwill (note 19)	20	–
Impairment of casino licences and bid costs (intangibles) (note 20)	92	1
Gain on deemed disposal of financial asset classified as available-for-sale	–	(46)
Gain on bargain purchases	–	(82)
Fair value adjustment on interest rate swaps (note 33)	2	6
Fair value adjustment on non-current assets held for sale (note 29)	1	–
Impairment of financial instruments	6	7
Impairment reversal of financial instruments	(40)	(3)
Impairment of equity loan to associate (note 21)	7	–
Pre-opening expenses	19	–
Restructuring costs	6	1
Transaction costs	33	27
	<b>3 965</b>	<b>3 530</b>
	<b>2018 Rm</b>	2017 Rm
<b>13. INTEREST INCOME</b>		
Interest received from banks	61	27
Interest income – other	11	16
	<b>72</b>	<b>43</b>
	<b>2018 Rm</b>	2017 Rm
<b>14. FINANCE COSTS</b>		
Finance costs in respect of interest-bearing debt	1 236	1 009
Effective interest on available-for-sale assets	–	48
Interest paid to non-controlling interests	–	44
Finance cost in respect of gain on remeasurement of put liability	–	(35)
Change in cash flow	–	(36)
Change in interest rate	–	1
Finance costs – other	2	–
Less: Interest capitalised at an average capitalisation rate <sup>(1)</sup> of 10.4% (2017: nil)	(9)	–
	<b>1 229</b>	<b>1 066</b>

<sup>(1)</sup> In respect of foreign borrowings

## 15. INCOME TAX EXPENSE

	2018 Rm	2017 Rm
Current tax – current year charge	714	648
Current tax – under/(over) provision prior year	30	(11)
Deferred tax – current year (credit)/charge <sup>(1)</sup>	(323)	26
Deferred tax – over provision prior year	(16)	(4)
Withholding taxes	5	6
	<b>410</b>	<b>665</b>
<b>Other comprehensive income</b>		
<i>Tax (credit)/charge relating to components of other comprehensive income on items that may be reclassified subsequently to profit or loss:</i>		
Cash flow hedges	(22)	(34)
Available-for-sale investment	1	11
<i>Tax charge relating to components of other comprehensive income on items that may not be reclassified subsequently to profit or loss:</i>		
Remeasurements of post-employment defined benefit liability	1	1
	<b>(20)</b>	<b>(22)</b>

Income tax rate reconciliation	2018		2017	
	Rm	%	Rm	%
Profit before income tax and share of profit of associates and joint ventures	2 505		3 676	
Income tax thereon at 28% (2017: 28%)	701	28.0	1 029	28.0
<i>Exempt income/credits:</i>				
Fair value gain on investment property revaluations <sup>(2)</sup>	–	–	(211)	(5.7)
Profits attributable to the HPF non-controlling interests <sup>(2)</sup>	(77)	(3.1)	(47)	(1.3)
Profits earned by group entities before being sold to HPF <sup>(2)</sup>	(14)	(0.6)	–	–
Dividend income	(24)	(1.0)	(24)	(0.6)
Gain on bargain purchases	–	–	(23)	(0.6)
Gain on deemed disposal of financial asset classified as available-for-sale	–	–	(13)	(0.4)
Gain on disposal of investment property <sup>(2)</sup>	–	–	(10)	(0.3)
Gain on remeasurement of put liability	–	–	(10)	(0.3)
<i>Expenses/debits not deductible for tax purposes:</i>				
Fair value loss on investment property revaluations <sup>(2)</sup>	52	2.1	–	–
Amortisation and depreciation	33	1.3	21	0.6
Impairments	12	0.5	–	–
Transaction costs	8	0.3	8	0.2
Effective interest on available-for-sale assets	–	–	16	0.4
Deferred tax liability derecognised on property, plant and equipment on sale to the group's REIT subsidiary <sup>(1)</sup>	(307)	(12.3)	(56)	(1.5)
Deferred tax asset derecognised on foreign subsidiary assessed losses <sup>(1)</sup>	–	–	19	0.5
Other non-deductible items	15	0.6	19	0.5
Prior year charges/(credits) (net)	14	0.6	(15)	(0.4)
Withholding taxes	5	0.2	6	0.2
Foreign tax rate differential	(8)	(0.3)	(44)	(1.2)
	<b>410</b>	<b>16.4</b>	<b>665</b>	<b>18.1</b>

<sup>(1)</sup> Includes R307 million credit (2017: R56 million credit) deferred tax liability derecognised on property, plant and equipment on sale to the group's REIT subsidiary and the prior year included an offset of deferred tax asset derecognised on foreign subsidiary assessed losses of R19 million

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

# Notes to the consolidated financial statements continued

## 16. DIVIDENDS DECLARED

	2018 Rm	2017 Rm
<i>Ordinary</i>		
Final dividend	676	647
Interim dividend	339	328
	<b>1 015</b>	975
Final dividend declared on	<b>23 May 2017</b>	25 May 2016
Final dividend paid on	<b>19 June 2017</b>	20 June 2016
Final dividend cents per share	<b>70 cents</b>	67 cents
Interim dividend declared on	<b>21 November 2017</b>	23 November 2016
Interim dividend paid on	<b>18 December 2017</b>	19 December 2016
Interim dividend cents per share	<b>32 cents</b>	34 cents

## 17. 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 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 (note 44)	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)
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>Year ended 31 March 2017</b>						
Opening net carrying amount	10 714	622	88	2 741	205	14 370
Additions	218	51	223	648	75	1 215
Acquisition of subsidiary	742	–	–	–	–	742
Acquisition of businesses	379	–	–	–	–	379
Disposals and operating equipment usage	(2)	–	–	(9)	(60)	(71)
Depreciation charge	(145)	(29)	–	(644)	–	(818)
Impairments	(75)	–	–	(2)	–	(77)
Transfers	37	–	(101)	63	–	(1)
Currency translation	(153)	–	–	(26)	(4)	(183)
<b>Closing 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>
<b>At 31 March 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>
<b>At 31 March 2016</b>						
Cost	11 968	857	88	5 757	205	18 875
Accumulated depreciation	(1 254)	(235)	–	(3 016)	–	(4 505)
<b>Net carrying amount</b>	<b>10 714</b>	<b>622</b>	<b>88</b>	<b>2 741</b>	<b>205</b>	<b>14 370</b>

The group reassessed the useful lives of property, plant and equipment during the year. 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. The impact on depreciation for the year was a credit of R36 million (2017: credit of R28 million). The group also reviewed the residual values during the year and the impact on depreciation was a debit of R2 million (2017: Rnil).

Land and buildings and plant and equipment at Suncoast Casino with a book value of R64 million, together with other plant and equipment at various casino and hotel properties with a book value of R4 million, were impaired during the year due to redevelopment and refurbishment projects and, therefore, those assets are no longer used. Impairments are included under other operating costs (refer note 12).

## 18. INVESTMENT PROPERTIES

	2018 Rm	2017 Rm
Opening net carrying amount	4 969	108
Acquisition and development of investment properties	471	92
Acquisition of subsidiary (note 44)	6	4 185
Disposals	–	(106)
Transfers	–	(67)
Fair value adjustments recognised in profit or loss	(191)	757
<b>Closing net carrying amount</b>	<b>5 255</b>	<b>4 969</b>
Amounts recognised in profit or loss for investment properties:		
Rental income	406	303
Direct operating expenses from property that generated rental income	8	5
Direct operating expenses from property that did not generated 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 52 *Fair value estimation*. The group has elected to measure investment properties at fair value. The fair value 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 premiums are added 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 2018, the group's investment properties were independently valued by professionally qualified valuers having recent experience in the location and category of the group's investment property being valued. The valuation is currently performed on an annual basis on the entire portfolio of investment properties by an independent valuator but will move to a three-year rotation from the next financial year, and will be fair valued by internal management for the intervening years.

As at 31 March 2018 the significant unobservable inputs were as follows:

- A weighted average rental growth rate of 5.0% (2017: 5.5%);
- A terminal capitalisation rate of 7.23% to 8.07% (2017: 7.26%); and
- A risk-adjusted discount rate of 12.23% to 13.07% (2017: 12.76%).

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

	2018		2017	
	Increase Rm	Decrease Rm	Increase Rm	Decrease Rm
5% change in the net cash flows	282	(283)	241	(241)
25bps change in the terminal capitalisation rate	(121)	128	(116)	118
50bps change in the discount rate	(373)	326	(203)	189

# Notes to the consolidated financial statements continued

## 19. GOODWILL

	2018 Rm	2017 Rm
At 1 April	2 106	2 106
Acquisition of subsidiary (note 44)	48	–
Impairment	(20)	–
At 31 March	2 134	2 106
<b>Impairment test for goodwill</b>		
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
Goldfields	–	20
Blackrock	94	94
Mykonos	17	17
The Caledon	175	175
Vukani	48	–
South African hotels	347	347
Offshore hotels	7	7
	<b>2 134</b>	<b>2 106</b>

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:

	2018			2017		
	Ebitdar margin %	Long-term growth rate %	Discount rate pre-tax %	Ebitdar margin %	Long-term growth rate %	Discount rate pre-tax %
Montecasino	38.9	5.5	13.1	40.3	5.6	11.6
Suncoast	37.9	5.5	13.1	39.8	5.6	11.6
Gold Reef City	33.7	5.5	13.1	34.8	5.6	11.6
Silverstar	33.7	5.5	13.1	33.7	5.6	11.6
Vukani	46.7	5.5	13.1	n/a	n/a	n/a
Other gaming operations <sup>(1)</sup>	31.3	5.5	13.1	33.6	5.6	11.6
South African hotels	38.7	5.1	12.0	38.7	5.7	12.4
Offshore hotels	21.1	5.1	12.0	23.0	5.8	12.4

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

Given the weak local economy within which Goldfields Casino operates and the continued pressure on trading, impairment losses have been 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.



## 20. OTHER INTANGIBLE ASSETS

	Casino licences and bid costs Rm	Computer software Rm	Other Rm	Total Rm
<b>Year ended 31 March 2018</b>				
Opening net carrying amount	4 368	69	24	4 461
Additions	2	17	–	19
Acquisition of subsidiary (note 44)	7	3	–	10
Amortisation charge	(4)	(21)	–	(25)
Impairment	(92)	–	–	(92)
<b>Closing net carrying amount</b>	<b>4 281</b>	<b>68</b>	<b>24</b>	<b>4 373</b>
<b>At 31 March 2018</b>				
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>24</b>	<b>4 373</b>
Year ended 31 March 2017				
Opening net carrying amount	4 373	79	24	4 476
Additions	1	12	–	13
Transfers	–	1	–	1
Amortisation charge	(5)	(23)	–	(28)
Impairment	(1)	–	–	(1)
Closing net carrying amount	4 368	69	24	4 461
At 31 March 2017				
Cost	4 517	208	29	4 754
Accumulated amortisation	(149)	(139)	(5)	(293)
Net carrying amount	4 368	69	24	4 461
At 1 April 2016				
Cost	4 518	211	29	4 758
Accumulated amortisation	(145)	(132)	(5)	(282)
Net carrying amount	4 373	79	24	4 476

During the year, given the weak local economy within which Goldfields Casino operates and the continued pressure on trading, impairment losses have been recognised against the goodwill raised on the acquisition of the casino and the casino licence intangible asset of R20 million and R91 million respectively. Also, bid costs of R1 million relating to the fourth casino licence in Mpumalanga were impaired during year due to uncertainty surrounding the allocation of the licence. Impairments are included under other operating costs (refer note 12). There were no other significant changes made to useful lives or residual values of other intangible assets during the year.

Casino licences and related bid costs are made up as follows:	2018 Rm	2017 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	258
Mykonos <sup>(1)</sup>	215	215
Montecasino	70	70
Suncoast	105	105
Blackrock	1	–
<i>Definite lives:</i>		
Hemingways	33	37
Vukani <sup>(2)</sup>	6	–
Galaxy <sup>(2)</sup>	1	–
	<b>4 281</b>	<b>4 368</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> Acquisition of Gameco – refer note 44

# Notes to the consolidated financial statements continued

## 21. INVESTMENTS IN ASSOCIATES

The group has the following interests in its principal associates:

*Unlisted*

- 25.9% in International Hotel Properties Limited ('IHPL'), incorporated in the British Virgin Islands. IHPL, which had a dual listing in Luxembourg and on the JSE, was delisted during the year, 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') (previously RedefineBDL Hotel Group Limited), 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.
- 49% in Richtrau 292 Proprietary Limited ('Richtrau') which trades as a concept bookstore within the group's Montecasino property. A loan of R7 million (2017: 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.
- Other investments in various associate entities which are not material to the group and therefore no further information has been presented.

	2018 Rm	2017 Rm
At 1 April	483	491
Acquisition of subsidiary	–	1
Impairment of equity loan to associate	(7)	–
Share of profit after tax and other interests of associates	61	41
Dividends received	(24)	(50)
At 31 March	513	483
Made up as follows:		
Listed	–	303
Unlisted	513	180
	513	483

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

	RBH Hotel Group		IHPL	
	2018 Rm	2017 Rm	2018 Rm	2017 Rm
<i>Summarised balance sheets</i>				
Total non-current assets	79	126	1 949	1 788
Total current assets	128	96	83	88
Total assets	207	222	2 032	1 876
Total non-current liabilities	–	–	886	929
Total current liabilities	136	150	66	60
Total liabilities	136	150	952	989
Net assets	71	72	1 080	887
<i>Summarised statements of comprehensive income</i>				
Revenue	973	1 032	296	305
Profit from operations	49	126	156	14
Other comprehensive income	–	–	–	–
Profit for the year and total comprehensive income	49	126	156	14
A reconciliation of the summarised financial information to the carrying amount of the group's interests in its associates is as follows:				
Opening net assets attributable to owners	72	36	887	1 012
Profit for the year	49	126	156	14
Other comprehensive income – foreign currency translation	(26)	37	98	(79)
Total comprehensive income	95	199	1 141	947
Dividends paid	(24)	(127)	(61)	(60)
Closing net assets attributable to owners	71	72	1 080	887
Interest in associates (%)	25.0	25.0	25.9	25.9
Interest in associates	18	18	280	230
Intangible asset	89	89	–	–
Goodwill	30	30	41	41
Translation	11	5	7	32
Carrying value of investments in associates	148	142	328	303

## 22. INVESTMENTS IN JOINT VENTURES

	2018 Rm	2017 Rm
The group has the following interests in joint ventures:		
<i>Unlisted</i>		
<ul style="list-style-type: none"> <li>• 50% interest in United Resorts and Hotels Limited, a hotel company established in the Seychelles; and</li> <li>• 50% interest in Niveus Invest 15 Proprietary Limited which is not material to the group and therefore no further information has been presented.</li> </ul>		
At 1 April	126	129
Share of profit/(loss) after tax and other interests of joint ventures	2	(3)
At 31 March	128	126

The group has performed an impairment indicator test and although United Resorts and Hotels Limited has been in a loss-making position, the group does not consider this a significant or prolonged decline in the value of the investment in the joint venture.

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

The following total assets and liabilities of United Resorts and Hotels Limited are not included in the group's financial statements as the group accounts for its investments in joint ventures on an equity basis:

<i>Summarised financial information</i>	2018 Rm	2017 Rm
<i>Summarised balance sheet</i>		
<i>Assets</i>		
Non-current assets	400	403
Inventory	4	5
Trade and other receivables	17	10
Cash and cash equivalents	23	2
Total assets	444	420
<i>Liabilities</i>		
Current financial liabilities (excluding trade payables)	21	19
Other current liabilities	3	7
Total liabilities	24	26
Net assets	420	394
<i>Summarised statement of comprehensive income/(loss)</i>		
Income	122	117
Depreciation and amortisation	(6)	(6)
Profit/(loss) before income tax	6	(8)
Income tax (charge)/credit	(3)	2
Profit/(loss) for the year	3	(6)
Other comprehensive income	-	-
Profit/(loss) for the year	3	(6)
<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	462	486
Profit/(loss) for the year	3	(6)
Other comprehensive income – foreign currency translation	2	(18)
Closing net assets attributable to owners	467	462
Interest in joint venture (%)	50.0	50.0
Interest in joint venture	234	231
Translation	(106)	(105)
Carrying value of investment in joint venture	128	126

# Notes to the consolidated financial statements continued

## 23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 Rm	2017 Rm
At 1 April	1 272	252
Additions	–	1 272
Fair value adjustment recognised in other comprehensive income	3	–
Gain on deemed disposal of financial asset classified as available-for-sale	–	46
Acquisition of subsidiary	–	(298)
At 31 March	1 275	1 272

### *SunWest and Worcester casinos*

During the prior year, aligned with the group's desire to increase its exposure in the Western Cape province, the group entered into a transaction with Sun International Limited ('SI') and Grand Parade Investments Limited ('GPI') for the acquisition of a 20% equity interest in each of SunWest International Proprietary Limited ('SunWest') and Worcester Casino Proprietary Limited ('Worcester') casinos. 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. This investment is classified as a level 3 fair value measurement and has been accounted for as an available-for-sale financial asset – refer note 52 *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 275 million at 31 March 2018. A discounted cash flow valuation was used to estimate the fair value. The valuation model considers the present value of net cash flows to be generated from SunWest and Worcester, together with their operating capital expenditure taking into account expected growth in gaming win and other revenue generated from non-gaming-related activities. The expected net cash flows are discounted using a risk-adjusted discount rate. Among other factors, the discount rate estimation considers risks associated with the gaming and hospitality industry in which SunWest and Worcester operates.

The significant unobservable inputs used in the fair value measurement of the group's investment in SunWest and Worcester as at 31 March 2018 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 4.3% and 6.3% (2017: 4.3% and 7.0%);
- Operating expenditure cost growth between 5.1% and 5.6% (2017: 5.5% and 6.5%);
- Risk-adjusted discount rate of 11.3% (2017: 12.3%); and
- Long-term growth rate of 5.6% (2017: 5.6%).

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

	2018		2017	
	Increase Rm	Decrease Rm	Increase Rm	Decrease Rm
Expected gaming win growth	281	(260)	265	(245)
Operating expenditure cost growth	(239)	221	(203)	188
Risk-adjusted discount rate	(208)	298	(185)	251
Long-term growth rate	178	(125)	143	(106)
Total	12	134	20	88

### *SI put option*

In terms of the acquisition agreement of the SunWest and Worcester interests, 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. At the end of each reporting period, the derivative is remeasured and the increase or decrease recognised in the income statement. The derivative is calculated in accordance with the terms of the put option agreement, effectively a 7.5 times Ebitda multiple valuation of the SunWest and Worcester assets, less net debt, times the 20% shareholding the group holds. No derivative has been recognised as the fair value of the option is Rnil at 31 March 2018 (Rnil at 31 March 2017).

## 24. NON-CURRENT RECEIVABLES

	2018 Rm	2017 Rm
<i>Financial instruments</i>		
Prepayments – lease deposits	35	43
Other	27	11
	62	54
<i>Non-financial instruments</i>		
Prepayments	4	6
	66	60
Non-current receivables are denominated in the following currencies:		
SA Rand	31	17
US Dollar	35	43
	66	60

The carrying values of non-current receivables are considered to approximate their fair values.

## 25. 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 <sup>(2)</sup> Rm	Deferred revenue Rm	Tax losses Rm	Fair value gains on cash flow hedges Rm	Total Rm
<i>Deferred tax liabilities</i>							
Balance at 1 April 2016	2 106	27	(60)	(4)	(10)	–	2 059
Income statement expense/(credit)	226	(8)	(197)	(13)	(84)	–	(76)
Deferred tax expense relating to components of other comprehensive income	–	11	1	–	–	–	12
Currency translation	34	–	–	–	–	–	34
Balance at 31 March 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
<b>Deferred tax liability at 31 March 2018</b>	<b>2 022</b>	<b>19</b>	<b>(308)</b>	<b>(15)</b>	<b>(48)</b>	<b>–</b>	<b>1 670</b>
<i>Deferred tax assets</i>							
Balance at 1 April 2016	(168)	–	332	16	24	(19)	185
Income statement credit/(expense)	155	(1)	(259)	(11)	18	–	(98)
Deferred tax credit relating to components of other comprehensive income	–	–	–	–	–	34	34
Balance at 31 March 2017	(13)	(1)	73	5	42	15	121
Income statement credit/(expense)	5	(1)	(27)	–	(9)	–	(32)
Acquisition of subsidiary (note 44)	–	–	10	–	22	–	32
Deferred tax credit relating to components of other comprehensive income	–	(1)	–	–	–	22	21
<b>Deferred tax asset at 31 March 2018</b>	<b>(8)</b>	<b>(3)</b>	<b>56</b>	<b>5</b>	<b>55</b>	<b>37</b>	<b>142</b>
<b>Total net deferred tax liability/(asset)</b>	<b>2 030</b>	<b>22</b>	<b>(364)</b>	<b>(20)</b>	<b>(103)</b>	<b>(37)</b>	<b>1 528</b>

<sup>(1)</sup> Includes investment property, available-for-sale financial assets and prepaid expenditure

<sup>(2)</sup> Includes remeasurements of post-employment defined benefit liability

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 has been provided on estimated tax losses of the group of R368 million (2017: R486 million) mainly incurred by Southern Sun Hotel Interests Proprietary Limited, Ikoyi Hotels Limited, Southern Sun Hotels (Tanzania) Limited, Southern Sun (Mozambique) Limitada, Southern Sun Hotels Kenya Limited, Galaxy Gaming and Entertainment Proprietary Limited and Vukani Gaming Corporation 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.

# Notes to the consolidated financial statements continued

<b>26. INVENTORIES</b>	<b>2018 Rm</b>	2017 Rm
Food and beverage	<b>48</b>	45
Operating equipment	<b>26</b>	29
Consumable stores	<b>45</b>	41
	<b>119</b>	115
The cost of food and beverage and consumable stores recognised as an expense and included in other operating expenses	<b>588</b>	545
There was no write-off of inventories during the year under review (2017: Rnil).		

<b>27. TRADE AND OTHER RECEIVABLES</b>	<b>2018 Rm</b>	2017 Rm
<i>Financial instruments</i>		
Trade receivables	<b>335</b>	389
Deposits	<b>138</b>	123
Derivative financial instruments current portion (note 33)	–	14
LPM site owner short-term loans	<b>73</b>	–
Other receivables	<b>66</b>	52
Trade and other receivables – net	<b>612</b>	578
<i>Non-financial instruments</i>		
Prepayments	<b>220</b>	107
VAT receivable	<b>12</b>	–
Straight-lining of operating leases	<b>13</b>	11
	<b>245</b>	118
Total trade and other receivables	<b>857</b>	696

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 impairment provision of trade and other receivables is assumed to approximate their fair values due to the short-term nature of trade and other receivables. The short-term loans to LPM site owners by Vukani are interest-free and repayable in weekly instalments over periods ranging from four to 52 weeks. The increase in trade and other receivables is mainly due the acquisition of Gameco, offset by better trade receivable collections in the hotels divisions.

Other receivables 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.

#### *Past due but not impaired – trade receivables*

At 31 March 2018, trade receivables of R94 million (2017: R235 million) were past due but not impaired. These relate mainly to a number of customers for whom there is no recent history of default. The past due but not impaired trade receivables are as follows:

	<b>2018 Rm</b>	2017 Rm
30 to 60 days	<b>58</b>	178
60 to 90 days	<b>9</b>	6
More than 90 days	<b>27</b>	51
	<b>94</b>	235

## 27. TRADE AND OTHER RECEIVABLES *continued*

### *Impairment – trade receivables*

At 31 March 2018, trade receivables of R41 million (2017: R35 million) were impaired and provided for. The individually impaired receivables mainly relate to returned cheques outstanding as well as cheques held in the cash desk, doubtful debtors and long-outstanding debtors. Movements on the provision for impairment of trade receivables are as follows:

	2018 Rm	2017 Rm
At 1 April	35	27
Acquisition of subsidiary	5	–
Provision for receivables impairment	9	11
Receivables written off as uncollectible during the year	(3)	(1)
Unused amounts reversed	(3)	(1)
Currency translation	(2)	(1)
At 31 March	41	35

For both trade and other receivables the creation and release of the provision for impaired receivables have been included in other expenses in the income statement (refer note 12). Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain past due or impaired assets.

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

	2018 Rm	2017 Rm
SA Rand	799	620
Nigerian Naira	12	13
US Dollar	10	21
Mozambican Metical	9	10
Tanzanian Shilling	6	15
Other	21	17
	857	696

## 28. CASH AND CASH EQUIVALENTS

	2018 Rm	2017 Rm
Current accounts	2 206	2 154
Call and fixed deposit accounts	389	134
Cash	183	136
Gross cash and cash equivalents	2 778	2 424
<i>Less: Bank overdrafts (note 32)</i>	(1 707)	(1 699)
Net cash and cash equivalents per cash flow statement	1 071	725
Gross cash and cash equivalents are denominated in the following currencies:		
SA Rand	2 725	2 348
US Dollar	18	24
Nigerian Naira	18	21
Euro	10	11
Mozambican Metical	1	13
Other	6	7
	2 778	2 424

# Notes to the consolidated financial statements continued

## 29. NON-CURRENT ASSETS HELD FOR SALE

	2018 Rm	2017 Rm
Opening net carrying amount	66	–
Capitalised expenditure	2	–
Fair value adjustment recognised in profit or loss	(1)	–
Transfers	–	67
Disposals	(1)	(1)
<b>Closing net carrying amount</b>	<b>66</b>	<b>66</b>

### *Investment property*

Non-current investment property held for sale consists of the Kopanong Hotel and Conference Centre property which consists of a country estate with 57 chalets and conference facilities. During the year under review, one chalet was sold and management intends to sell the remaining chalets. The fair value of non-current assets held for sale was considered a level 3 measurement. No further disclosures have been presented as this was not considered material.

## 30. 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 2016	1 049 181 389	(91 792 519)	957 388 870	2	4 782	(208)	4 576
Share options lapsed	–	(15 781)	(15 781)	–	–	*	*
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
<b>At 31 March 2018</b>	<b>1 147 657 784</b>	<b>(88 468 494)</b>	<b>1 059 189 290</b>	<b>4</b>	<b>6 754</b>	<b>(122)</b>	<b>6 636</b>

\* Amount less than R1 million

The total authorised number of ordinary shares is 1 200 000 000 (2017: 1 200 000 000) with a par value of 2 cents per share (2017: 2 cents per share). The company also has authorised unissued 20 000 000 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.

During the year under review, the group acquired Gameco by way of common control and issued ordinary shares as shown above as part of the purchase price – refer note 44 for further detail of the transaction.

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 of the Gold Reef Share Scheme, limited to a maximum of three million shares, at their discretion, subject to section 38 of the Companies Act of South Africa and the Listings Requirements of the JSE. 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).



### 31. OTHER RESERVES

	Available-for-sale investments fair value 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 2016	–	130	(940)	52	526	–	(232)
Cash flow hedges	–	–	–	(87)	–	–	(87)
Fair value losses during the year	–	–	–	(121)	–	–	(121)
Deferred tax on fair value losses	–	–	–	34	–	–	34
Currency translation adjustments	–	–	–	–	(96)	–	(96)
Deferred tax on available-for-sale financial assets	(11)	–	–	–	–	–	(11)
Settlement of Cullinan put liability with non-controlling interests	–	–	493	–	–	–	493
Consideration to HPF non-controlling interests in hotels assets	–	–	968	–	–	–	968
Acquisition of Mykonos and Blackrock casinos' non-controlling interests	–	–	(161)	–	–	–	(161)
Balance at 31 March 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 fair value adjustment	(1)	–	–	–	–	–	(1)
Consideration to HPF non-controlling interests in hotels assets (notes 45.1 and 45.2)	–	–	(37)	–	–	–	(37)
Acquisition of non-controlling interests from HPF (notes 45.1 and 45.2)	–	–	436	–	–	–	436
Consideration to HPF non-controlling interests – Sandton Isle (note 45.3)	–	–	(15)	–	–	–	(15)
Common control reserve arising on acquisition of Gameco (note 44)	–	–	–	–	–	(3 154)	(3 154)
<b>Balance at 31 March 2018</b>	<b>(9)</b>	<b>130</b>	<b>744</b>	<b>(95)</b>	<b>344</b>	<b>(3 154)</b>	<b>(2 040)</b>

# Notes to the consolidated financial statements continued

<b>32. INTEREST-BEARING BORROWINGS</b>	<b>2018</b>	2017
	<b>Rm</b>	Rm
Bank borrowings	<b>12 733</b>	11 889
Corporate bonds (Domestic Medium-term Note Programme)	<b>902</b>	982
Bank overdrafts	<b>1 707</b>	1 699
	<b>15 342</b>	14 570
<i>Less: Facility raising fees</i>	<b>(27)</b>	(33)
	<b>15 315</b>	14 537
Analysed as:		
Non-current portion	<b>12 667</b>	9 439
Current portion	<b>2 648</b>	5 098
	<b>15 315</b>	14 537
Secured	<b>15 262</b>	14 490
Unsecured	<b>80</b>	80
	<b>15 342</b>	14 570
The following represents the book amount of the security for these borrowings:		
Property, plant and equipment (note 17)	<b>5 180</b>	5 704
Investment properties (note 18) <sup>(1)</sup>	<b>9 272</b>	4 843
Intangible assets (note 20)	<b>37</b>	48
Available-for-sale financial assets (note 23)	<b>1 275</b>	1 272
Inventories (note 26)	<b>62</b>	66
Pledge of cash in bank accounts (note 28)	<b>1 852</b>	2 101
Non-current investment property held for sale (note 29)	<b>66</b>	66
Cession of Tsogo Sun shares (treasury shares)	<b>533</b>	631
	<b>18 277</b>	14 731
The carrying amounts of the group's borrowings are denominated in the following currencies:		
SA Rand	<b>14 349</b>	13 555
US Dollar	<b>944</b>	982
Mozambican Metical	<b>22</b>	–
	<b>15 315</b>	14 537
The group has the following committed direct facilities (from banks and corporate bonds):		
Expiring within 1 year	<b>1 486</b>	1 050
Expiring beyond 1 year	<b>15 819</b>	14 459
	<b>17 305</b>	15 509
Undrawn facility of committed direct bank borrowings	<b>3 670</b>	2 638
Weighted average effective interest rates (including cash held in call accounts)	<b>9.41%</b>	9.37%

<sup>(1)</sup> Investment properties represent the value of the properties in HPF over which mortgage bonds have been registered in favour of the debt funding providers to HPF included in borrowings. On consolidation, certain of 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 increase in interest-bearing borrowings over the prior year is mainly due to the acquisition of Gameco (refer notes 43 and 44), together with additional funding for the group's expansion programme.

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 both US Dollar and SA Rand lenders of the above loans ranging between 4.36% and 10.58% (2017: 3.45% and 9.84%). 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 50.1a(ii)).

### 32. INTEREST-BEARING BORROWINGS *continued*

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

	Carrying amount		Fair value	
	2018 Rm	2017 Rm	2018 Rm	2017 Rm
Bank borrowings	11 777	9 149	11 191	9 255
Corporate bonds (Domestic Medium-term Note Programme)	890	290	897	295
	<b>12 667</b>	9 439	<b>12 088</b>	9 550

### 33. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are made up as follows:

Interest rate swaps – cash flow hedges:

Tsogo Sun Proprietary Limited

HPF

Net liabilities

*Less:* Current portion liability (net)

Non-current portion liability (net)

Non-current portion made up as follows:

Asset

Liability

	2018 Rm	2017 Rm
Tsogo Sun Proprietary Limited	129	50
HPF	6	1
Net liabilities	135	51
<i>Less:</i> Current portion liability (net)	(3)	(14)
Non-current portion liability (net)	132	37
Non-current portion made up as follows:		
Asset	–	–
Liability	132	37
	<b>132</b>	37

For effective hedges, gains and losses are recognised in the hedging reserve directly in other comprehensive income (after tax). The ineffective portion recognised in the income statement from cash flow hedges for the year amounted to R2 million (2017: R6 million) and is included in other operating expenses (note 12). Refer also notes 50.1(c) *Liquidity risk* and 52 *Fair value estimation*.

	2018 Rm	2017 Rm
The notional amounts of the outstanding effective interest rate swap contracts at 31 March were:		
<i>Tsogo Sun Proprietary Limited linked to the three-month JIBAR</i>		
With a fixed rate of 7.68% matured 29 March 2018	–	200
With a fixed rate of 6.46% matured 29 March 2018	–	1 500
With a fixed rate of 6.93% maturing 30 June 2020	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
<i>HPF linked to the three-month JIBAR</i>		
With a fixed rate of 7.05% matured 4 September 2017	–	200
With a fixed rate of 7.595% matured 2 October 2017	–	300
With a fixed rate of 6.78% matured 5 February 2018	–	346
With a fixed rate of 7.24% maturing 30 June 2020	500	–
With a fixed rate of 7.16% maturing March 2023	300	–
<i>Silverstar Casino Proprietary Limited linked to the one-month JIBAR</i>		
With a fixed rate of 7.22%, excluding credit and liquidity margins, maturing 3 April 2018	90	255
	<b>6 390</b>	6 801
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% maturing 14 February 2019	250	250

# Notes to the consolidated financial statements continued

## 34. POST-EMPLOYMENT BENEFITS

### Pension funds

The group operates two pension funds: the Tsogo Sun Group Pension Fund and the Southern Sun Group Retirement Fund. Both are defined contribution funds, governed by the Pension Funds Act, 1956, which provide retirement and death benefits for all permanent, full-time employees who are not members of any other approved pension or provident fund.

### Provident funds

The group also operates three provident funds: the Alexander Forbes Retirement Fund, the Gold Reef Provident Fund and the Vukani Super Fund Provident Fund. All are defined contribution funds, governed by the Pension Funds Act, 1956, which provide retirement and death benefits for all permanent, full-time employees who are not members of any other approved pension or provident fund.

### Medical aid

The group operates a closed fund defined benefit plan for a portion of the medical aid members. The assets of the funded plans are held independently of the group's assets. This fund is valued by independent actuaries every year using the projected unit credit method.

The present value of the obligation is R32 million (2017: R35 million) and the present value of the plan assets is R31 million (2017: R31 million).

The principal actuarial assumptions used for the valuation were:

	2018 %	2017 %
Discount rate	9.00	9.50
Healthcare cost inflation	7.80	9.00
Expected return on plan assets	9.00	9.50
Remuneration inflation	7.30	8.50

The fund is actively managed and returns are based on both the expected performance of the asset class and the performance of the fund managers. The assets of the medical aid scheme comprise cash for both 2018 and 2017 with values of R31 million for both years.

The expected long-term rate of return on medical aid assets of 9.0% (2017: 9.50%) is determined by using a standard 0% margin on the assumed rate of discount as per the revised IAS 19 *Employee Benefits*. The discount rate of 9.0% per annum is based on current bond yields of appropriate term gross of tax as required by IAS 19. South Africa does not have a deep market in high-quality corporate bonds. The discount rate is therefore determined by reference to current market yields on government bonds.

No contributions are expected to be paid into the group's defined benefit scheme during the annual period after 31 March 2018 (2017: Rnil).

## 35. DEFERRED REVENUE AND INCOME

The group accounts for its hotel customer reward programmes in terms of IFRIC 13 *Customer Loyalty Programmes* with the liability on the balance sheet allocated to deferred revenue, while the gaming customer reward programmes are accounted for in terms of IAS 39 *Financial Instruments: Recognition and Measurement* with this liability allocated to deferred income on the balance sheet.

	2018 Rm	2017 Rm
<i>Financial instruments</i>		
Gaming customer reward programme deferred liability	19	19
<i>Non-financial instruments</i>		
Hotel customer reward programme	95	87
Total customer reward programmes	114	106
Less: Current portion	(83)	(77)
Non-current portion	31	29

The expected timing of the recognition of the deferred revenue is within three years (2017: three years) and the expected timing of the recognition of the deferred income is within one year (2017: one year) and is considered current.

### 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 company. 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 loan is 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 2018 Rm	Loan facility 2017 Rm
MN von Aulock (CEO – resigned 1 June 2017) <sup>(1)</sup>	–	–	86
J Booysen (CEO – appointed 1 June 2017)	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	200

<sup>(1)</sup> As agreed, the shares were disposed of in an orderly manner and the loan repaid in December 2017

#### 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:

	2018	2017
Average share price utilised to value the liability	R25.50	R28.00
Number of appreciation units granted and outstanding ('000)	33 320	31 488
Number of appreciation units vested and outstanding ('000)	17 203	15 824

The group recognised a credit of R24 million (2017: R49 million expense) related to this bonus appreciation plan during the year and at 31 March 2018 the group had recorded liabilities of R87 million (2017: R148 million) in respect of this plan. The current portion of this liability is R60 million (2017: R129 million).

# Notes to the consolidated financial statements continued

## 37. PROVISIONS

	2018 Rm	2017 Rm
<i>At 1 April</i>		
Long-service awards	199	183
Short-term incentives	180	214
Jackpot provisions	10	11
	<b>389</b>	408
<i>Acquisition of subsidiary</i>		
Short-term incentives	7	–
	<b>7</b>	–
<i>Created during the year</i>		
Long-service awards	27	25
Short-term incentives	182	183
Jackpot provisions	136	139
	<b>345</b>	347
<i>Utilised during the year</i>		
Long-service awards	(23)	(9)
Short-term incentives	(181)	(217)
Jackpot provisions	(140)	(140)
	<b>(344)</b>	(366)
<i>At 31 March</i>		
Long-service awards	203	199
Short-term incentives	188	180
Jackpot provisions	6	10
Total provisions	<b>397</b>	389
Less: Current portion	<b>(225)</b>	(179)
Non-current portion	<b>172</b>	210

### 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.

	2018 Rm	2017 Rm
Movement in unfunded obligation:		
Benefit obligation at 1 April	199	183
Interest cost	18	18
Service cost	19	17
Actuarial gain	(10)	(10)
Benefits paid	(23)	(9)
Obligation at 31 March	<b>203</b>	199
The amounts recognised in the income statement are as follows:		
Interest cost	18	18
Current service cost	19	17
Actuarial gain	(10)	(10)
	<b>27</b>	25
The principal actuarial assumptions used for accounting purposes are:		
Discount rate	<b>8.40%</b>	8.90%
Inflation rate	<b>5.40%</b>	6.30%
Salary increase rate	<b>5.90%</b>	6.80%
Pre-retirement mortality rate	<b>SA 85 – 90 (Light) table</b>	SA 85 – 90 (Light) table
The present value of the long-service award obligations for the current and prior years are as follows:		
Present value of unfunded obligations	<b>203</b>	199
There are no plan assets in respect of the long-service award liability.		

**38. OTHER NON-CURRENT LIABILITIES**

	2018 Rm	2017 Rm
Straight-lining of operating leases	292	288
<i>Less: Current portion</i>	(55)	(39)
Non-current portion	237	249

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, and the Sandton Convention Centre. Refer note 47 *Operating lease commitments*.

**39. TRADE AND OTHER PAYABLES**

	2018 Rm	2017 Rm
<i>Financial instruments</i>	1 138	1 126
Trade payables	295	287
Accrued expenses	230	234
Advance deposits	87	89
Derivative financial instruments current portion (note 33)	3	28
Deferred income current portion (note 35)	19	19
Other payables	504	469
<i>Non-financial instruments</i>	738	741
VAT payable	85	96
Leave pay liability	129	122
Payroll-related payables	77	80
Gaming levies	43	38
Deferred revenue current portion (note 35)	64	58
Long-term incentive liabilities current portion (note 36.2)	60	129
Provisions current portion (note 37)	225	179
Straight-lining of operating leases current portion (note 38)	55	39
	1 876	1 867

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 credit due to customers and other sundry payables.

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

	2018 Rm	2017 Rm
SA Rand	1 729	1 738
US Dollar	69	12
Zambian Kwacha	25	10
Nigerian Naira	17	37
Seychelles Rupee	12	15
Kenyan Shilling	11	22
Tanzanian Shilling	8	17
Mozambican Metical	4	14
United Arab Emirates Dirham	1	2
	1 876	1 867

# Notes to the consolidated financial statements continued

<b>40. CASH GENERATED FROM OPERATIONS</b>	<b>2018</b>	2017
	<b>Rm</b>	Rm
<b>Operating profit</b>	<b>3 662</b>	4 699
<i>Adjusted for non-cash movements and dividends received:</i>		
Amortisation and depreciation	<b>912</b>	846
Impairment charge for bad and doubtful debts, net of reversals	<b>11</b>	11
Operating equipment usage	<b>61</b>	60
Straight-lining of operating leases and other lease adjustments	<b>3</b>	(9)
Movement in provisions	<b>360</b>	347
Long-term incentive (credit)/expense	<b>(24)</b>	49
Loss on disposal of property, plant and equipment	<b>2</b>	12
Impairment of property, plant and equipment	<b>68</b>	77
Gain on disposal of investment property	<b>–</b>	(36)
Fair value adjustment on investment properties	<b>191</b>	(757)
Fair value adjustment on assets held for sale	<b>1</b>	–
Impairment of casino licences and bid costs (intangibles)	<b>92</b>	1
Impairment of goodwill	<b>20</b>	–
Impairment of equity loan to associate	<b>7</b>	–
Gain on bargain purchases	<b>–</b>	(82)
Gain on deemed disposal of financial asset classified as available-for-sale	<b>–</b>	(46)
Fair value adjustment on interest rate swaps	<b>2</b>	6
Impairment of financial instruments	<b>6</b>	7
Impairments/reversal of impairment of financial instruments	<b>1</b>	(3)
Dividends received from available-for-sale financial assets	<b>(86)</b>	(84)
Translation impact on the income statement	<b>(1)</b>	22
Other non-cash moves and adjustments	<b>(3)</b>	4
Cash generated from operations before working capital movements	<b>5 285</b>	5 124
<b>Working capital movements</b>		
Increase in inventories	<b>(18)</b>	(25)
Decrease in trade and other receivables	<b>4</b>	91
Decrease in payables and provisions	<b>(877)</b>	(414)
Cash generated from operations	<b>4 394</b>	4 776
<b>41. INCOME TAX PAID</b>	<b>2018</b>	2017
	<b>Rm</b>	Rm
Tax liability at 1 April	<b>(18)</b>	(6)
Current tax provided	<b>(744)</b>	(637)
Withholding tax	<b>(5)</b>	(6)
Acquisition of subsidiary	<b>(15)</b>	–
Currency translation	<b>5</b>	4
Tax liability at 31 March	<b>89</b>	18
	<b>(688)</b>	(627)



#### 42. DIVIDENDS PAID TO THE COMPANY'S SHAREHOLDERS

	2018 Rm	2017 Rm
<i>Ordinary</i>		
Unclaimed dividends owing to shareholders at 1 April	(1)	(1)
Dividends declared	(1 015)	(975)
Unclaimed dividends owing to shareholders at 31 March	1	1
	(1 015)	(975)

#### 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 707 million (2017: R1 699 million), are as follows:

	Long-term borrowings	Short-term borrowings	Total
	2018 Rm	2018 Rm	2018 Rm
Balance at 1 April 2017	9 439	3 399	12 838
Borrowings raised	5 961	533	6 494
Borrowings repaid	(2 602)	(2 997)	(5 599)
Currency translation	(129)	–	(129)
Other	(2)	6	4
Balance at 31 March 2018	12 667	941	13 608

#### 44. COMMON CONTROL ACQUISITION

##### Acquisition of certain gaming businesses from Niveus Investments Limited ('Niveus')

Shareholders are referred to the various SENS announcements released by Tsogo Sun during the prior year together with the final SENS issued on 2 January 2018 in respect of, *inter alia*, the group's acquisition of the shares in Niveus Invest 19 Limited ('Gameco') the holding company of certain gaming businesses in the Niveus group. All conditions precedent to the transaction were fulfilled and/or waived and the transaction was implemented effective 20 November 2017. 50.8% of the shares were acquired from HCI with effect from 20 November 2017 and an offer to purchase the remaining 49.2% non-controlling interests ('NCIs') was made on 15 November 2017. In consideration for their Gameco shares, the NCIs received 1 ordinary Tsogo Sun share ('consideration share') for every 2.875 Gameco shares or at their election, 20% in consideration shares (in the ratio of 1 consideration share for every 2.875 Gameco shares) and 80% of R9.796 per Gameco share in cash ('cash-based alternative'). The total number of Tsogo Sun shares issued in respect of the above was 98 476 395 (refer note 30 *Ordinary share capital and premium*).

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.

# Notes to the consolidated financial statements continued

## 44. COMMON CONTROL ACQUISITION continued

### Acquisition of certain gaming businesses from Niveus Investments Limited ('Niveus') continued

The acquisition of Gameco is in keeping with its strategy of expanding its gaming operations. The identifiable assets less liabilities assumed at acquisition date are 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 R3.1 billion:

	Rm
Property, plant and equipment	468
Investment properties	6
Goodwill	48
Other intangible assets	10
Other non-current assets	3
Deferred tax assets	32
Inventory	8
Other current assets	170
Cash and cash equivalents	191
Other non-current liabilities	(6)
Other current liabilities	(391)
Income tax liabilities	(15)
<b>Total identifiable net assets assumed from Gameco</b>	<b>524</b>
NCIs	38
	562
<i>Less: Purchase consideration:</i>	<i>(3 716)</i>
Consideration in the form of Tsogo Sun shares to HCI	(1 625)
Consideration in the form of Tsogo Sun shares to NCIs	(358)
Consideration in the form of cash payable	(1 733)
<b>Common control reserve arising on transaction</b>	<b>(3 154)</b>
<b>Net cash flow:</b>	
Cash consideration to acquire Gameco	(1 733)
<i>Add: Cash balances acquired with Gameco</i>	<i>191</i>
<b>Net outflow of cash</b>	<b>(1 542)</b>

As part of this transaction, the group paid an amount of R95 million for the purchase of Niveus Invest 1 which owns the Grand Oasis Casino 'Kuruman' from Niveus which required the approvals by the Northern Cape Gambling Board, and as these approvals had not been obtained by 31 March 2018, this payment was accounted for as a prepayment (included in note 27 *Trade and other receivables*). The approval was subsequently obtained on 15 June 2017.

The businesses acquired during the year contributed revenues of R619 million and net profit after tax of R125 million to the group for the periods from dates of effective control to 31 March 2018. Had the acquisitions been effective on 1 April 2017, the contribution to revenue would have been R1.6 billion and net profits of R253 million would have been the contribution to profit after tax.

Transaction-related costs of R18 million were incurred during the year and recognised in other operating expenses in the income statement. R9 million share issue costs were also incurred and debited to the share premium account.

The fair value of other current assets of R170 million includes trade receivables with a fair value of R29 million and LPM site owner short-term loans with a fair value of R58 million, all of which are expected to be collectible.

## 45. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

### 45.1 Acquisition of 29 hotel properties by HPF from Tsogo Sun

HPF acquired two Tsogo Sun subsidiaries which in aggregate hold a portfolio of 29 hotel properties for an aggregate purchase consideration of R3.6 billion settled R1.03 billion in cash (by way of a renounceable rights offer to HPF shareholders) and R2.6 billion in shares. This transaction received shareholder approval at the HPF general meeting held on 10 July 2017. The impact of this transaction is a transaction with the NClS of HPF whereby NClS in HPF have been acquired and as a result the group's effective holding increased from 50.6% to 67.8% with effect from 10 July 2017. The overall value of the NClS acquired after also taking into account the effect of the rights issue below was R436 million and the consideration in hotel assets to HPF's NClS was R1.067 billion. The acquisition of the 29 hotel properties by HPF resulted in the deferred tax liability in Merway and Cullinan being derecognised due to HPF's REIT tax status of R307 million.

### 45.2 HPF rights issue

HPF shareholders were offered a total of 71 428 571 HPF shares ('rights offer shares') at an issue price of R14.00 per rights offer share in the ratio of 21.76820 rights offer shares for every 100 HPF shares held on the record date of the rights offer. As a result of 99.2% of the rights offer shares being subscribed for by third parties, the group's effective holding decreased from 67.8% (refer note above) to 59.4% in HPF with effect from 4 August 2017. The overall effect of this transaction with NClS is mentioned above.

The resulting transactions with NClS are as follows:

	Rm
Hotel assets sold to HPF	2 626
NClS share in hotel assets sold to HPF (40.6%)	1 066
Total consideration received from HPF	(1 466)
NClS acquired by Tsogo Sun through share issue from HPF to Tsogo Sun	(436)
Cash received from HPF	(1 030)
Gain in transacting with NClS in other reserves	(400)

### 45.3 Sandton Eye and real right of extension

With effect from 31 August 2017, HPF issued the last tranche of 2 150 856 shares to Savana Property Proprietary Limited ('Savana') as part settlement in terms of an agreement concluded with Savana to acquire various sections and exclusive use areas of the Sandton Eye sectional title scheme and an agreement with Sandton Isle Investments Proprietary Limited to acquire an existing real right of extension in the scheme for an aggregate purchase consideration of R302 million of which R271 million was settled in cash and 2 150 856 HPF shares were issued (Sandton Eye is part of Radisson Gautrain). As a result of this issue, the group's effective holding was diluted from 59.4% (refer note above) to 59.2%. The value acquired by non-controlling interests was R15 million.

## 46. 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 51.2% (2017: 48.0%) of the company's issued share capital (excluding treasury shares). HCI directly owned 7.8% (2017: nil) and is the majority shareholder of Tsogo Investment Holding Company Proprietary Limited ('TIH') which directly owned 43.4% (2017: 48.0%) (excluding 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.

	2018 Rm	2017 Rm
<b>46.1 Transactions with related parties</b>		
Dividends paid to HCI	26	–
Dividends paid to TIH	469	464
	<b>495</b>	464
Rentals received:		
Associates		
Vexicure	132	109
Ash Brook	33	24
Other associates	10	11
	<b>175</b>	144

### 46.2 Common control acquisition

Details of the acquisition of Gameco from HCI are included in note 44 *Common control acquisition*.

# Notes to the consolidated financial statements continued

## 46. RELATED PARTIES continued

### 46.3 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:

#### 46.3.1 Executive directors

	Year ended 31 March 2018					
	Basic remuneration	Benefits	Short-term incentives <sup>(2)</sup>	Long-term incentives	Other	Total paid
	R'000	R'000	R'000	R'000	R'000	R'000
J Booysen <sup>(1)</sup>	4 933	572	–	–	–	5 505
MN von Aulock <sup>(1)</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>

	Year ended 31 March 2017					
	Basic remuneration	Benefits	Short-term incentives <sup>(3)</sup>	Long-term incentives	Total paid	
	R'000	R'000	R'000	R'000	R'000	R'000
MN von Aulock <sup>(1)</sup>	6 476	572	5 237	13 175	25 460	
RB Huddy	3 213	500	2 277	8 202	14 192	
<b>Total remuneration</b>	<b>9 689</b>	<b>1 072</b>	<b>7 514</b>	<b>21 377</b>	<b>39 652</b>	

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

<sup>(2)</sup> Short-term incentives paid relate to the achievement against target for 2017

<sup>(3)</sup> Short-term incentives paid relate to the achievement against target for 2016

#### 46.3.2 Non-executive directors

	Directors' fees for the year ended 31 March	
	2018 R'000	2017 R'000
JA Copelyn	981	920
MSI Gani <sup>(1)</sup>	579	276
MJA Golding	282	264
BA Mabuza	579	390
VE Mphande	282	264
JG Ngcobo	357	335
Y Shaik	433	407
RG Tomlinson <sup>(2)</sup>	–	401
<b>Total</b>	<b>3 493</b>	<b>3 257</b>

<sup>(1)</sup> Appointed 11 August 2016

<sup>(2)</sup> Resigned 11 August 2016

#### 46.3.3 Other key management and prescribed officers

	Year ended 31 March 2018			
	Basic remuneration	Benefits	Short-term incentives <sup>(4)</sup>	Total paid
	R'000	R'000	R'000	R'000
G Joseph <sup>(1)</sup>	2 024	699	–	2 723
R Nadasen <sup>(2)</sup>	1 648	427	–	2 075
J Booysen <sup>(3)</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 – Gaming 1 July 2017

<sup>(2)</sup> Appointed as Chief Operating Officer – Hotels 1 July 2017

<sup>(3)</sup> Appointed as an executive director 1 June 2017

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

#### 46. RELATED PARTIES continued

##### 46.3 Key management compensation continued

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

	Year ended 31 March 2017				Total paid R'000
	Basic remuneration R'000	Benefits R'000	Short-term incentives <sup>(2)</sup> R'000	Long-term incentives R'000	
J Booysen <sup>(1)</sup>	3 849	711	2 509	15 479	22 548
RF Weilers	3 986	–	2 041	823	6 850
<b>Total remuneration</b>	<b>7 835</b>	<b>711</b>	<b>4 550</b>	<b>16 302</b>	<b>29 398</b>

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

<sup>(2)</sup> Short-term incentives paid relate to the achievement against target for 2016

During the 2015 year end, the group granted interest-free loans to the participating executives in the IFRS 2 *Share-based Payments* scheme as shown in note 36.1 which are secured by the shares taken up by these participating executives. These loans have no specified date 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.

##### 46.4 Contingencies, commitments and guarantees

There are no contingencies, commitments or guarantees of the group's related parties, other than as mentioned in note 49 to these consolidated annual financial statements.

#### 47. OPERATING LEASE COMMITMENTS

*Operating lease arrangements where the group is a lessee*

The operating lease commitments relate mainly to the Cape Town City Bowl hotels lease which commenced in September 2017 and leases of other properties within the group's portfolio of hotels, as well as the Sandton Convention Centre. 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 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:

	2018 Rm	2017 Rm
Not later than 1 year	276	211
Later than 1 year and not later than 5 years	712	651
Later than 5 years	1 535	739
	<b>2 523</b>	1 601

*Operating lease arrangements where the group is a lessor*

The group's main leases are contracts with tenants in respect of its investment properties which arose on the acquisition of HPF by the group during the prior year. 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 18 *Investment properties*) earned during the year were R549 million (2017: R445 million).

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:

	2018 Rm	2017 Rm
Not later than 1 year	252	266
Later than 1 year and not later than 5 years	715	729
Later than 5 years	1 443	1 412
	<b>2 410</b>	2 407

# Notes to the consolidated financial statements continued

48. FUTURE CAPITAL EXPENDITURE	2018 Rm	2017 Rm
Authorised by directors but not yet contracted for:		
Property, plant and equipment	2 113	5 003
Investment property	150	165
Intangible assets: software	12	9
	<b>2 275</b>	<b>5 177</b>
Authorised by directors and contracted for:		
Property, plant and equipment	905	723
Investment property	69	6
Intangible assets: software	5	–
	<b>979</b>	<b>729</b>

## 49. 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 R175 million (2017: R159 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 R19 million (2017: R19 million) for utility expenses. Landlord rental guarantees amounting to R5 million have also been provided through bank guarantees.

## 50. FINANCIAL RISK MANAGEMENT

### 50.1 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 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.

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.

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

##### (i) Currency risk

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

The group is 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 Dollar and/or Euro in the offshore entities with assets and cash flows of those offshore operations where the functional currency of those entities is US Dollar and/or Euro. 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 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.

## 50. FINANCIAL RISK MANAGEMENT continued

### 50.1 Financial risk factors continued

#### Risk management process continued

##### (a) Market risk continued

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

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

The group's primary interest rate risk arises from long-term borrowings (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.

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.

Group policy, however, requires that at least 25% of its net borrowings are to be in fixed rate instruments over a 12-month rolling period.

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.

Hedge accounting is applied to the group's interest rate swaps. The ineffective portion is recognised immediately in profit or loss and the effectiveness of the hedges is tested at inception and thereafter annually.

As at 31 March 2018, 49% (2017: 55%) of consolidated gross borrowings and 53% (2017: 58%) of consolidated net borrowings were in fixed rates taking into account interest rate swaps.

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% (2017: fixed interest rate swaps ranged from 6.46% to 8.09% as at 31 March 2017 referenced against the three-month JIBAR of 7.358%, as well as one-month JIBAR of 7.108%).

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

	2018 Rm	2017 Rm
Linked to the Rand Overnight Deposit Index	600	352
Linked to one-month JIBAR	7	340
Linked to three-month JIBAR	5 419	4 142
Linked to three-month USD LIBOR	947	986
Linked to Central Bank prime rate in Mozambique	22	–
	<b>6 995</b>	<b>5 820</b>

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	
	2018 Rm	2017 Rm
Fixed rate instruments		
Financial assets	–	55
Financial liabilities	–	–
	–	55
Variable rate instruments		
Financial assets	2 595	2 233
Financial liabilities	(13 635)	(12 871)
	<b>(11 040)</b>	<b>(10 638)</b>

# Notes to the consolidated financial statements continued

## 50. FINANCIAL RISK MANAGEMENT continued

### 50.1 Financial risk factors continued

#### **Risk management process** continued

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

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

###### *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 R77 million (2017: R53 million), including the effects of the interest rate swaps. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for 2017.

###### (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 23.

##### (b) **Credit risk**

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

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

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

Trade receivables comprise a large, widespread customer base mostly in respect of the hotel, banqueting and conferencing business, and therefore 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 2018, no single customer was in debt in excess of 10% of the total trade receivables balance. The trade receivables are of a high credit quality.

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.

Refer note 27 *Trade and other receivables* for further credit risk analysis in respect of trade and other receivables.

##### (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 2018, 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 2018, the group had 21% (2017: 17%) 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.



## 50. FINANCIAL RISK MANAGEMENT continued

### 50.1 Financial risk factors continued

#### Risk management process continued

#### (c) Liquidity risk continued

	2018 Rm	2017 Rm
Debt at 1 April	(12 871)	(9 764)
Net increase in debt during the year	(764)	(3 107)
Debt at 31 March	(13 635)	(12 871)
Credit facilities <sup>(1)</sup>	17 305	15 509
Headroom available	3 670	2 638

<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, together with the debt capital markets through the HPF Domestic Medium-term Note Programme, thereby reducing liquidity concentration risk. The facilities comprise a mix of short, medium and long-term tenure, with utilisations and available facilities as follows:

	2018 facility			2017 facility		
	Total Rm	Utilisation Rm	Available Rm	Total Rm	Utilisation Rm	Available Rm
Demand facilities (overdrafts)	189	–	189	189	–	189
364-day notice facilities	1 200	618	582	1 200	653	547
Term facilities matured 30 June 2017	–	–	–	1 500	1 500	–
Term facilities matured 20 August 2017	–	–	–	81	81	–
Term facilities matured 31 January 2018	–	–	–	151	151	–
Term facilities matured 17 February 2018	–	–	–	606	606	–
Term facilities maturing 1 August 2018	–	–	–	150	15	135
Term facilities maturing 3 September 2018	–	–	–	67	35	32
Term facilities maturing 1 October 2018	97	97	–	295	295	–
Term facilities maturing 31 October 2018	–	–	–	30	30	–
Term facilities maturing 31 March 2019	–	–	–	100	2	98
Term facilities maturing 15 April 2019	230	230	–	235	235	–
Term facilities maturing 30 June 2019	1 000	1 000	–	–	–	–
Term facilities maturing 31 October 2019	–	–	–	400	349	51
Term facilities maturing 20 February 2020	95	69	26	61	61	–
Term facilities maturing 31 March 2020	–	–	–	40	31	9
Term facilities maturing 30 June 2020	7 102	7 102	–	4 834	4 834	–
Term facilities maturing 30 June 2020	1 050	550	500	–	–	–
Term facilities maturing 31 March 2021	177	177	–	201	201	–
Term facilities maturing 1 June 2021	–	–	–	178	178	–
Term facilities maturing 30 June 2021	4 200	1 910	2 290	4 200	2 861	1 339
Term facilities maturing 31 December 2021	171	171	–	201	194	7
Term facilities maturing 31 March 2022	694	611	83	790	559	231
Term facilities maturing 30 June 2022	500	500	–	–	–	–
Term facilities maturing 31 March 2023	600	600	–	–	–	–
	17 305	13 635	3 670	15 509	12 871	2 638

# Notes to the consolidated financial statements continued

## 50. FINANCIAL RISK MANAGEMENT continued

### 50.1 Financial risk factors continued

#### Risk management process continued

#### (c) Liquidity risk continued

The table below analyses the group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, 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 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	1 135	–	–	–
	<b>4 907</b>	<b>2 532</b>	<b>11 868</b>	<b>–</b>
<b>At 31 March 2017</b>				
Bank borrowings	3 694	1 240	10 003	–
Corporate bonds	770	29	297	–
Bank overdrafts	1 699	–	–	–
Derivative financial instruments	14	25	12	–
Trade and other payables	1 098	–	–	–
Financial guarantee contracts	12	–	–	–
	<b>7 287</b>	<b>1 294</b>	<b>10 312</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.

### 50.2 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 Rm	Available- for-sale financial assets Rm	Derivatives used for hedging Rm	Other financial liabilities at amortised cost Rm	Not categorised as a financial instrument Rm	Total Rm	Non- current Rm	Current Rm
<b>At 31 March 2018</b>								
<b>Financial assets</b>								
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
<b>Financial liabilities</b>								
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
<b>At 31 March 2017</b>								
<b>Financial assets</b>								
Available-for-sale financial assets	–	1 272	–	–	–	1 272	1 272	–
Non-current receivables	54	–	–	–	6	60	60	–
Trade and other receivables	564	–	14	–	118	696	–	696
Cash and cash equivalents	2 424	–	–	–	–	2 424	–	2 424
<b>Financial liabilities</b>								
Interest-bearing borrowings	–	–	–	14 570	(33)	14 537	9 439	5 098
Derivative financial instruments	–	–	37	–	–	37	37	–
Trade and other payables	–	–	28	1 098	741	1 867	–	1 867

## 51. 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 50.1(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. 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 2018, the group's internal covenants strategy was to ensure that net debt was no more than 3.0 times (2017: 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.

	2018 Rm	2017 Rm
Total borrowings (note 32)	15 315	14 537
Less: Cash and cash equivalents (note 28)	(2 778)	(2 424)
Net debt	12 537	12 113
Ebitdar	5 271	5 049
Net debt/Ebitdar (times)	2.4	2.4

# Notes to the consolidated financial statements continued

## 52. FAIR VALUE ESTIMATION

Specific valuation techniques used to value financial instruments 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.

### *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 33):

	2018 Rm	2017 Rm
Derivative financial instruments – interest rate swaps liability (net)	135	51

### *Financial instruments 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, 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:

	2018 Rm	2017 Rm
Investment properties (note 18)	5 255	4 969
Available-for-sale investments (note 23)	1 275	1 272
	<b>6 530</b>	6 241

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.

## 53. OFFSETTING

The group has the following financial instruments which are subject to enforceable master netting arrangements which are not offset as at 31 March 2018:

	2018 Rm	2017 Rm
<i>Interest rate swap derivatives</i>		
Gross interest rate swap – asset	–	14
Gross interest rate swap – liability	(135)	(65)
Net liability if offset	(135)	(51)
<i>Current bank accounts</i>		
Gross bank balances	2 255	2 163
Gross bank overdrafts	(1 701)	(1 699)
Net bank balance if offset	554	464

## 54. 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 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.

### 54.1 Dividend declared and paid

Subsequent to the company's year end, on 23 May 2018, the board of directors declared a final gross cash dividend of 70.0 cents per share in respect of the year ended 31 March 2018. The aggregate amount of the dividend, which was paid on 18 June 2018 out of retained earnings at 31 March 2018, not recognised as a liability at year end is R745 million.

### 54.2 Properties to HPF, proposed divisions of the group into a gaming company, hotel management company and property company

#### 54.2.1 Properties to HPF

Shareholders are referred to the cautionary announcements released on SENS on Friday, 2 March 2018, Wednesday, 18 April 2018, Thursday, 31 May 2018 and Monday, 9 July 2018 regarding the proposed disposal of certain casino precinct properties to HPF (the 'Proposed Transaction'). If approved by Tsogo Sun shareholders and subsequently implemented, the group will have transferred a significant portion of its casino real estate assets to HPF. This follows the two strategic transactions concluded in 2016 and 2017, whereby a significant portion of the group's hotel properties were transferred to HPF. On conclusion of the Proposed Transaction, HPF is expected to own investment property with a fair market value of approximately R36 billion. As the necessary shareholder approvals, which is a substantive condition for the transaction to take place, are not considered to be highly probable by the board of directors, these assets have not been classified as non-current assets held for sale.

#### 54.2.2 Proposed division of the group into a gaming company, hotel management company and property company

In addition to the property division, the group comprises two other distinct operating divisions:

- Gaming division – Tsogo Sun Gaming is a gaming-focused operating company with an unrivalled portfolio of traditional land-based casino operations, and growth businesses in alternative gaming operations, consisting of Galaxy Bingo and the Vukani limited payout operations.
- Hotel management division – Southern Sun Hotels is a hotel management company with a portfolio of over 90 hotels under management spread across the industry spectrum, from deluxe to budget, operating throughout South Africa, sub-Saharan Africa, the Seychelles and the United Arab Emirates.

These divisions have retained limited property assets for strategic reasons, resulting in an asset light business across both divisions. Whilst these divisions have grown together, they operate in distinctly different markets and service different customers and thus provide limited opportunities for synergies. The group anticipates that the separation of Tsogo Sun into these three focused companies, comprising gaming operations, hotel operations and property, will unlock value and provide greater investment choice for Tsogo Sun shareholders.

Also, as a further step to achieving the abovementioned value unlock, Tsogo Sun intends to unbundle the Southern Sun Hotels operation into a separate JSE listing. The board is pleased to announce that the previous group Chief Executive Officer, Mr Marcel von Aulock, has agreed to join the hotel division as Chief Executive Officer with effect from 1 June 2018, and is tasked, *inter alia*, with achieving the unbundling and listing of Southern Sun Hotels. This will then culminate in the separate listing of the hotel, property and gaming businesses with all three resultant entities remaining subsidiaries of the HCL group, which includes several additional listed and unlisted companies.

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# Notes to the consolidated financial statements continued

## 55. 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:

	Ownership as at 31 March		Share of profit for the year 31 March		Accumulated non-controlling interests as at 31 March	
	2018 %	2017 %	2018 Rm	2017 Rm	2018 Rm	2017 Rm
HPF	41	49	165	543	3 036	2 384
Ikoyi Hotels Limited	24	24	(4)	(14)	159	163
Tsogo Sun Emonti Proprietary Limited	35	35	12	11	137	127
Other non-material non-controlling interests			14	2	(14)	11
			187	542	3 318	2 685

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

	HPF		Ikoyi Hotels Limited		Tsogo Sun Emonti Proprietary Limited	
	2018 Rm	2017 <sup>(1)</sup> Rm	2018 Rm	2017 Rm	2018 Rm	2017 Rm
<b>Summarised balance sheets as at 31 March</b>						
Non-current assets	12 535	8 064	644	732	366	386
Current assets	590	391	80	85	95	42
Total assets	13 125	8 455	724	817	461	428
Non-current liabilities	1 942	1 491	151	171	27	32
Current liabilities	79	367	40	38	41	33
Total liabilities	2 021	1 858	191	209	68	65
Net assets	11 104	6 597	533	608	393	363
<b>Summarised income statements for the year ended 31 March</b>						
Revenue	867	451	96	110	314	306
Profit/(loss) before income tax	113	535	(6)	(29)	52	43
Income tax credit/(expense)	–	–	4	43	(17)	(13)
Profit/(loss) for the year	113	535	(2)	14	35	30
Other comprehensive income	2 389	–	–	–	–	–
Foreign currency translation	–	–	(16)	(72)	–	–
Total comprehensive income	2 502	535	(18)	(58)	35	30
Dividends paid to non-controlling interests	159	104	–	–	2	–
<b>Summarised cash flows for the year ended 31 March</b>						
Cash generated from operations	725	308	16	17	87	85
Interest received	28	15	1	–	4	1
Finance costs paid	(192)	(86)	(8)	(6)	–	(2)
Income tax paid	–	(27)	–	–	(13)	(9)
Dividends paid	(351)	(335)	–	–	–	–
Net cash generated from operations	210	(125)	9	11	78	75
Net cash generated by/(utilised for) investment activities	(1 243)	335	(6)	(8)	(19)	(15)
Net cash (utilised in)/generated from financing activities	1 214	(189)	–	9	(57)	(62)
Net increase/(decrease) in cash and cash equivalents	181	21	3	12	2	(2)
Cash and cash equivalents at beginning of the year	210	–	22	12	10	12
Cash balances acquired with HPF	–	189	–	–	–	–
Foreign currency translation	–	–	(3)	(2)	–	–
<b>Cash and cash equivalents at end of the year</b>	<b>391</b>	<b>210</b>	<b>22</b>	<b>22</b>	<b>12</b>	<b>10</b>

<sup>(1)</sup> HPF was acquired with effect from 1 September 2016 and hence the information is from date of acquisition

## 56. 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	
	2018 R'000	2017 R'000	2018 %	2017 %	2018 R'000	2017 R'000
<i>Direct shareholding:</i>						
Akani Egoli Management Proprietary Limited	1	1	100	100	1	1
Akani Egoli Proprietary Limited	1	1	100	100	984 992	984 992
Akani Msunduzi Proprietary Limited	*	*	100	100	135 948	135 948
Akani Msunduzi Management Proprietary Limited	1	1	100	100	1	1
Aldiss Investments Proprietary Limited	*	*	100	100	*	*
Garden Route Casino Proprietary Limited	1	1	100	100	221 357	221 357
Gold Reef Management Proprietary Limited	*	*	100	100	98 376	98 376
Goldfields Casino and Entertainment Centre Proprietary Limited	1	1	100	100	165 084	165 084
Niveus Invest 19 Limited	4 758 664	n/a	100	n/a	3 716 579	n/a
Silverstar Casino Proprietary Limited	1	1	100	100	972 933	972 933
Tsogo Sun Hotels, Gaming and Entertainment Proprietary Limited	25	25	100	100	15 768 960	15 768 960
West Coast Leisure Proprietary Limited	1	1	100	100	62 715	62 715
<i>Indirect shareholding:</i>						
Galaxy Gaming and Entertainment Proprietary Limited	*	n/a	100	n/a	–	n/a
Hospitality Property Fund Limited	578 154	330 510	59	51	–	n/a
Southern Sun Hotels Proprietary Limited	*	*	100	100	–	–
Southern Sun Offshore Proprietary Limited	*	*	100	100	–	–
Tsogo Sun Proprietary Limited	*	*	100	100	–	–
Tsogo Sun Gaming Proprietary Limited	*	*	100	100	–	–
Vukani Gaming Corporation Proprietary Limited	*	n/a	100	n/a	–	n/a
					<b>22 126 946</b>	18 410 367

\* Amount less than R1 000

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 abovementioned 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 2018

	Number of shareholders	%	Number of shares	%
<b>Portfolio size</b>				
Range				
1 – 1 000	3 284	39.71	1 399 898	0.12
1 001 – 5 000	3 155	38.16	7 432 514	0.65
5 001 – 10 000	653	7.90	4 703 169	0.41
10 001 – 50 000	530	6.41	11 728 604	1.02
50 001 – 100 000	165	2.00	12 299 701	1.07
100 001 – and more	481	5.82	1 110 093 898	96.73
	8 268	100.00	1 147 657 784	100.00

## Shareholder spread

Public	8 259	99.89	514 902 959	44.86
Individuals	5 703	68.97	13 152 920	1.15
Banks and insurance companies	109	1.32	70 687 795	6.16
Pension funds and medical aid societies	290	3.51	67 468 189	5.88
Collective investment schemes and mutual funds	291	3.52	247 038 634	21.53
Other corporate bodies	1 866	22.57	116 555 421	10.14
Non-public	9	0.11	632 754 825	55.14
Directors <sup>(1)</sup>	3	0.04	6 812 855	0.59
Subsidiary companies <sup>(2)</sup>	3	0.04	83 632 695	7.29
Gold Reef Share Scheme <sup>(2)</sup>	1	0.01	408 615	0.04
Majority shareholders (10% of issued share capital or more)	2	0.02	541 900 660	47.22
	8 268	100.00	1 147 657 784	100.00

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

Tsogo Investment Holding Company Proprietary Limited	459 492 699	40.04
Hosken Consolidated Investments Limited	82 407 961	7.18
Citiclient Nominees No 8 NY GW	52 736 405	4.60
Allan Gray Stable Fund	46 859 399	4.08
Tsogo Sun Gaming Proprietary Limited <sup>(2)</sup>	42 876 046	3.74
Tsogo Sun Expansion No 1 Proprietary Limited <sup>(2)</sup>	26 329 047	2.29
Old Mutual Life Assurance Co SA Limited	26 029 285	2.27
SSBTC Client Omni Non Lux Om01	18 242 293	1.59
JPMC-Vanguard BBH Lending Account	15 544 010	1.35
Aldiss Investments Proprietary Limited <sup>(2)</sup>	14 427 602	1.26
State Street Bank and Trust CO-OMN	12 089 763	1.05

<sup>(1)</sup> At 31 March 2018, 1 973 836 shares were held indirectly (2017: 167 775 held directly) by JA Copelyn, non-executive director and Chairman, nil (2017: 3 339 806) directly by MN von Aulock, executive director and CEO (resigned 1 June 2017) and 1 048 543 (2017: 1 048 543) directly by RB Huddy, executive director and CFO. J Booysen was appointed CEO on 1 June 2017 and held 1 825 243 shares directly and 4 000 shares indirectly at 31 March 2018. All the aforementioned held shares are beneficially held with the exception of the indirectly held shares by JA Copelyn 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

<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



# Glossary

Absa	Absa Group Limited
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
Companies Act	The Companies Act of 2008, as amended
Cullinan	The Cullinan Hotel Proprietary Limited
Ebitda	Earnings before interest, tax, depreciation and amortisation
Ebitdar	Earnings before interest, tax, depreciation, amortisation and rentals
Ebitdar margin	This is calculated by expressing Ebitdar as a percentage of revenue
EBTs	Electronic bingo terminals
GAAP	Generally Accepted Accounting Principles
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
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: Empowerdex

#### 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	11.25
Skills development	<i>E.g. 20 points</i> 20.00	5	19.31
Enterprise and supplier development	<i>E.g. 40 points</i> 40.00	2	41.11
Socio-economic development	<i>E.g. 5 points</i> 5.00	3	8.00
<b>Total score</b>	<i>E.g. 109 points</i> 111.00	12	106.67

Priority elements achieved	<i>Y/N and specify</i> Yes	All achieved
Empowering supplier status	<i>Y/N and specify</i> 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
2. ANNUAL REPORT

Entity annual turnover: R14 billion

FORM: B-BBEE 1



# Corporate information

## COMPANY SECRETARY AND REGISTERED OFFICE

### GD Tyrrell

(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)  
*\* Previously Deutsche Securities (SA) Proprietary Limited – Investec Bank Limited appointed with effect from 1 June 2018*

## 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)

## INVESTOR RELATIONS

### Brunswick South Africa Limited

(Registration number: 1995/011507/10)  
23 Fricker Road  
Illovo Boulevard  
Illovo, 2196

## 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)