TSOGO SUN HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
Registration number: 1989/002108/06
Share code: TSH
ISIN: ZAE000156238
("**Tsogo**" or "**the Company**")

PROSPECTUS

The definitions and interpretations commencing on page 4 of this Prospectus apply, *mutatis mutandis* throughout this Prospectus, including this cover page, except where the context indicates a contrary intention.

This Prospectus is issued in terms of the Companies Act for the purpose of providing information to Gameco Shareholders with regard to Tsogo. This Prospectus is not an invitation to the public to subscribe for shares or other securities in Tsogo.

Gameco Shareholders are referred to the Offer Circular which accompanies this Prospectus for information regarding the Offer, in terms of which Tsogo offers to acquire all the Gameco Shares held by Gameco Shareholders in consideration for which the Gameco Shareholders will receive a consideration, comprising Tsogo Consideration Shares, or at the election of Gameco Shareholders accepting the Offer, Tsogo Consideration Shares and cash.

The Tsogo Consideration Shares component of the Offer Consideration constitutes an offer to the public in terms of section 95(1)(h) of the Companies Act. This Prospectus is therefore required to be issued in terms of section 99(3) of the Companies Act.

Gameco Shareholders should note that the Offer Consideration comprises Tsogo Consideration Shares or should Gameco Shareholders elect the Cash Alternative, Tsogo Consideration Shares and cash. Tsogo Shares are listed on the main board of the JSE, and trade on the JSE in electronic format through the Strate system.

The Tsogo Consideration Shares will rank *pari passu* with the issued Tsogo Shares in all respects, including in respect of voting rights and dividends.

The directors of Tsogo, whose names are set out in section 1, paragraph 2 of this Prospectus, collectively and individually, accept full responsibility for the accuracy of the information contained in this Prospectus which relates to Tsogo and, in this regard, certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Prospectus contains all information, required by the Companies Act.

The auditors of Tsogo, whose report is referred to in this Prospectus, have given and have not, prior to the issue of this Prospectus, withdrawn its written consent to the inclusion of its report in the form and context in which it appears. The corporate adviser and transaction sponsor and the corporate law adviser, whose names are included in this Prospectus, have given and have not, prior to the issue of this Prospectus, withdrawn their written consents to the inclusion of their names in the capacities stated.

A copy of this Prospectus in English, together with the material contracts detailed in **Annexures J(A)** and **J(B)** of this Prospectus was registered by CIPC on 30 October 2017, in terms of the Companies Act.

This Prospectus is only available in English. Copies of this Prospectus may be obtained from the registered office of Tsogo, details of which appear in the section "*Corporate Information and Advisers*" on page 2 of this Prospectus and on Tsogo's website at www.tsogosun.com, from 14 November 2017 up to and including 12 January 2018.

Date of issue: 14 November 2017

Corporate adviser and transaction sponsor	Corporate law advisers	Auditors
Investec Specialist Bank	TABACKS	pwc

SPECIAL NOTE IN REGARD TO THE OFFER

Notwithstanding that this document constitutes a prospectus, it is not an offer to the general public to subscribe for shares or other securities in Tsogo and only constitutes an offer as it relates to the issue of Tsogo Shares as part of the Offer Consideration to Gameco Shareholders who accept the Offer in South Africa, and is only addressed to persons to whom it may lawfully be made.

The release, publication or distribution of this Prospectus in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this Prospectus is released, published or distributed should inform themselves about and observe such restrictions. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction.

This Prospectus does not constitute an offer or an invitation to elect to receive the Offer Consideration in any jurisdiction in which such a offer or election would be unlawful. No one has taken any action that would permit a public offering of the Offer Consideration to occur outside South Africa.

FORWARD LOOKING STATEMENTS

This Prospectus contains statements which are or may be, “forward looking statements” which are prospective in nature. All statements, other than statements of historical fact are, or may be deemed to be, forward looking statements, including, without limitation, those concerning strategy; the economic outlook for the hotel, gaming and entertainment industries; production; cash costs and other operating results; growth prospects and outlook for operations, individually or in the aggregate; liquidity, capital resources and expenditure and the outcome and consequences of any pending litigation proceedings. These forward looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward looking words or phrases such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “forecast”, “likely”, “should”, “planned”, “may”, “estimated”, “potential” or similar words and phrases.

Examples of forward looking statements include statements regarding a future financial position or future profits, cash flows, corporate strategy, anticipated levels of growth, estimates of capital expenditures, acquisition strategy and expansion prospects, or future capital expenditure levels and other economic factors, such as, amongst other things, interest and exchange rates.

All these forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future, Tsogo cautions that forward looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industries in which Tsogo operates may differ materially from those made in, or suggested by, the forward looking statements contained in this Prospectus.

All these forward looking statements are based on estimates and assumptions, as regards Tsogo and made by Tsogo as communicated in publicly available documents by Tsogo, all of which are estimates and assumptions, although Tsogo believes them to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Many factors (including factors not yet known to Tsogo or not currently considered material) which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those estimates, statements or assumptions.

Gameco Shareholders should keep in mind that any forward looking statements made in this Prospectus or elsewhere are applicable only at the date on which such forward looking statements are made. New factors that could cause the business of Tsogo or Gameco not to develop as expected may emerge from time to time and it is not possible to predict all of them. The extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward looking statement are not known. Tsogo has no duty to, and does not intend to, update or revise the forward looking statements contained in this Prospectus after the date of issue of this Prospectus, except as may be required by law.

CORPORATE INFORMATION AND ADVISERS

Registered office
Palazzo Towers East
Montecasino Boulevard
Fourways, 2055
(Private Bag X200, Bryanston, 2021)

Attorneys
Corporate lawyers
Mervyn Taback Incorporated
(registration number 2000/024541/21)
13 Eton Road
Parktown, 2193
(PO Box 3334, Houghton, 2041)

Competition lawyers
A Nortons Incorporated, trading as Nortons Incorporated
(registration number 2009/006902/21)
135 Daisy Street
Sandton, 2196
(PO Box 41162, Craighall, 2024)

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)

Date of incorporation: 12 April 1989

Place of incorporation: South Africa

Company secretary
Graham David Tyrrell
Palazzo Towers East
Montecasino Boulevard
Fourways, 2055
(Private Bag X200, Bryanston, 2021)

Corporate adviser and transaction sponsor
Investec Bank Limited
(registration number 1969/004763/06)
100 Grayston Drive
Sandton, 2196
(PO Box 785700, Sandton, 2146)

Auditors
PricewaterhouseCoopers Incorporated
(registration number 1998/012055/21)
2 Eglin Road
Sunninghill, 2157
(Private Bag X36, Sunninghill, 2157)

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DEFINITIONS AND INTERPRETATIONS

In this Prospectus and the annexures hereto, unless otherwise stated or clearly indicated by the context, the words in the first column have the meanings stated opposite them in the second column, words in the singular include the plural and *vice versa*, words importing one gender include the other genders and references to a person include references to a body corporate and vice versa:

"**Annual Financial Statements**"	the consolidated, audited annual financial statements of the Tsogo Group as at, and for the financial years ended, 31 March 2017 and 31 March 2016, copies of which are annexed as **Annexures L(A)** and **L(B)** respectively;
"**Board**"	the Board of Directors of Tsogo comprising the Directors;
"**Business Day**"	a day other than a Saturday, Sunday or official public holiday in South Africa;
"**Cash-based Alternative**"	the Cash-based Alternative consideration offered by Tsogo in respect of the Gameco Shares to be acquired by it from the Gameco Shareholders in terms of the Offer, being: (i) 20% of the consideration to be settled by the issue of Tsogo Consideration Shares in the ratio of one Tsogo Consideration Share for every 2.875 Gameco Shares acquired; and (ii) 80% of the consideration to be settled by the payment in cash of R9.739 per Gameco Share acquired;
"**Companies Act**"	the Companies Act, No. 71 of 2008, as amended;
"**Companies Regulations**"	the Companies Regulations 2011, promulgated in terms of the Companies Act;
"**CSDP**"	a Central Securities Depository Participant, being a "participant" as defined in the Financial Markets Act;
"**Directors**"	the Directors of Tsogo whose names appear in paragraph 2.1 of section 1 of this Prospectus;
"**EBT**"	electronic bingo terminal;
"**Financial Markets Act**"	the Financial Markets Act, No. 19 of 2012, as amended;
"**Galaxy**"	Galaxy Gaming and Entertainment Proprietary Limited, registration number 2007/026773/07, a private company registered and incorporated with limited liability according to the laws of South Africa and a wholly owned subsidiary of Gameco;
"**Gameco**"	Niveus Invest 19 Limited, registration number 2015/269000/06, a private company registered and incorporated with limited liability according to the laws of South Africa and a subsidiary of Niveus;
"**Gameco Group**"	Gameco, its subsidiaries and affiliates;
"**Gameco Shareholders**"	the holders of Gameco Shares (excluding HCI but including Niveus) registered as such on the Offer Record Date;
"**Gameco Shares**"	ordinary shares of no par value in the issued share capital of Gameco;
"**Gameco Transaction**"	the transaction pursuant to which Tsogo will acquire HCI's interest in Gameco and will offer to acquire the Gameco Shares of the Gameco Shareholders in terms of the Offer;
"**HCI**"	Hosken Consolidated Investments Limited, registration number 1973/007111/06 a public company registered and incorporated with limited liability according to the laws of South Africa, being the controlling company of Tsogo;
"**Independent Reporting Accountants**"	PricewaterhouseCoopers Inc., registration number 1998/012055/21, registered auditors, a firm of Chartered Accountants (SA) and the independent reporting accountants to Tsogo;
"**Integrated Annual Report**"	the Integrated Annual Report 2017 of Tsogo in respect of the financial year ended on 31 March 2017, a copy of which is annexed as **Annexure A** and specifically incorporated herein by reference to the extent of the relevant pages referred to herein;

"**JSE**"	JSE Limited, registration number 2005/022959/06, a public company registered and incorporated with limited liability according to the laws of South Africa and licensed to operate an exchange under the Financial Markets Act;
"**LPM**"	limited pay-out machines;
"MOI"	Memorandum of Incorporation;
"**Niveus**"	Niveus Investments Limited, registration number 1996/005744/06 a public company registered and incorporated with limited liability according to the laws of South Africa and a subsidiary of HCI;
"**Offer**"	the Offer to the Gameco Shareholders made by Tsogo in terms of the Offer Circular, pursuant to which Tsogo offers to acquire the Gameco Shares held by the Gameco Shareholders in exchange for the Offer Consideration;
"**Offer Circular**"	the combined offer circular to Gameco Shareholders, including the annexures and the Form of Acceptance, Surrender and Transfer attached thereto, setting out the details of the Offer and incorporating all disclosures required to be made by Tsogo (as offeror) and Gameco (as offeree regulated company) in terms of the Takeover Regulations;
"**Offer Consideration**"	the consideration to be paid by Tsogo to those Gameco Shareholders who have validly accepted the Offer in respect of each of their Gameco Shares for which the Offer is accepted, being the Share Based Alternative or, at the election of the Gameco Shareholder accepting the Offer, the Cash-based Alternative;
"**Prospectus**"	this Prospectus, including the annexures hereto;
"**Share-based Alternative**"	the share-based consideration offered by Tsogo in respect of the Gameco Shares to be acquired by it from the Gameco Shareholders in terms of the Offer, being one Tsogo Consideration Share for every 2.875 Gameco Shares acquired;
"**South Africa**"	the Republic of South Africa;
"**Strate**"	Strate Proprietary Limited, registration number 1998/022242/07, a private company registered and incorporated with limited liability according to the laws of South Africa, and a registered central securities depository responsible for the electronic custody and settlement system for transactions that take place on the JSE and off-market trades;
"**Takeover Regulations**"	Chapter 5 of the regulations promulgated by the Minister of Trade and Industry in terms of section 223 of the Companies Act and published under Government Notice R351 in Government Gazette 34239 of 26 April 2011, relating to affected transactions and offers;
"**Transfer Secretaries**"	Link Market Services South Africa Proprietary Limited, registration number 2000/007239/07, a private company registered and incorporated with limited liability according to the laws of South Africa;
"**Tsogo**"	Tsogo Sun Holdings Limited, registration number 1989/002108/06, a public company registered and incorporated with limited liability according to the laws of South Africa;
"**Tsogo Consideration Shares**"	Tsogo Shares to be issued by Tsogo to Gameco Shareholders accepting the Offer;
"**Tsogo Group**"	Tsogo and its subsidiaries as at the date of issue of this Prospectus;
"**Tsogo Shares**"	ordinary par value shares of R0.02 each in the share capital of Tsogo;
"**Vukani**"	Vukani Gaming Corporation Proprietary Limited, registration number 1995/000842/07, a private company registered and incorporated with limited liability according to the laws of South Africa and a wholly owned subsidiary of Gameco.

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PROSPECTUS

SECTION 1 – INFORMATION IN RELATION TO TSOGO

1. NAME, ADDRESS, INCORPORATION

Name, address and incorporation of Tsogo

1.1 Tsogo Sun Holdings Limited was incorporated in South Africa as a public company on 12 April 1989 under the name of Tarkat Investments Limited. On 4 February 1991, its name was changed to Roychem Limited. On 18 November 1994, the name Roychem Limited was changed to Medex Limited. The name Medex Limited was changed to Index Capital Corporation Limited on 21 April 1998. The name Index Capital Corporation Limited was changed to CasiNova International Limited on 18 January 1999. The name CasiNova International Limited was changed to Medex Limited on 4 May 1999. The name Medex Limited was changed to Gold Reef Casino Resorts Limited on 29 September 1999. The name Gold Reef Casino Resorts Limited was changed to Gold Reef Resorts Limited on 30 May 2006 and thereafter to Tsogo Sun Holdings Limited on 28 June 2011.

1.2 The addresses of Tsogo's registered office and the Transfer Secretaries' registered office are set out in the "*Corporate Information and Advisers*" section of this Prospectus on page 2.

1.3 The immediate holding company of Tsogo is Tsogo Investment Holding Company Proprietary Limited, registration number 1994/008525/07. Its registered office is 5th Floor, 4 Stirling Street, Zonnebloem, Cape Town, 7925.

1.4 The ultimate controlling company of Tsogo is HCI. Its registered office address is 5th Floor, 4 Stirling Street, Zonnebloem, Cape Town, 7925.

1.5 The names, dates and places of incorporation of each of Tsogo's subsidiaries are set out in **Annexure B**.

2. DIRECTORS, OTHER OFFICE HOLDERS OR MATERIAL THIRD PARTIES

2.1 The full names, ages, business address, qualifications, position and experience of the Tsogo Directors are set out below:

Name and age:	Jacques Booysen (58)
Business address:	Palazzo Towers East, Montecasino Boulevard, Fourways, Gauteng, 2055
Qualification:	CA(SA)
Occupation:	Businessman
Position:	Executive Director – Chief Executive Officer
Experience:	Jacques Booysen was a partner at PricewaterhouseCoopers Inc. prior to working at the Gauteng Gambling Board for 12 years, where he held the position of Chief Executive Officer. He joined Tsogo Sun in 2007 and served in the roles of Director – New Business Development, Director – Gaming Operations, Financial Director – Gaming and Managing Director – Gaming prior to his appointment as the Chief Executive Officer of Tsogo on 1 July 2017. He was appointed to the Board on 1 June 2017.

Name and age:	Robert Brian Huddy (48)
Business address:	Palazzo Towers East, Montecasino Boulevard, Fourways, Gauteng, 2055
Qualification:	CA(SA)
Occupation:	Businessman
Position:	Executive Director – Chief Financial Officer
Experience:	Robert Huddy served his articles at PricewaterhouseCoopers Inc. and joined Tsogo Sun in 1997. He held various management positions prior to being appointed Financial Director – Hotels Offshore in 2006 and Financial Director – Hotels South Africa in 2009. On 30 September 2011 he assumed the role of Chief Financial Officer. He was appointed to the Board on 31 October 2011.

Name and age:	John Anthony Copelyn (67)
Business address:	5th Floor, 4 Stirling Street, Zonnebloem, Woodstock, Western Cape, 7925
Qualification:	BA(Hons), BProc
Occupation:	Businessman
Position:	Non-Executive Chairman Member of the remuneration committee
Experience:	John Copelyn joined HCI as Chief Executive Officer in 1997. He was previously General Secretary of the Southern African Clothing and Textile Workers Union from 1974 before becoming a member of parliament in 1994. Currently, and post his parliamentary role, John holds various directorships and is non-executive chairman of e.tv. He was appointed to the Board on 14 February 2011.

Name and age:	Marcell Jonathan Anthony Golding (57)
Business address:	225 Bree Street, Cape Town, Western Cape, 8001
Qualification:	BA (Hons)
Occupation:	Businessman
Position:	Non-Executive Director
Experience:	Marcell Golding runs a family investment office. Prior to that he was Chairman of HCI and Chief Executive Officer of e.tv. He was a member of parliament and Deputy General Secretary of the National Union of Mineworkers. He was appointed to the Board on 14 February 2011.

Name and age:	Velaphi Elias Mphande (59)
Business address:	1 Morling Road, Howick Falls, Howick, KwaZulu-Natal, 3290
Qualification:	Elec Eng (Dip)
Occupation:	Businessman
Position:	Non-Executive Director
Experience:	Elias Mphande has served as the National Organising Secretary of the Southern African Clothing and Textile Workers Union, Marketing Director of Viamax Fleet Solutions, Chief Executive Officer of AUTA and Vukani and Chairman of Golden Arrow Bus Services. He was appointed to the HCI board in 2010 as a non-executive Director and as non-executive Chairman in 2015 and serves on the board of Vukani and e.tv. He was appointed to the Board on 14 February 2011.

Name and age:	Yunis Shaik (59)
Business address:	4 Stirling Street, Zonnebloem, Woodstock, Western Cape, 7925
Qualification:	BA (Law), BProc
Occupation:	Businessman
Position:	Non-Executive Director Member of the social and ethics committee and chairman of the remuneration committee
Experience:	Yunis Shaik is an admitted attorney of the High Court of South Africa. He is a former Deputy General Secretary of the Southern African Clothing and Textile Workers Union and a director of Workers' College. He has served as a Senior Commissioner to the KwaZulu-Natal Commission for Conciliation Mediation and Arbitration. He was appointed to the board of HCI in 2005 and as lead independent non-executive director of HCI in 2010 and as an executive director of HCI in 2014. He was appointed to the Board on 15 June 2011.

Name and age:	Busisiwe Abigail Mabuza (53)
Business address:	80 Christine Road, Lynnwood Glen, Pretoria, Gauteng, 0081
Qualification:	BA, MBA
Occupation:	Businesswoman
Position:	Lead Independent Non-Executive Director Member of the audit and risk committee, the social and ethics committee and the remuneration committee
Experience:	Busi Mabuza has held various positions in the financial services and energy sectors and is currently a non-executive director at Development Bank of Southern Africa, Industrial Development Corporation, and Nehawu Investment Holdings. She was appointed to the Board on 1 June 2014.
Name and age:	Mahomed Salim Ismail Gani (64)
Business address:	152 Celtic Manor, 89 Baard Road, Raslouw Ext 12, Centurion, Gauteng, 0157
Qualification:	CA(SA)
Occupation:	Businessman
Position:	Independent Non-Executive Director Chairman of the audit and risk committee and the social and ethics committee and a member of the remuneration committee
Experience:	Mac Gani is a Chartered Accountant with over 30 years' experience in the accounting and audit profession. He was a founding partner of MSGM Masuku Jeena Inc., a partner of Saboor Gani & Co and a partner of PricewaterhouseCoopers Inc. until 2013. He is a non-executive director on a number of boards including HCI and Basil Read Holdings Limited and is on the investigating committee of the Independent Regulatory Board of Auditors. He was appointed to the Board on 11 August 2016.
Name and age:	Jabulani Geffrey Ngcobo (66)
Business address:	Kruisfontein 1 of 10, 2 Dale Street, New Hanover, Midlands, KwaZulu-Natal, 3230
Occupation:	Businessman
Position:	Independent Non-Executive Director Member of the audit and risk committee, the social and ethics committee and the remuneration committee
Experience:	Jabu Ngcobo held the positions of General Secretary of the Southern African Clothing and Textile Workers Union from 1994 to 1999 and the Regional Secretary for Africa of the International Textile Garment and Leather Workers Federation from 1999 to 2006. He was appointed to the board of HCI in 2004 and serves as a director of HCI Coal and Niveus. He was appointed to the Board on 24 February 2011.

All of the Directors are South African nationals.

2.2 Details of Directors' remuneration are set out in Note 46.2 on pages 57 and 58 of the Annual Financial Statements annexed as **Annexure L(A**) for the year ended 31 March 2017 and on pages 73 to 78 of the Integrated Annual Report.

2.2.1 In respect of the Non-Executive Directors, the Company has not concluded service contracts and as such their appointment as a director of the Company is subject to the provisions of the MOI.

2.2.2 Executive directors are employed by the Company in terms of letters of employment which contain standard provisions and conditions that are in line with employment-related contracts of such nature.

2.3 **Annexure C** contains the following information relating to the Directors:

2.3.1 the term of office for which the Directors have been appointed;

2.3.2 the borrowing powers of Tsogo or any subsidiary of Tsogo exercisable by the Directors; and

2.3.3 Directors' declarations.

2.4 Save for the part of the business of Tsogo or its subsidiaries managed by third parties as described below, no part of the business of Tsogo or its subsidiaries is, or is intended to be, managed by a third party:

Name and business address of manager	Description of the business managed	Compensation
WJK Business Management Services CC, with business address at corner of N4 and R24, Rustenburg **("WJK")**	Southern Sun Hotel Interests Proprietary Limited **("SSHI")** subcontracts a portion of the management of the StayEasy Rustenburg to WJK	**0% to 95%+ occupancy per year to date:** The percentage of the gross revenue (as defined in the Southern Sun Group Standard Chart of Accounts) payable to the manager ranges between 3% and 9% **0% to 84% occupancy per year to date:** The percentage of the gross operating profit (as defined in the Southern Sun Group Chart of Accounts) payable to the manager ranges between 1% and 4.25% **85% to 95%+ occupancy per year to date:** The percentage of the gross operating profit (as defined in the Southern Sun Group Chart of Accounts) payable to the manager ranges between 3.5% and 3%
Grazelle CC, with business address at 632 Lilian Ngoyi Street (previously Van der Walt Street), Berea City, Pretoria **("Grazelle Pretoria")**	SSHI subcontracts a portion of the management of the StayEasy Pretoria to Grazelle Pretoria	**0% to 95%+ occupancy per year to date:** The percentage of the gross revenue (as defined in the Southern Sun Group Standard Chart of Accounts) payable to the manager ranges between 3% and 9% **0% to 84% occupancy per year to date:** The percentage of the gross operating profit (as defined in the Southern Sun Group Chart of Accounts) payable to the manager ranges between 1% and 4.25% **85% to 95%+ occupancy per year to date:** The percentage of the gross operating profit (as defined in the Southern Sun Group Chart of Accounts) payable to the manager ranges between 3.5% and 3%
Grazelle CC, with business address at 8 South Boulevard, Bruma, Johannesburg **("Grazelle Eastgate")**	SSHI subcontracts a portion of the management of the StayEasy Eastgate to Grazelle Eastgate	**0% to 95%+ occupancy per year to date:** The percentage of the gross revenue (as defined in the Southern Sun Group Standard Chart of Accounts) payable to the manager ranges between 3% and 9% **0% to 84% occupancy per year to date:** The percentage of the gross operating profit (as defined in the Southern Sun Group Chart of Accounts) payable to the manager ranges between 1% and 4.25% **85% to 95%+ occupancy per year to date:** The percentage of the gross operating profit (as defined in the Southern Sun Group Chart of Accounts) payable to the manager ranges between 3.5% and 3%
Jacques Rheeders Management CC, with business address at St. Austell Road, Alberton, Johannesburg **("JRM Alberton")**	SSHI subcontracts a portion of the management of the Sun1 Alberton to JRM Alberton	The percentage of gross revenue payable to the manager in respect of accommodation, breakfast and vending ranges between 10.24% and 13.51%
Jacques Rheeders Management CC, with business address at corner of Herman and Kruin Streets, Isando, Johannesburg **("JRM OR Tambo")**	SSHI subcontracts a portion of the management of the Sun1 OR Tambo to JRM OR Tambo	The percentage of gross revenue payable to the manager in respect of accommodation, breakfast and vending ranges between 10.24% and 13.51%
Cacey Hotel Management CC, with business address at 144 Donkin Road, Beaufort West **("CHM Beaufort West")**	SSHI subcontracts a portion of the management of the Sun1 Beaufort West to CHM Beaufort West	The percentage of gross revenue payable to the manager in respect of accommodation, breakfast and vending ranges between 10.24% and 13.51%

Name and business address of manager	Description of the business managed	Compensation
Cacey Hotel Management CC, with business address at Jan Smuts and Martin Hammerschlag Way, Foreshore, Cape Town **("CHM Foreshore")**	SSHI subcontracts a portion of the management of the Sun1 Foreshore to CHM Foreshore	The percentage of gross revenue payable to the manager in respect of accommodation, breakfast and vending ranges between 10.24% and 13.51%
Cacey Hotel Management CC, with business address at corner of Koeberg Road and Freedom Way, Milnerton, Cape Town **("CHM Milnerton")**	SSHI subcontracts a portion of the management of the Sun1 Milnerton to CHM Milnerton	The percentage of gross revenue payable to the manager in respect of accommodation, breakfast and vending ranges between 10.24% and 13.51%
DCV Management CC, with business address at corner of Bunyan and Mowbray Avenue, Benoni, Johannesburg **("DCVM Benoni")**	SSHI subcontracts a portion of the management of the Sun1 Benoni to DCVM Benoni	The percentage of gross revenue payable to the manager in respect of accommodation, breakfast and vending ranges between 10.24% and 13.51%
DCV Management CC, with business address at 65 Masabalala Yengwa/NMR Avenue, Durban **("DCVM Durban")**	SSHI subcontracts a portion of the management of the Sun1 Durban to DCVM Durban	The percentage of gross revenue payable to the manager in respect of accommodation, breakfast and vending ranges between 10.24% and 13.51%
DCV Management CC, with business address at 130 Boeing Road East, Edenvale **("DCVM Edenvale")**	SSHI subcontracts a portion of the management of the Sun1 Edenvale to DCVM Edenvale	The percentage of gross revenue payable to the manager in respect of accommodation, breakfast and vending ranges between 10.24% and 13.51%
DCV Management CC, with business address at 3 Pioneer Avenue, Witbank **("DCVM Witbank")**	SSHI subcontracts a portion of the management of the Sun1 Witbank to DCVM Witbank	The percentage of gross revenue payable to the manager in respect of accommodation, breakfast and vending ranges between 10.24% and 13.51%
Uphedulile Projects Proprietary Limited, with business address at 1 Mitchell Street, Berea **("Uphedulile Berea")**	SSHI subcontracts a portion of the management of the Sun1 Berea to Uphedulile Berea	The percentage of gross revenue payable to the manager in respect of accommodation, breakfast and vending ranges between 10.24% and 13.51%
Uphedulile Projects Proprietary Limited, with business address at corner Wanderers and Wolmarans Street, Johannesburg **("Uphedulile Park Station")**	SSHI subcontracts a portion of the management of the Park Station Inn to Uphedulile Park Station	The percentage of gross revenue payable to the manager in respect of accommodation, breakfast and vending ranges between 10.24% and 13.51%
MJ Guest Services CC, with business address at corner of Krige and Nelson Mandela Drive, Bloemfontein (**"MJGS"**)	SSHI subcontracts a portion of the management of the Sun1 Bloemfontein to MJGS	The percentage of gross revenue payable to the manager in respect of accommodation, breakfast and vending ranges between 10.24% and 13.51%
SED Management Proprietary Limited, with business address at corner Memorial and Welgevonden Avenue, Royalglen, Kimberley **("SEDM")**	SSHI subcontracts a portion of the management of the Sun1 Kimberley to SEDM	The percentage of gross revenue payable to the manager in respect of accommodation, breakfast and vending ranges between 10.24% and 13.51%
Lomadus CC, with business address at corner of Old Pretoria Road and K101 Street, Midrand, Johannesburg **("Lomadus Midrand")**	SSHI subcontracts a portion of the management of the Sun1 Midrand to Lomadus Midrand	The percentage of gross revenue payable to the manager in respect of accommodation, breakfast and vending ranges between 10.24% and 13.51%

Name and business address of manager	Description of the business managed	Compensation
Lomadus CC, with business address at 1 Maree Street, Bramley Park, Johannesburg **(“Lomadus Wynberg”)**	SSHI subcontracts a portion of the management of the Sun1 Wynberg to Lomadus Wynberg	The percentage of gross revenue payable to the manager in respect of accommodation, breakfast and vending ranges between 10.24% and 13.51%
Oakshelf Investment CC No 2, with business address at corner of Kaapsehoop and N4 Streets, Nelspruit **(“Oakshelf”)**	SSHI subcontracts a portion of the management of the Sun1 Nelspruit to Oakshelf	The percentage of gross revenue payable to the manager in respect of accommodation, breakfast and vending ranges between 10.24% and 13.51%
Daniella on Holiday CC, with business address at corner of Arnold Wilhelm and Jean Simonis Streets, Parow, Cape Town **(“Daniella”)**	SSHI subcontracts a portion of the management of the Sun1 Parow to Daniella	The percentage of gross revenue payable to the manager in respect of accommodation, breakfast and vending ranges between 10.24% and 13.51%
Dual Management Services CC, with business address at corner of La Roche Drive and Beach Road, Port Elizabeth **(“DMS”)**	SSHI subcontracts a portion of the management of the Sun1 Port Elizabeth to DMS	The percentage of gross revenue payable to the manager in respect of accommodation, breakfast and vending ranges between 10.24% and 13.51%
Lilaton Management CC, with business address at 80 – 85 Pretorius Street, Pretoria **(“Lilaton”)**	SSHI subcontracts a portion of the management of the Sun1 Pretoria to Lilaton	The percentage of gross revenue payable to the manager in respect of accommodation, breakfast and vending ranges between 10.24% and 13.51%
Bravoscan 84 CC, with business address at 6 White Pear Road, Richards Bay **(“Bravoscan”)**	SSHI subcontracts a portion of the management of the Sun1 Richards Bay to Bravoscan	The percentage of gross revenue payable to the manager in respect of accommodation, breakfast and vending ranges between 10.24% and 13.51%
K-Stile Investments CC, with business address at corner of Columbine and Rifle Range Streets, Southgate, Johannesburg **(“K-Stile”)**	SSHI subcontracts a portion of the management of the Sun1 Southgate to K-Stile	The percentage of gross revenue payable to the manager in respect of accommodation, breakfast and vending ranges between 10.24% and 13.51%
Uthombo Hospitality Services Proprietary Limited, with business address at corner of Beethoven and Voortrekker Street, Vereeniging **(“Uthombo”)**	SSHI subcontracts a portion of the management of the Sun1 Vereeniging to Uthombo	The percentage of gross revenue payable to the manager in respect of accommodation, breakfast and vending ranges between 10.24% and 13.51%
G Seasons Sport and Leisure Proprietary Limited, with business address at 1 Clearwater Office Park, corner of Christiaan de Wet and Millennium Boulevard, Strubens Valley **(“G Seasons”)**	G Seasons manages, on behalf of the Company and/or its subsidiaries, the following cinemas: Montecasino – 15 screens Emnotweni – eight screens Ridge – six screens Hemingways – six screens Silverstar – six screens Gold Reef City – six screens	The monthly fee payable to G Seasons are as follows: Montecasino: R12 904 per screen Emnotweni: R12 904 per screen Ridge: R12 904 per screen Hemingways: R12 904 per screen Silverstar: R12 243 per screen Gold Reef City: R12 290 per screen plus – a performance fee of 5% of the actual EBITDA earned each year
Abreal Proprietary Limited, with business address at 52 Grosvenor Road, Bryanston, Sandton **(“Abreal”)**	Abreal manages the letting of The Pivot Offices, The Pivot Parking and the Palazzo Towers West on behalf of Tsogo Sun Casinos Proprietary Limited and Tsogo Sun One Monte Proprietary Limited	Monthly property management fee – 3% of all gross monthly collections Monthly accounting fee – R4 448 Commission on new deals as follows: 5% of year one net rentals and operating cost recoveries 5% of year two net rentals and operating cost recoveries 2.5% of year three net rentals and operating cost recoveries Commission on renewals – 50% of commission on the new deals as set out above Lease administration fee – R2 500 per new lease and R750 per renewals (all recoverable from tenant)

2.5 Name and business address of the auditors
PricewaterhouseCoopers Incorporated
(registration number 1998/012055/21)
2 Eglin Road
Sunninghill, 2157
(Private Bag X37, Sunninghill, 2157)

2.6 Name and business address of the attorneys
Mervyn Taback Incorporated
(registration number 2000/024541/21)
13 Eton Road
Parktown, 2193
(PO Box 3334, Houghton, 2041)

A Nortons Incorporated, trading as Nortons Incorporated
(registration number 2009/006902/21)
135 Daisy Street
Sandton, 2196
(PO Box 41162, Craighall, 2024)

2.7 Name and business address of the bankers
Nedbank Limited
(registration number 1951/000009/06
5th Floor, F Block
Nedbank 135 Rivonia Campus
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 1986/0039394/06)
3rd Floor
Absa Towers East
170 Main Street
Johannesburg, 2001
(PO Box 7735, Johannesburg, 2000)

2.8 Name of business address of the 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)

2.9 Name and business address of the company secretary
Graham David Tyrrell (BA LLB)
Palazzo Towers East
Montecasino Boulevard
Fourways, 2055
(Private Bag X200, Bryanston, 2021)

3. HISTORY, STATE OF AFFAIRS AND PROSPECTS OF TSOGO

3.1 History of Tsogo

3.1.1 Tsogo Sun Holdings Limited was incorporated in South Africa as a public company on 12 April 1989 under the name of Tarkat Investments Limited. On 4 February 1991, its name was changed to Roychem Limited. On 18 November 1994, the name Roychem Limited was changed to Medex Limited. The name Medex Limited was changed to Index Capital Corporation Limited on 21 April 1998. The name Index Capital Corporation Limited was changed to CasiNova International Limited on 18 January 1999. The name CasiNova International Limited was changed to Medex Limited on 4 May 1999. The name Medex Limited was changed to Gold Reef Casino Resorts Limited on 29 September 1999. The name Gold Reef Casino Resorts Limited was changed to Gold Reef Resorts Limited on 30 May 2006 and thereafter to Tsogo Sun Holdings Limited on 28 June 2011.

3.1.2 A description of the material events in the history of Tsogo is set out on pages 4 and 5 of the Integrated Annual Report.

3.2 Nature of the business of the Tsogo Group

3.2.1 The Tsogo Group is Southern Africa's premier gaming, hotel and entertainment group.

3.2.2 The Tsogo Group holds and/or operates, either via ownership, leasing arrangements or management agreements a portfolio of:

3.2.2.1 108 hotels with more than 18 400 hotel rooms across all sectors of the market, from luxury to budget with operations in South Africa, Nigeria, Kenya, Tanzania, Zambia, Mozambique, the United Arab Emirates and the Seychelles;

3.2.2.2 14 gaming and entertainment destinations in six provinces of South Africa;

3.2.2.3 theatres, cinemas, restaurants and bars; and

3.2.2.4 over 320 operated conference and banqueting facilities, including the Sandton Convention Centre.

3.2.3 The Tsogo Group structure is set out in **Annexure D**.

3.2.4 Further information on the business model of Tsogo is contained on pages 10 to 20 of the Integrated Annual Report.

3.3 King Code and Corporate Governance

3.3.1 Details of the integrated governance of Tsogo (including details of Tsogo's application of the principles of the King III Code on Corporate Governance ("**King III**")) are set out on pages 63 to 78 of the Integrated Annual Report.

3.3.2 The extent to which and the reasons for any instance of not applying the recommended principles of King III are set out in the King III Gap Analysis Report annexed hereto as **Annexure E**.

3.3.3 The reason for not applying the principles of the King IV Code on Corporate Governance **("King IV"**) is that in terms of King IV, disclosure on the application of King IV is only effective in respect of financial years starting on or after 1 April 2017 and, accordingly the principles of King IV will only apply to the Tsogo Group from the commencement of its 2018 financial year.

3.4 Material changes

Details of material changes in the business of Tsogo during the three years prior to the date of issue of this Prospectus are set out below and on pages 4 and 5 of the Integrated Annual Report.

3.4.1 In terms of the Gameco Transaction, Tsogo will acquire the Gameco Group from HCI and Gameco Shareholders after the opening date of the Offer. Accordingly, no information in relation to the Gameco Group is contained in this Prospectus and Gameco Shareholders are referred to the publicly available documentation of Niveus (of which Gameco Shareholders were shareholders) in regard to information concerning Gameco and the Gameco Group.

3.4.2 The details of the Gameco Group are set out in **Annexure F**.

3.4.3 The business of the Gameco Group includes the following major businesses:

3.4.3.1 **Vukani**

3.4.3.1.1 Gameco holds 100% of the issued shares in Vukani.

3.4.3.1.2 Vukani and its subsidiaries are mainly engaged in offering LPM gaming services and manages more than 5 500 LPMs at third-party sites throughout Southern Africa.

3.4.3.1.3 The LPM industry offers attractive investment prospects, due to the following factors:

3.4.3.1.3.1 there are significant barriers to competitor entry, including the stringent requirements and time delays in obtaining the necessary licences and the significant capital requirements to purchase and roll out LPMs;

3.4.3.1.3.2 a large, dispersed number of site owners minimises concentration risk; and

3.4.3.1.3.3 a limited number of licences are available for each province.

3.4.3.2 **Galaxy**

3.4.3.2.1 Gameco holds 100% of the issued shares in Galaxy.

3.4.3.2.2 Galaxy was established in 1997 to operate licensed bingo centres. Bingo is offered through EBTs and paper bingo games at Galaxy's licensed bingo centres.

3.4.3.2.3 At present, Galaxy is licensed in Gauteng, KwaZulu-Natal, North West, Mpumalanga, Limpopo and the Eastern Cape.

3.4.3.2.4 Galaxy also operates the Grand Oasis casino located in Kuruman, Northern Cape Province.

3.4.3.2.5 Numerous court cases impeding the roll-out of EBTs in the KwaZulu-Natal province are pending. Various initiatives to settle these cases are underway but there is no certainty that these will be successful. Currently, four bingo sites are operational in the Province, but they may only operate LPMs under independent site operator ("**ISO**") licences and paper-based bingo. Three further licences are not operational.

3.4.3.2.6 Galaxy and its subsidiaries and associates currently operate in excess of 2 350 EBTs, 170 slot machines and 190 LPMs under ISO licences.

3.4.3.2.7 Furthermore, Galaxy has been granted 2 ISO licences in the Mpumalanga Province, two in the Limpopo province and one in the Eastern Cape Province that are not yet operational and in various stages of development completion.

3.5 The opinion of Directors as to the prospects of Tsogo

The Directors' opinion as to the prospects of Tsogo is set out in the Integrated Annual Report (and in particular, on pages 39 to 61 thereof).

3.6 The opinion of Directors as to the prospects of subsidiaries

The Directors' opinion as to the prospects of Tsogo's subsidiaries is set out in the Integrated Annual Report (and in particular, on pages 39 to 61 thereof).

3.7 Fair presentation of the state of affairs of Tsogo and its material subsidiaries

A fair presentation of state of affairs of Tsogo and its material subsidiaries is set out in the Integrated Annual Report (and in particular, on pages 29 to 37 thereof).

3.8 Principal immovable properties of Tsogo

3.8.1 The situation, area and tenure of the 4 principal immovable properties held or occupied by the Tsogo Group are detailed in **Annexure G**.

3.8.2 A list setting out the situation, area and tenure of all the remaining immovable properties held or occupied by the Tsogo Group is available for inspection at Tsogo's registered office on the date and at the times contemplated in section 4, paragraph 4.

3.9 **Commitments for the purchase, construction or installation of buildings, plant or machinery**

The estimated commitments of the Tsogo Group for the purchase, construction or installation of buildings, plant or machinery is set out below:

	Year ended 31/3/2017 (Rm)	Year ended 31/3/2016 (Rm)
Authorised by directors but not yet contracted for:		
Property, plant and equipment	**5 003**	4 374
Investment property	**165**	–
Intangible assets: software	**9**	21
	5 177	4 395
Authorised by directors and contracted for:		
Property, plant and equipment	**723**	506
	723	506

The commencement date for the operational use and/or completion of property, plant and equipment authorised by directors and contracted for is anticipated to be prior to 31 March 2018.

3.10 **The turnover, profits or losses before and after tax, dividends paid and dividend cover of Tsogo**

Details of the consolidated turnover, profits or losses before and after tax, dividends paid and dividend cover of Tsogo Group for each of the three years prior to the date of issue of this Prospectus are set out below:

	Year ended 31/3/2017 (Rm)	Year ended 31/3/2016 (Rm)	Year ended 31/3/2015 (Rm)
Turnover	**13 222**	12 283	11 343
Profit before tax	**3 714**	2 597	2 386
Profit after tax	**3 049**	1 820	1 706
Dividends paid to shareholders	**975**	878	939
Dividend cover	**2 times**	2 times	2 times

4. **SHARE CAPITAL OF TSOGO**

Annexure H contains information relating to, *inter alia*:

4.1 the authorised and issued share capital of Tsogo as at the date of issue of this Prospectus;

4.2 the authorised and issued share capital of Tsogo after implementation of the Offer on the assumption that all the Gameco Shareholders accept the Offer and elect to receive the Cash-based Alternative;

4.3 the rights attaching to the Tsogo Shares; and

4.4 alterations of capital.

5. **OPTIONS OR PREFERENTIAL RIGHTS IN RESPECT OF TSOGO SHARES**

There are no options or preferential rights of any kind in respect of the Tsogo Shares.

6. **COMMISSIONS PAID OR PAYABLE IN RESPECT OF UNDERWRITING**

Tsogo has not paid any underwriting commission or consideration during the 2 years prior to the date of issue of this Prospectus.

7. **MATERIAL CONTRACTS**

7.1 A concise list of the existing contracts or proposed contracts relating to the Directors' and managerial remuneration, royalties, and secretarial and technical fees payable by Tsogo or any of its subsidiaries, is set out in **Annexure J(A)**.

7.2 Details of the material contracts entered into by Tsogo during the 2 years prior to the date of issue of this Prospectus are set out in **Annexure J(B)**. Save for material contracts set out in **Annexure J(B)**, there have been no material contracts entered into by Tsogo during the 2 years prior to the date of issue of this Prospectus other than in the ordinary course of business.

8. INTERESTS OF DIRECTORS AND PROMOTERS

This Prospectus is not one contemplated in Regulation 55 of the Companies Regulations.

9. LOANS

The following are the material loans made to or by Tsogo and its subsidiaries as at the date of issue of this Prospectus.

9.1 Material loans made to Tsogo or its subsidiaries

Details of the material loans made to the Tsogo Group are set out in **Annexure K**. Additional details relating to the Tsogo Group in relation to interest bearing borrowings are set out in note 32 on pages 45 to 46 and note 50.1 (c) on pages 62 to 63 of the Annual Financial Statements annexed as **Annexure L(A)** for the year ended 31 March 2017.

9.2 Material loans advanced by Tsogo or its subsidiaries other than in the ordinary course of business and outstanding

Save for the executive loan facilities advanced to the participants as set out in note 36.1 on page 49 of the Annual Financial Statements annexed as **Annexure L(A)** for the year ended 31 March 2017, there are no material loans advanced by Tsogo or its subsidiaries other than in the ordinary course of business.

10. SHARES ISSUED OR TO BE ISSUED OTHER THAN FOR CASH

Details of securities issued or agreed to be issued by Tsogo or any of its subsidiaries within the three years prior to the date of issue of this Prospectus other than for cash are contained in **Annexure M**.

11. PROPERTY ACQUIRED OR TO BE ACQUIRED

Details of immovable property or any other fixed asset which is material to Tsogo's business and the purchase price of which is to be or was during the three years prior to the date of issue of this Prospectus, paid in whole or in part by the issue of securities of Tsogo or any subsidiary or out of the funds of Tsogo or its subsidiary, whether in cash or securities or the purchase or acquisition of which has not been completed as at the date of issue of this Prospectus, are set out in **Annexure N**.

12. AMOUNTS PAID OR PAYABLE TO PROMOTERS

Tsogo has not, during the three years prior to the date of issue of this Prospectus, paid any fees or other amount to any promoter.

13. PRELIMINARY EXPENSES AND ISSUE EXPENSES

The amount or estimated amounts of any preliminary expenses (exclusive of VAT) incurred within three years prior to the date of issue of this Prospectus are detailed below.

Expenses relating to this Prospectus and the Offer	**Estimated amount (R'000)**
Corporate adviser and transaction sponsor – Investec Bank	3 000
Legal and other advisory fees in respect of the Offer – Tabacks	2 800
Legal and other advisory fees in respect of the Prospectus – Tabacks	2 500
Competition lawyers – Nortons	3 000
Printing and related costs – Ince Proprietary Limited	51
Printing and related costs – Bastion	200
Independent expert's fees – BDO	250
Independent reporting accountants fees – PricewaterhouseCoopers Inc.	250
Auditor's fees relating to Regulation 79 report – PricewaterhouseCoopers Inc.	35
JSE documentation fees	27
Total	**12 113**

SECTION 2 – PURPOSE OF THE OFFER

1. **PURPOSE OF THE OFFER**

   The purpose of the Offer is not to raise capital for Tsogo but is made pursuant to the restructure of HCI's South African gaming operations under one vehicle, Tsogo and enables the Gameco Shareholders to realise value for their investment in Gameco and, through Tsogo, will provide Gameco Shareholders with a more diversified exposure in the gaming, leisure and property market through the Tsogo Consideration Share component of the Offer Consideration.

2. **TIME AND DATE OF THE OPENING AND CLOSING OF THE OFFER**

   The opening date and time of the Offer is 09:00 on Tuesday, 15 November 2017.

   The closing date and time of the Offer is 12:00 on Thursday, 29 December 2017.

3. **PARTICULARS OF THE OFFER**

   3.1 In terms of the Offer, Tsogo will make an offer to the Gameco Shareholders registered as shareholders of Gameco on the Offer Record Date (as defined in the Offer Circular) to acquire their respective Gameco Shares in consideration for which Gameco Shareholders accepting the Offer, will receive the Offer Consideration.

   3.2 Full details of the Offer are contained in the Offer Circular.

   3.3 Details of the securities issued by Tsogo in the 3 years preceding the date of issue of this Prospectus are set out in **Annexure H**.

   3.4 In the 3 years preceding the date of issue of this Prospectus, Tsogo did not issue any Tsogo Shares at a premium.

4. **MINIMUM SUBSCRIPTION**

   The purpose of the Offer is not to raise capital for Tsogo. In terms of the Offer, each Gameco Shareholder will be entitled to receive the Offer Consideration in exchange for their Gameco Shares. Gameco Shareholders will not be required to pay for the Offer Consideration, but to exchange their Gameco Shares for the Offer Consideration. Accordingly, the Offer is not subject to an aggregate minimum subscription.

SECTION 3 – STATEMENTS AS TO ADEQUACY OF CAPITAL

1. **STATEMENT AS TO ADEQUACY OF CAPITAL**
   The Directors are of the opinion that the working capital available to Tsogo is sufficient for Tsogo's current requirements (i.e. for a period of at least 12 months from the date of issue of this Prospectus).

2. **REPORT BY DIRECTORS AS TO MATERIAL CHANGES**
   Save for the items noted on page 61 of the Integrated Annual Report and note 54 on page 67 of the Annual Financial Statements, there have been no material changes in the assets or liabilities of Tsogo or any of its subsidiaries since its financial year ended 31 March 2017 and the date of issue of this Prospectus.

3. **STATEMENT AS TO LISTING ON A STOCK EXCHANGE**

   3.1 All the issued Tsogo Shares are listed on the JSE.

   3.2 The Tsogo Consideration Shares will, upon issue in terms of the Offer, be listed on the JSE.

4. **REPORT BY AUDITOR WHERE BUSINESS UNDERTAKING TO BE ACQUIRED**
   No proceeds will be raised in terms of the Offer and, accordingly, Tsogo or its subsidiaries will not apply any proceeds of the Offer in the acquisition of the securities of any other business undertaking.

5. **REPORT BY AUDITORS WHERE COMPANY WILL ACQUIRE A SUBSIDIARY**
   No proceeds will be raised in terms of the Offer and, accordingly, Tsogo or its subsidiaries will not apply any proceeds of the Offer in the acquisition of the securities of any other juristic person with the direct or indirect result that the other juristic person will become a subsidiary of Tsogo.

6. **REPORT BY THE AUDITOR OF TSOGO**
   In terms of Regulation 79 of the Companies Regulations, Tsogo's auditors are required to prepare a report on the profits and losses, dividends and assets and liabilities of Tsogo. **Annexure O** sets out the auditors' report in respect of these matters.

SECTION 4 – ADDITIONAL MATERIAL INFORMATION

1. **LITIGATION STATEMENT**
   There are no legal or arbitration proceedings which may have, or have during the 12 months preceding the date of issue of this Prospectus, had a material effect on the financial position of the Tsogo Group. Tsogo is not aware of any proceedings that would have a material effect on the financial position of the Tsogo Group or which are pending or threatened against the Tsogo Group.

2. **CONSENTS**
   The parties referred to in the "**Corporate Information and Advisers**" section of this Prospectus, have consented in writing to act in the capacities stated and to the inclusion of their names and, where applicable, in this Prospectus in the form and context in which they appear and have not withdrawn their consent prior to the publication of this Prospectus.

3. **MATERIAL RISKS RELATING TO THE BUSINESS OF THE TSOGO GROUP**
   The material risk factors relating to the Tsogo Group are set out on pages 21 to 23 of the Integrated Annual Report.

4. **DOCUMENTS AVAILABLE FOR INSPECTION**
   Copies of the following documents will be available for inspection at Tsogo's registered office on any Business Day at any time during normal business hours, from the date of issue of this Prospectus until 12 January 2018:

   4.1 this Prospectus;

   4.2 the MOI of Tsogo;

   4.3 the MOI of each material subsidiary;

   4.4 the written consents referred to in paragraph 2 above;

   4.5 the executive Directors' service agreements as set out in **Annexure J(A)**;

   4.6 the material contracts referred to in section 1 paragraph 7;

   4.7 the signed report of the auditors referred to in section 3 paragraph 6;

   4.8 the Consolidated Audited Annual Financial Statements of the Tsogo Group for the financial years ended 31 March 2017 and 2016, the latter of which will contain comparatives for the financial year ended 31 March 2015;

   4.9 the Integrated Annual Report for the year ended 31 March 2017;

   4.10 the Offer Circular;

   4.11 the powers of attorney by the Directors in favour of Robert Brian Huddy authorising and empowering him to sign this Prospectus on their behalf; and

   4.12 the list referred to in paragraph 3.8.2 of Section 1 of this Prospectus setting out the situation, area and tenure of the immovable properties referred to in such list.

SECTION 5 – INAPPLICABLE OR IMMATERIAL MATTERS

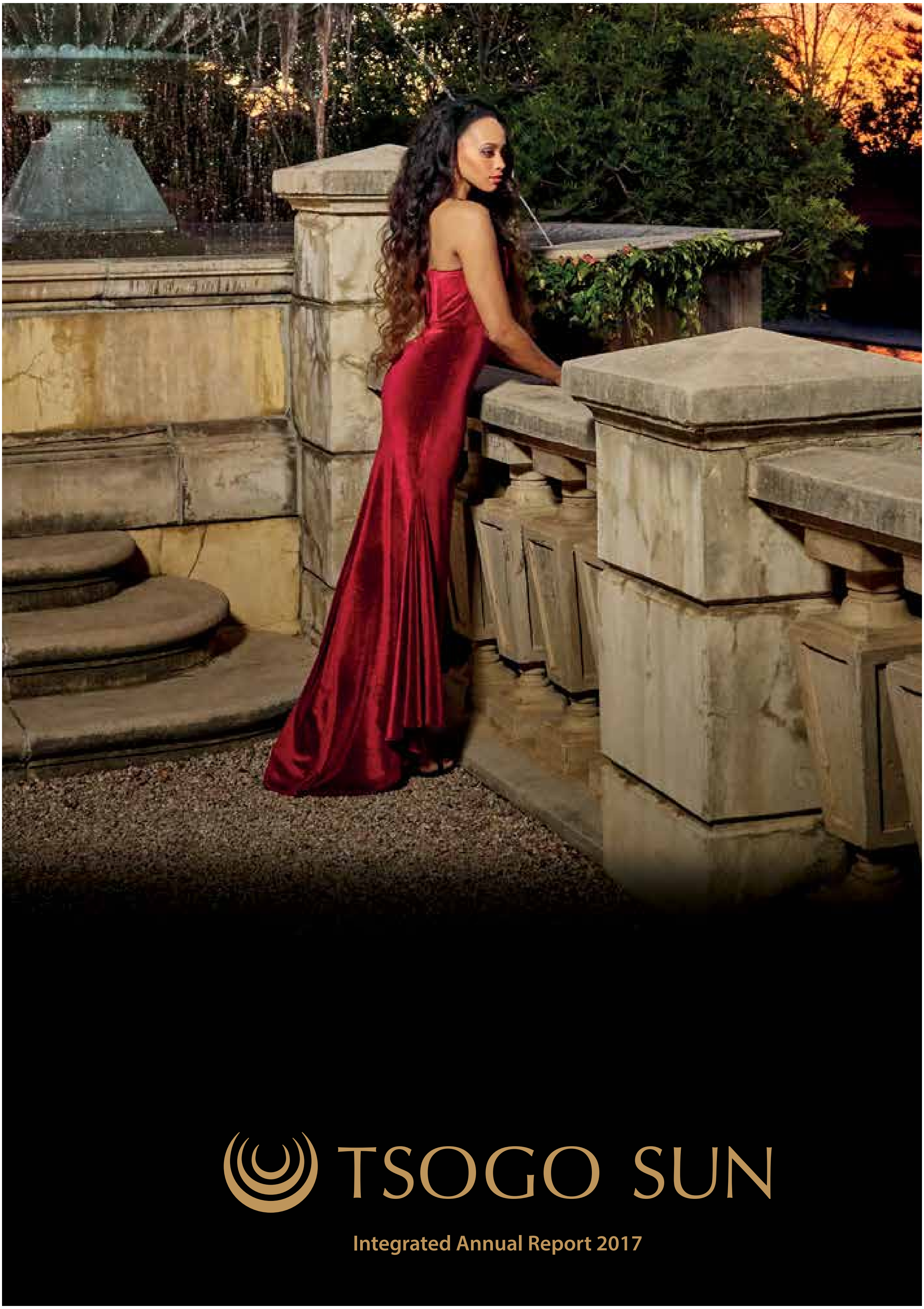
The following regulation numbers are not applicable in the circumstances of the Offer:

Regulation 57(2)	–	Name, address and incorporation
Regulation 59(2)(a)	–	History, state of affairs and prospects of company
Regulation 64	–	Interest of directors and promoters
Regulation 77	–	Report by auditor where business undertaking to be acquired
Regulation 78	–	Report by auditor where company will acquire a subsidiary
Regulation 80	–	Requirements for prospectus of mining company

SIGNED AT JOHANNESBURG ON 25 OCTOBER 2017 BY ROBERT BRIAN HUDDY, ON BEHALF OF ALL THE DIRECTORS OF TSOGO IN TERMS OF POWERS OF ATTORNEY SIGNED BY SUCH DIRECTORS

ROBERT BRIAN HUDDY

INTEGRATED ANNUAL REPORT – 2017



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About this report

Reporting approach

We are pleased to present our integrated annual report to our stakeholders. This report is primarily written for our shareholders but it is also helpful to our other stakeholders interested in our ability to ensure a sustainable business into the future. This report provides a consolidated review of our financial, economic, social and environmental performance on matters material to our strategy and our ability to create and sustain value.

The financial and other information has been prepared in accordance with the requirements of IFRS, the South African Companies Act 2008, the JSE Listings Requirements, King III and the international <IR> framework as applicable. Disclosures in the integrated governance section have been guided by King IV but comply with the reporting requirements of King III.

The group is continuously improving its combined assurance model. Assurance for elements of this integrated annual report has been provided through a combination of external and internal sources which will become more formalised in line with future guidance from the IIRC.

Scope and boundaries

The contents of this document addresses material issues for all our subsidiaries, associates and joint ventures and covers the period from 1 April 2016 to 31 March 2017 except where material transactions have occurred post-year end. The process we utilised in determining and applying materiality is included on page 21 of the report. Non-financial disclosures, except for environmental disclosures, focus on the South African operations, which generate 94% of our income. The scope and boundaries of environmental disclosures are defined on page 43.

Financial statements

The full set of consolidated annual financial statements, including the report from our audit and risk committee and directors' report, are available online or can be requested directly from our Company Secretary at companysecretary@tsogosun.com.

Board approval

The board, assisted by the audit and risk committee, is ultimately responsible for overseeing the preparation, presentation and integrity of the integrated annual report. This was achieved through the setting up of a sub-committee of the audit and risk committee to oversee the reporting process. The directors confirm that they have collectively reviewed the output of the reporting process and the content of the integrated annual report. The directors believe that this integrated annual report addresses the material issues and is a fair presentation of the integrated performance of the group in accordance with the international <IR> framework, and therefore approve the report for release. We welcome any feedback at investors@tsogosun.com.

John Copelyn
Chairman

Jacques Booysen
Chief Executive Officer

Forward looking statements

Certain statements in this document may constitute 'forward looking statements.' Such forward looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Tsogo Sun Holdings Limited and its subsidiaries to be materially different from the future results, performance or achievements expressed or implied by such forward looking statements. The company undertakes no obligation to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after the date of this document, or to reflect the occurrence of anticipated events. These have not been reviewed or reported on by the group's auditors.

Icons for further digital information within the report:

Further reading relevant within this report.

Find more detailed information on our website relating to Tsogo Sun and our integrated annual report.

Scan the QR code to download the integrated annual report to your smartphone, tablet or e-reader.

Scan the QR code to download the annual financial statements to your smartphone, tablet or e-reader.

Social platforms to link to us via other media:

Like our Facebook page to connect with Tsogo Sun on a regular basis www.facebook.com/TsogoSun

Link to our Twitter account to follow the latest news regarding Tsogo Sun https://twitter.com/tsogosun

View Tsogo Sun images on Instagram https://instagram.com/tsogosun

Group overview

Our vision

Our vision is to provide quality hospitality and leisure experiences at every one of our destinations.

Who we are

Tsogo Sun is southern Africa's premier gaming, hotel and entertainment group.

Tsogo Sun's operated, owned and managed portfolio proudly comprises 151 hotels with more than 24 500 hotel rooms across all sectors of the market, from luxury to budget with operations in South Africa, Nigeria, Kenya, Tanzania, Zambia, Mozambique, the United Arab Emirates, Seychelles and the United Kingdom; 14 premier gaming and entertainment destinations in six provinces of South Africa; theatres, cinemas, restaurants and bars; and over 320 operated conference and banqueting facilities, including the Sandton Convention Centre.

Our group structure

TSOGO SUN

TSOGO SUN GAMING

TSOGO SUN HOTELS

50.6%

Hospitality PROPERTY FUND

47.6%

Hosken Consolidated Investments Limited

Public

52.4%

Our owners

Our key shareholder at 31 March 2017 was Hosken Consolidated Investments Limited, a JSE listed investment holding company (through TIH) holding 47.6% of the shares, excluding treasury shares.

The HCI shareholding is of particular importance to the sustainability of the group as it provides the bulk of the 62% broad-based empowered ownership at group level, significantly simplifying our group structure as local empowerment is not required at individual property level, except where specifically required by provincial legislation.

Although the nature of our shareholding impacts the way we are managed due to the majority of the board being appointed by the major shareholder, the governance environment is robust and actively encouraged. Refer to the integrated governance section on pages 63 to 78.

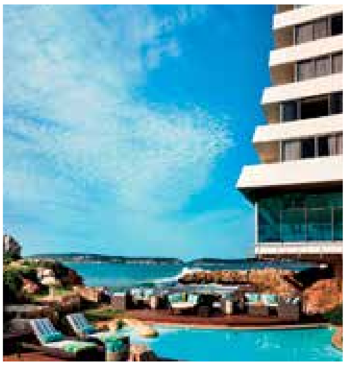
Group overview continued

TSOGO SUN THROUGH THE YEARS

1969

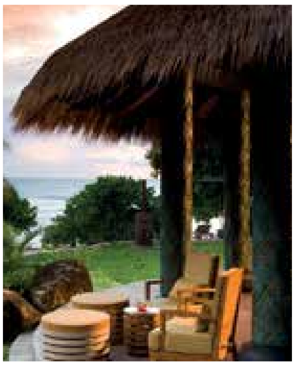
1969
South African Breweries Limited ('SAB Limited') and hotel magnate, Sol Kerzner, partnered to create Southern Sun Hotels ('Southern Sun'), the largest hotel group in the southern hemisphere at the time. Southern Sun commenced operations with six hotels, including the iconic Beverly Hills hotel in Umhlanga Rocks, Durban, and was subsequently involved in the development of many of the most prestigious hotels of the era, including the Cape Sun, Sandton Sun and Sun City.

1983
Sun International Limited was split out of Southern Sun as a separate gaming business and Southern Sun remained focused on hotels.



2009
The group acquired two casino properties owned by Century Casinos Inc., namely Blackrock Casino and The Caledon Casino.

2010
An additional 30% of the shares in the Suncoast casino were acquired from non-controlling interests increasing the group's holding to 73.5%.



2011
The group merged with Gold Reef incorporating an additional seven casinos into the group's portfolio – Gold Reef City Casino, Silverstar Casino, Golden Horse Casino, Garden Route Casino, Mykonos Casino, Goldfields Casino and an associate investment in Queens Casino. The group was reverse listed into Gold Reef and subsequently renamed Tsogo Sun Holdings Limited. An additional 16.5% of the shares in the Suncoast casino were acquired from non-controlling interests, increasing the group's holding to 90%.

2012
The group acquired Accor SA's holding in the Formula1 hotels and in the following year rebranded the hotels to SUN1. The Tsogo Sun group was rebranded, bringing the two casino businesses and the hotel business under one common identity.

2013
The final 10% of the shares in the Suncoast Casino were acquired from non-controlling interests, bringing the group's holding to 100%. The group acquired 75.5% of Ikoyi Hotels Limited which owns the Southern Sun Ikoyi Hotel in Lagos, Nigeria.

2014
The group acquired an additional 10% interest in Cullinan and Cullinan acquired various hotel assets from Liberty and Southern Sun bringing the number of hotel properties in Cullinan to eight. The group acquired a 25% interest in Redefine BDL Hotel Group Limited, a leading hotel management company in the United Kingdom. The expansion of Silverstar Casino was completed. SABMiller disposed of its stake in the group and Tsogo Sun Holdings Limited bought back 12% of its ordinary shares.

1985
Southern Sun had expanded to 26 hotels. It then acquired the Holiday Inn South Africa hotel group, thereby establishing a countrywide distribution of 49 hotels, in both the up-market and mid-market segments.

1991
Southern Sun was delisted from the JSE and became a wholly owned subsidiary of SAB Limited. Southern Sun entered into a joint venture with Accor SA, the French hotel group, to develop the Formula1 and Formula Inn range of hotels in South Africa and the first of 23 hotels opened the next year.

1995
Tsogo Sun Holdings Proprietary Limited (as it was then known) ('Tsogo Sun Holdings') was constituted as a bidding consortium between Southern Sun and numerous black empowerment corporates, associations and individuals (via Tsogo Investment Holding Company Proprietary Limited ('TIH')) and the consortium was successful in obtaining five casino licences.

1997 – 1998
The group opened the Emnotweni Casino which in 1997 was the first casino within the new regulated environment in post-apartheid South Africa. In the following year the group opened The Ridge Casino.

1999
Southern Sun acquired a 50% interest in a consortium with Liberty Group Limited ('Liberty') called The Cullinan Hotel Proprietary Limited ('Cullinan') which owned three hotels.

2000 – 2002
Montecasino opened during 2000, Hemingways Casino opened during 2001 and the Suncoast Casino and Entertainment World followed in 2002. During 2002, SABMiller (via SABSA Holdings Limited) and TIH concluded a landmark BBBEE transaction which resulted in TIH acquiring control of Tsogo Sun Holdings, including the hotel business, and the dilution of SABMiller's ownership interest to 49%. Hosken Consolidated Investments Limited ('HCI') first acquired a 10% interest in TIH during 2002 and has subsequently obtained a 99% ownership of TIH.

2015
The group acquired 55% of the Hospitality Property Fund B-linked units in anticipation of acquiring a controlling stake in the fund. The expansion of Gold Reef City Casino was completed. The group acquired 26% of International Hotel Properties Limited, a hotel owning company in the United Kingdom.

2016
The group acquired a 20% interest in the GrandWest and Worcester casinos. The group acquired an additional two hotels and the 40% shareholding Liberty had in Cullinan. The group acquired a controlling stake in Hospitality Property Fund.

2017

Strategy and performance highlights

SUSTAINABILITY

Deliver to our beneficiaries

The nature of the shareholders and those to whom economic benefits flow are an important protection

Financial strength and durability

An appropriate capital structure is important to ensure the business survives through economic cycles

Product relevance to customer experience

To remain relevant a variety of quality experiences must be provided at appropriate price points

Level 1
BBBEE contributor

Black ownership
62%

R8.5 billion
value added to black economic empowered businesses and government

46 398
learners supported through Tsogo Sun academies

Net debt to Ebitdar
2.4 times

Unutilised net facilities
R3.4 billion

36-month weighted average expiry of debt facilities

58%
of net debt hedged

24 500
hotel rooms across all market segments

14
gaming and entertainment destinations

76%
of gaming revenue from reward club members

30%
of hotel revenue from reward club members

77%
gaming guest satisfaction

88%
hotels guest satisfaction

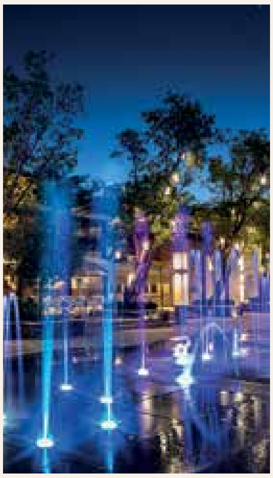
How we create long-term sustainable value

The key pillars of our sustainability include meeting the reasonable requirements of our beneficiaries, financial strength and durability, maintaining product relevance to customer experience, regulatory compliance and having adequate skilled human resources. A business has to stay in business to be able to take advantage of the commercial opportunities that are presented to it.

The value of a business is the present value of the future cash flows that can be generated by the assets and other capitals utilised by the business. Growth in cash flows over time are generated through the optimal operation of the group's capitals (organic growth) and building the tangible and intangible asset base of the group through developing and acquiring new businesses (inorganic growth).

Regulatory compliance

The retention of gaming licences through a strict compliance culture is critical



No significant gaming regulation breaches

Human resources

Qualified, trained, talented and empowered people are required to deliver the Tsogo Sun experience

12 800
direct employees in South Africa

22 700
combined direct and indirect jobs in South Africa

Training spend
4.3% of payroll

GROWTH

Inorganic

Building the tangible and intangible asset base of the group generates growth in cash flow and thus value

Investment activity expenditure

R2.6 billion

Organic

Optimal operation of the group's capitals generates growth in cash flow and thus value

	2017	2016	% change
Income (Rm)	**13 222**	12 283	8
Ebitdar (Rm)	**5 049**	4 543	11
Ebitdar margin (%)	**38.2**	37.0	1.2pp
Adjusted headline earnings per share (cents)	**207.6**	196.5	6
Dividend for the year per share (cents)	**104.0**	98.0	6
Free cash flow (Rm)	**2 217**	1 953	14
Maintenance capital expenditure (Rm)	**925**	945	

Strategic priorities and growth drivers

Strategic priorities

SUSTAINABILITY

Deliver to our beneficiaries
- Current shareholding and Corporate Social Investment and Enterprise Development programmes are effective

Regulatory compliance
- Day-to-day compliance excellent
- High awareness of potential regulatory risks

Financial strength and durability
- Strong cash flow, judicious use of gearing and adequate facilities
- Own most of our assets

Human resources
- Adequate resources and skills
- Engaged workforce

Product relevance to customer experience
- Adequate maintenance capex
- Strong development skills in-house
- Proactive marketing of products and brands

GROWTH

Organic
- Significant focus on getting more out of our existing businesses
- Continued cost focus
- Systems and values

Inorganic
- New projects

Future growth drivers

① **Significant upside potential from economic recovery**
- Growth in casino win and Revpar as economy improves
- Focus on costs to protect margins

② **Casino expansion should drive additional growth**
- Suncoast commenced in July 2017
- Additional licensed positions available at most casinos

③ **New gaming opportunities**
- Western Cape Metropole/Mpumalanga fourth licence
- Gameco acquisition to provide access to the EBT and LPM markets

④ **Continued investment in SA hotels**
- REIT structure aims to unlock value for the group

⑤ **Expansion in offshore hotels**
- Africa and Europe asset acquisition

Business model

We create value through the operation of quality assets in leading locations in key markets and by investing in and building our portfolio across a range of consumer segments.

Inputs

Financial capital
- Equity funding
- Debt funding
- Internally generated cash flows

Social and relationship capital
- Licence to trade
- Community
- Customers
- Suppliers
- Partners

Manufactured capital
- Relevant physical hotel, gaming and entertainment product
- Enabling technology
- Infrastructure

Intellectual capital
- Brands
- Proprietary knowledge
- Systems and procedures

Human capital
- Ethical values
- Engaged workforce
- Specialised knowledge and skills

Natural capital
- Physical locations
- Energy consumption
- Water consumption
- Biodiversity

Activities and processes

Integration – An integrated approach across the divisions results in leveraging the assets and structure with a common corporate identity. This allows us to enhance the experience we offer to do business with the group and assists the market to understand the scale and diversity of

GAMING DIVISION 12

Core business

Owns and operates gaming and entertainment complexes across South Africa

Key market differentiator

Integrated gaming and entertainment complexes primarily located in urban areas

Key support processes

Corporate services

Strategy
Resource allocation
Portfolio management
Budget approval
Compliance

Funding and treasury
Legal and secretarial
Risk management
Corporate affairs and reporting

Finance and internal audit

Information technology

Development and facilities management

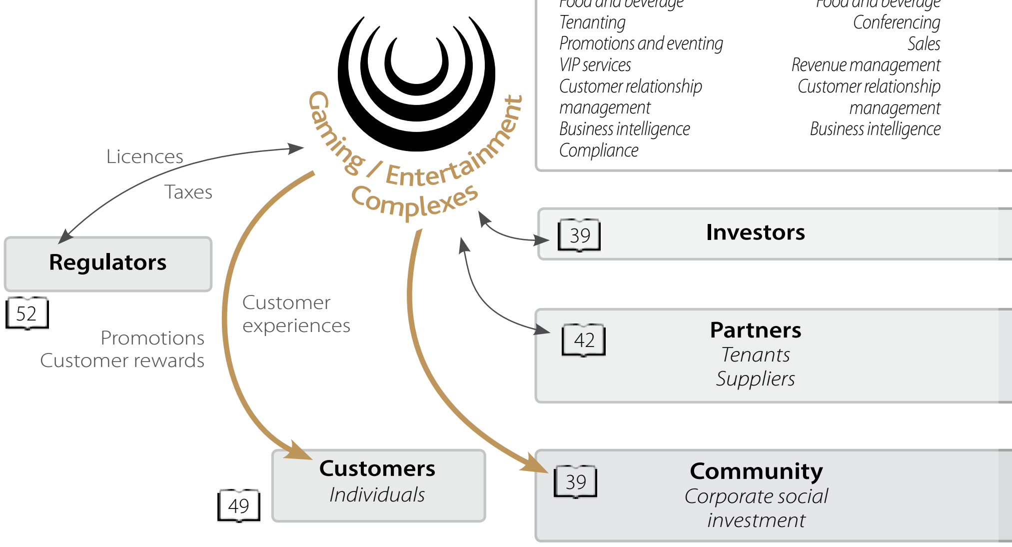
Human resources, development and training

Marketing and branding

Procurement

Key business processes

Gaming	Hotels
Gaming operations	*Hotel operations*
Food and beverage	*Food and beverage*
Tenanting	*Conferencing*
Promotions and eventing	*Sales*
VIP services	*Revenue management*
Customer relationship management	*Customer relationship management*
Business intelligence	*Business intelligence*
Compliance	



63 **Governance**

16 **Regulatory environment** 17 **Economic environment** 17 **Industry** **External environment**

resources within the group under a unified management our customers across multiple outlets, makes it simpler our operations under a common Tsogo Sun brand.

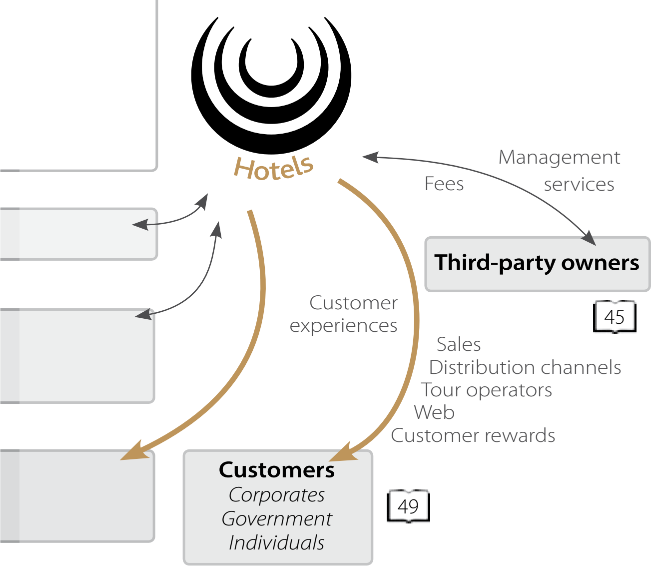
14 **HOTEL DIVISION**

Core business

Owns, leases and manages hotels

Key market differentiator

Wide geographic distribution of quality budget to luxury hotel properties



Outputs

Quality hospitality and leisure experiences relevant to our customers at appropriate price points

Gaming 12
- Slots
- Tables
- Restaurants
- Bars
- Events
- Theatres
- Retail
- Conferencing
- Cinemas
- Theme Parks
- Entertainment

Hotels 14
- Accommodation
  - Luxury
  - Full Service
  - Select Service
  - Budget
- Restaurants
- Bars
- Conferencing

Environmental and social impacts

Energy consumption 43

Water consumption 44

Waste 44

Social impact 42

Outcomes linked to strategic priorities

Deliver to our beneficiaries 39
- Stakeholder engagement
- Flow of economic benefits to
  - Community
  - Socially beneficial organisations
- Returns to investors
- Taxation contribution to economy
- Environmental impact
- Transformation

Financial strength and durability 48
- Resources to pursue opportunities
- Prudent gearing levels
- Adequate funding facilities
- Long-term funding maturities

Product relevance to customer experience 49
- Customer satisfaction
- Customer value
- Brand loyalty
- Product distribution

Regulatory compliance 52
- Licence to trade

Human resources 53
- Job creation
- Employee engagement
- Employee development
- Employee wellness
- Employment equity

Organic growth 57
- Profit
- Improved margins
- Cash flow

Inorganic growth 60
- Capacity increases
- Developments and acquisitions

18 **Technology** 19 **Consumer preferences** 19 **Societal issues** 19 **Environmental issues**

Business model continued

TSOGO SUN GAMING

Footprint

	Ownership %	Tables	Slots	Hotel rooms	Group revenue contribution %	Group Ebitdar contribution %
		as at 31 March 2017				
Montecasino	100	82	1 874	619	20	24
Suncoast	100	67	1 600	165	13	16
Gold Reef City	100	51	1 760	113	11	11
Silverstar	100	30	1 025	34	6	5
Golden Horse	100	22	450	96	3	3
The Ridge	100	18	436	175	3	3
Emnotweni	100	18	425	224	3	3
Garden Route	100	16	412	43	2	2
Hemingways	65	16	507	108	2	2
Mykonos	100	6	320	–	1	1
Blackrock	100	10	300	80	1	1
The Caledon	100	8	318	95	1	1
Goldfields	100	9	250	–	1	1
Queens	25	6	180	–	*	*
Other gaming operations	100				1	(3)
Total 2017		**359**	**9 857**	**1 752**	**69**	**70**
Total 2016		352	9 903	1 752	72	76

** Queens Casino is equity accounted*
Ebitdar is stated pre-management fees
Other gaming operations consist of the Sandton Convention Centre, head office costs and dividends from the GrandWest and Worcester casinos

Key features

The group's preference is to wholly own its operations thus creating a clearer, simpler operating structure. Empowerment shareholding is achieved at the holding company level, enabling the group empowerment shareholders to participate in all casino operations. Exceptions arise from historical structures and, in the Eastern Cape, where the gaming legislation requires local provincial-based empowerment ownership. Twelve of the 14 gaming operations of the group are wholly owned with minority shareholders in Hemingways (35%), and with Queens Casino being an associate investment of 25%. The Blackrock and Mykonos minorities were acquired during the year. The Queens Casino licence expires in December 2017 and the group has not participated in the rebid. The group acquired a 20% equity interest in the GrandWest and Worcester casinos during the year.

The gaming and entertainment complexes are primarily located in urban areas and are the entertainment hubs for the communities they serve. The businesses are thus embedded within the local communities and their success is inextricably linked to the economic wellbeing of that community.

Along with the creation of local jobs and the payment of taxes, we seek to stimulate local enterprise and support economic development, collaborate with provincial and national government and others on shared challenges – all essential to our ongoing ability to trade.

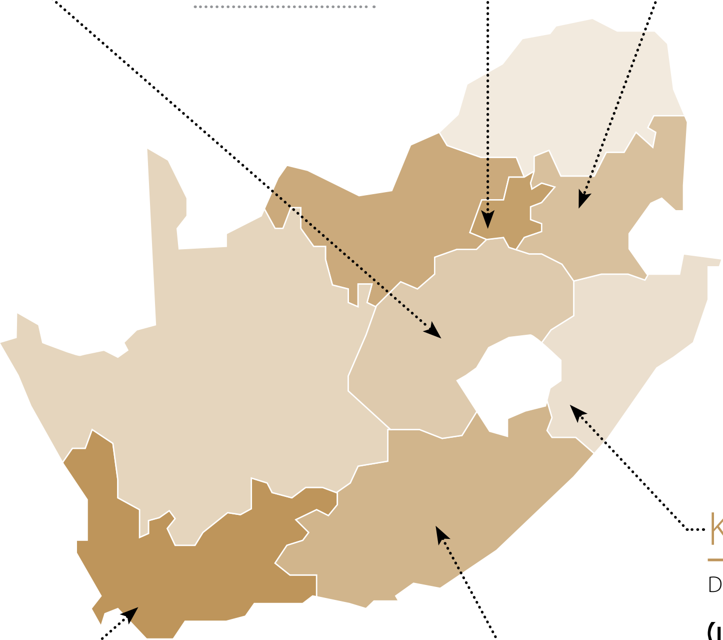
Significant focus is placed on the nature and quality of the facilities and experiences offered at each gaming and entertainment complex. With the vast majority of customers being locally based regular customers, an important component of our operating model is to ensure the properties remain fresh, attractive and interesting to visitors on an ongoing basis.

Management of mutually beneficial relationships with quality restaurant, retail and entertainment tenants is key to retaining footfall at our properties against other leisure offerings.

The customer rewards programme in the gaming division rewards customers with status, benefits and recognition. The rewards programme is important as 76% of gaming revenue is contributed by active reward club members.

Compliance with gaming regulations is critical to the retention of the casino licences and is discussed in the regulatory compliance section on page 52.

Tsogo Sun operated brands



Gauteng

Fourways

MONTECASINO

Johannesburg

Gold Reef City

Krugersdorp

SILVERSTAR

Mpumalanga

Mbombela

EMNOTWENI

eMalahleni

THE RIDGE

Free State

Welkom

GOLDFIELDS

KwaZulu-Natal

Durban

SUNCOAST

Pietermaritzburg

GOLDEN HORSE

Newcastle

BLACKROCK

Western Cape

Caledon

the Caledon

Mossel Bay

GARDEN ROUTE

Langebaan

mykonos

Eastern Cape

East London

HEMINGWAYS

Queenstown

QUEENS CASINO

Business model continued

TSOGO SUN HOTELS

Footprint

as at 31 March 2017

	Owned/leased Hotels	Owned/leased Rooms	Managed Hotels	Managed Rooms	Total Hotels	Total Rooms	Group revenue contribution %	Group Ebitdar contribution %
Tsogo Sun operated								
Luxury	3	410	3	695	6	1 105	2	2
Full service	26	5 322	4	854	30	6 176	13	10
Select service	23	4 134	3	643	26	4 777	8	8
Budget	22	1 741	–	–	22	1 741	1	2
South Africa	74	11 607	10	2 192	84	13 799	24	22
Offshore	7	1 052	2	483	9	1 535	5	2
Total 2017	**81**	**12 659**	**12**	**2 675**	**93**	**15 334**	**29**	**24**
Total 2016	80	12 375	13	2 887	93	15 262	27	22
Third-party operated								
HPF owned	12	2 595			12	2 595	2	5
IHPL owned[1]	9	1 135			9	1 135		
Redefine BDL managed[1][2]			37	5 481	37	5 481		
Total 2017	**102**	**16 389**	**49**	**8 156**	**151**	**24 545**	**31**	**29**

[1] *Equity accounted and thus not included in revenue and Ebitdar*

[2] *Excludes five hotels (749 rooms) managed on behalf of IHPL already included in IHPL*

Key features

Tsogo Sun hotels does not follow the prevalent international trend of operating the business on an 'asset light' basis, and in South Africa, the portfolio philosophy remains to control all the components of the business, wherever possible through either majority ownership or secure lease tenures. The components of the hotel business are land, buildings, operations, management and brand.

The group leases assets both in South Africa and offshore where it is not possible to own the land and buildings. In South Africa the group will only manage operations for third parties if they are strategically important (due to partner requirements or location) and where there is no option to own or lease. We will manage operations for third parties offshore as this is a low risk option to enter new markets. We operate hotels as a franchisee where necessary due to brand differentiation requirements but we are not a franchisor of our own brands.

Tsogo Sun hotels' key differentiator in South Africa is our wide distribution of quality, budget through to luxury, hotel products. In addition to quality product, consistent exceptional guest experience remains the focus at all Tsogo Sun hotels to differentiate in an often commoditised industry.

The majority of Tsogo Sun hotels' occupancy depends on the business traveller, government and group and convention markets. Relationships with key customers and travel intermediaries, and access to the correct distribution networks, are critical in driving both occupancies and average room rates throughout the hotel division.

The customer rewards programme in the hotel division is important as 30% of hotel revenue is contributed by active reward club members.

Tsogo Sun operated brands

Luxury	MAIA, BEVERLY HILLS, PALAZZO, SANDTON SUN, SUNCOAST TOWERS, 54 ON BATH, INTERCONTINENTAL
Full service	Southern Sun HOTELS, Southern Sun RESORTS, CROWNE PLAZA, Holiday Inn
Select service	SUN SQUARE, Garden Court, stayeasy
Budget	SUN1

9 37 **United Kingdom**

1 **Nigeria** Lagos

1 1 **Zambia** Lusaka

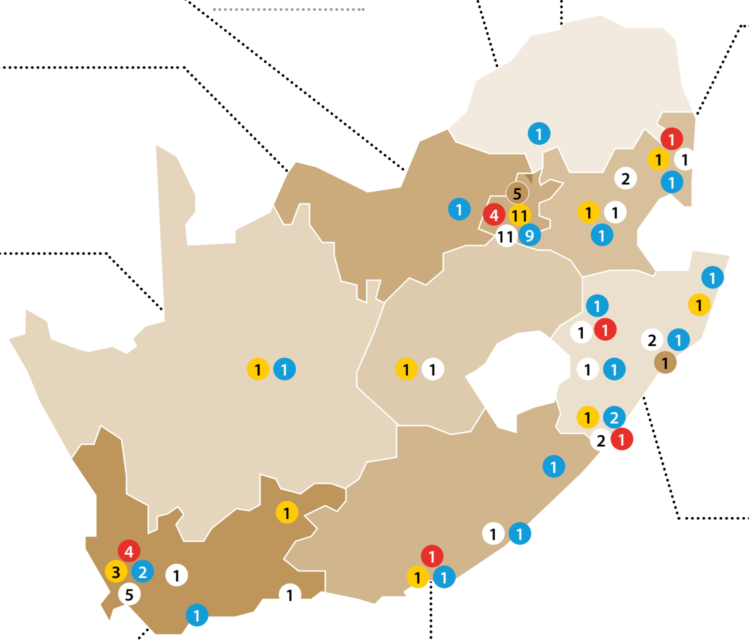
1 **Mozambique** Maputo

1 **Tanzania** Dar es Salaam

1 **Kenya** Nairobi

2 **Seychelles** Mahé and Praslin

1 **UAE** Abu Dhabi



Gauteng
- Johannesburg
- Pretoria
- Vereeniging
- Magaliesburg

Limpopo
- Polokwane

North West
- Rustenburg

Free State
- Bloemfontein

Northern Cape
- Kimberley

Mpumalanga
- Mbombela
- eMalahleni
- Hazyview

KwaZulu-Natal
- Durban
- Pietermaritzburg
- Newcastle
- Winterton
- Umhlanga
- Richards Bay
- Ulundi

Western Cape
- Cape Town
- Caledon
- Hermanus
- Mossel Bay
- Plettenberg Bay
- Beaufort West

Eastern Cape
- East London
- Mthatha
- Port Elizabeth

Business model continued

THE ENVIRONMENT WITHIN WHICH WE OPERATE

Regulatory

The South African regulatory environment continues to become more complex with the ongoing introduction of new legislation rulings, practices and policies. Gaming legislation remains the group's primary compliance focus although this regulatory framework is well entrenched and remains relatively stable.

The main regulatory areas of concern are potential amendments to smoking legislation, regulations regarding the maximum number of casino licences granted nationally, Gauteng provincial gaming taxes, amendments to the Western Cape casino licensing conditions, a Gauteng draft request for proposal for new electronic bingo licences and amendments to the Financial Intelligence Centre Act.

The total ban on smoking in public places has had a significant short-term impact on gaming win in other countries where it has been implemented, although the impact in South Africa may not be as severe due to the strict smoking restrictions that are already in place.

Following the approval by cabinet of the National Gambling Policy in October 2015 the Minister of Trade and Industry published his intention to increase the number of casino licences from 40 to 41 to include an additional licence in the North West province and it was proclaimed in the Government Gazette during June 2016. The additional licence remains subject to legal challenge by CASA.

The Gauteng provincial government published a revision of the casino tax regime for comment in January 2016 where the current fixed rate of 9% would be replaced with a sliding scale with a maximum marginal rate of 15%. CASA submitted an objection to the proposed increase due to, among others, its procedural illegality, gross unfairness and excessive nature. The proposed increase was again published unchanged for public comment in May 2017 and CASA again objected.

The Western Cape Gambling and Racing Board imposed a licence condition on the Western Cape casino licences to achieve a level 4 BBBEE status by 2016. The group remains committed to enhancing our BBBEE credentials in every commercially reasonable way and is currently a level 1 contributor measured against the Revised Codes of Good Practice – tourism sector scorecard. We, however, cannot expose our licences to moving targets due to the uncertainty and the extent to which the levels to be achieved are moved out of the group's control and are taking the decision on review.

The Gauteng Gambling Board recently issued a draft request for proposal for comment for an additional 14 licences of 300 EBTs each. The maximum number of EBT licences are currently not regulated by the National Gambling Act which may result in the uncontrolled proliferation of licences by the provincial gambling boards which would not be good for the industry.

Amendments to the Financial Intelligence Centre Act may impose more onerous and/or impractical obligations on the group. The FICA amendments include stricter requirements for concluding single transactions and the introduction of the concept of 'prominent influential persons/public officials'.

The gaming industry in South Africa is highly regulated, both at national and provincial level, and thus, unlike the hotel industry, has high barriers to entry. The National Gambling Act sets the broad framework for the licensing and regulation of gambling in South Africa, and each province has its own legislation relating to casinos, gambling and wagering. The National Gambling Act currently limits the number of casino licences that may be granted to 41 for South Africa as a whole. The table below sets out details in respect of the number of casino licences in South Africa which are authorised to be issued, have been issued and are available to be issued:

Province	Authorised to be issued	Issued	Tsogo	Available
Gauteng	7	7	3	–
Eastern Cape	5	4	2	1
Western Cape	5	5[1]	3	–
Mpumalanga	4	3	2	1
Limpopo	3	3	–	–
Northern Cape	3	3	–	–
Free State	4	4	1	1[2]
North West	5[3]	4	–	1[3]
KwaZulu-Natal	5	5	3	–
Total	**41[3]**	**38**	**14**	**4**

[1] *The Western Cape provincial government is considering the relocation of an existing Western Cape casino licence to the Cape Metropole*
[2] *One of the existing licences will lapse upon the issue of the one available licence*
[3] *The dti intends to permit the award of an additional licence*

The approval of an additional casino licence in the North West province potentially increases the risk of additional licences in other provinces, although assurances that this is a once-off special situation due to the loss of the Morula licence to the North West province due to the change of provincial boundaries have been given by the Minister of Trade and Industry, Mr Rob Davies.

The approval by the Gauteng Gambling Board of Sun International's relocation of its Morula licence to Menlyn in Pretoria potentially increases the likelihood of the relocation of other casino licences.

With the exception of the group's Eastern Cape-based licences, casino licences are issued for an indefinite period, subject to payment to the relevant provincial board of the applicable annual licence fees and continued suitability and compliance with licensing conditions.

Economic environment

Disposable income growth, ongoing urbanisation, significant middle-class growth, developed infrastructure and an operating environment conducive to business have historically been long-term structural drivers of growth in South Africa and have increased the consumer base and spending power of the population. Disposable income in South Africa has grown strongly since 2000 and millions of South Africans have entered higher LSM brackets.

Global economic conditions following the financial crisis remain weak although they appear to be improving but sentiment-driven shocks continue to fuel significant volatility. Global fund flows to emerging markets have improved but South African-specific political, social and economic issues have constrained investment in the country. The Rand has strengthened somewhat which should ease local inflation and allow for a reduction in interest rates to assist the current weak levels of economic growth. Business confidence remains at record low levels, particularly due to considerable political uncertainty, low levels of economic growth and high levels of household debt. Above-inflationary increases in municipal rates, electricity and water, in addition to the costs of mitigating the supply constraints, have had an impact on both businesses and the consumer, although the low levels of economic growth have mitigated the electricity supply shortages.

The underlying operations of the group remain highly geared towards the South African consumer (in gaming) and the corporate market (in hotels). The weakening of the Rand mainly impacts the capital cost of gaming machines and the translation of the income statement of the hotels outside South Africa.

The factors noted above mainly impact the group indirectly due to their impact on the consumer, corporate and government markets and have manifested in significant monthly trading volatility and reduced levels of growth over the past four years.

Industry

Gaming

A gaming industry has existed in South Africa since it was partially legalised in the independent homelands during the 1970s. Following the introduction of the current regulatory framework in South Africa during the late 1990s, the industry has been formalised and operates in line with global best practice. The formalisation of the industry has provided substantial benefits to the country through the collection of taxes and levies, the development of gaming and entertainment complexes, hotels and tourism infrastructure, the creation of employment, CSI initiatives and transformation. Gaming taxes and levies vary by province on either fixed or sliding scales and average 21% of gaming win including VAT on gaming win.

The casino market reflected double-digit growth until 2008 when the impact of the global recession slowed growth. The industry proved to be resilient and although growth slowed to low single digits it never went significantly negative. Growth from 2010 has lagged nominal GDP but is expected to accelerate when economic conditions improve.

The South African formal gaming market is made up of casinos, sports betting, LPMs and EBTs, and generates annual revenues of approximately R28 billion. In addition the national lottery generates revenues of approximately R2 billion.

Casino gaming accounts for approximately 68% of the gaming market and Tsogo Sun has a revenue share of 50% in the six provinces in which it operates and 45% nationally. As a result of their geographic distribution, casinos in South Africa mainly compete with providers of other leisure and entertainment activities for patronage, such as shopping centres, restaurants and sporting and concert venues, rather than with other casinos. They operate in different markets, each with its own catchment area. The table below sets out the group's estimate of its share of the total casino gaming win per province:

	For the year ended 31 March 2017	
	Total casino gaming win Rm	Group share of total casino gaming win %
Gauteng	7 410	54
KwaZulu-Natal	3 434	60
Western Cape	2 890	34[1]
Eastern Cape	1 186	23
Mpumalanga	731	81
Free State	490	25
Other	1 856	–
Total	**17 997**	**45**

[1] *The group's effective share of the Western Cape's casino gaming win includes 20% of the SunWest and Worcester casinos*

Business model continued

Online gaming remains illegal in South Africa and there is no indication as to when enabling legislation will be implemented. There was no discernible impact from the banning of online gaming and it is not considered a significant risk. However, the group does see it as an opportunity in the event that it were legalised.

Limited payout machines ('LPM') and electronic bingo terminals ('EBT') show double-digit growth and this is expected to continue until the markets mature. LPMs, which are principally located in bars, clubs and restaurants, appear to have had limited impact on casinos as they are targeted at a different segment of gambler. LPMs account for approximately 10% of the gambling market and growth will be driven by the roll out of additional sites and by the optimisation of individual site locations and machine mix within sites. EBTs, however, do appear to have some impact where large bingo sites are located within casino catchment areas as the experience is more similar to a casino main floor experience. EBTs account for approximately 4% of the gambling market and growth will be driven by the roll out of additional sites by province. EBTs are currently not operating in KwaZulu-Natal, the Western Cape, the Free State and the Northern Cape.

Illegal gambling sites are impacting casino revenues and CASA estimates that they cost the government R140 million in lost taxes during 2016. Sports betting and horse racing make up approximately 18% of the gambling market and growth in sports betting is strong. The proliferation of both licensed outlets and illegal sites could negatively impact the gaming industry through negative perceptions created by widespread access to gambling. What remains of concern to the casino industry is if the roll out of licensed EBT outlets is on an uncontrolled basis and if the maximum bet and maximum pay out limits for LPMs were substantially increased.

Hotels

Following the first democratic elections in 1994 the demand for hotel rooms grew rapidly and rooms sold by the group grew by more than 6% per annum between 1994 and 1999. The market responded to the increased demand through the construction of new hotels but demand growth continued to exceed the growth in supply until 2008 with occupancies and average room rates continuing to rise. During 2008, the impact of the global recession constrained demand but construction of new hotels continued until the FIFA World Cup in 2010 as the projects were already in progress. Market occupancies fell from 72% in 2007 to 53% in 2011 due to the combination of constrained demand and increased supply. Demand has subsequently grown, and with little growth in hotel supply, market occupancies have been recovering since 2011 and are now at 65% for 2017.

The fiscal austerity measures implemented by government remain in place although government business is increasing, albeit off a lower base. The visa requirements for the collection of biometric data and in-person applications which constrained growth during the prior year were amended and visitor numbers from China and India grew substantially as a result. International demand, particularly in Cape Town, remained strong, partially due to the exceptional value offered to international travellers due to the weaker Rand. Occupancies in Cape Town remained high during the year at over 70% and approximately 2 000 rooms will be added to the market during 2017. Trading in the majority of the rest of the country remains weaker, with little additional hotel supply being added to the market. Online booking channels such as Airbnb provide access to non-hotel accommodation which adds additional supply to the market that may otherwise have been provided by additional hotels. We anticipate that demand will continue to grow and that additional supply will again be added to the market when market occupancies approach 70%.

Tsogo Sun hotels has a strong presence throughout South Africa and has a broad portfolio of hotels, particularly in urban centres. Of the approximately 150 000 hotel, bed and breakfast and guesthouse rooms available in South Africa, the formal hotels contributing statistics to STR Global make up approximately 30% of the total market, with 45 577 rooms available as at 31 March 2017. The group's share of the formal market rooms available is approximately 30% for hotels we operate and 36% for hotels we own and the group thus benefits from a significant presence in the South African hospitality industry and is the only hotel group in South Africa with wide distribution across all grading levels.

Trading in the majority of the African cities where Tsogo Sun hotels operate outside South Africa remained remarkably resilient through the economic downturn mainly due to limited supply of good quality hotels. Trading between the 2015 to 2017 financial years was, however, significantly impacted by the Ebola pandemic, security concerns and more recently a weaker market attributable to the negative impact of lower commodity prices. In the medium term it is expected that many African countries will experience strong economic growth which will drive the demand for, and supply of, new hotels but in the short term tough trading conditions are anticipated. The markets are small and the addition of a new hotel has a more significant impact on the market. It remains challenging and expensive to acquire land and build hotels in many countries in Africa which constrains supply.

Technology

The use of technology is important in both the gaming and hotel businesses to deliver relevant experiences to customers and to drive business efficiencies. Key technology areas are casino management, hotel property management and hotel booking and reservation systems to enable the business, customer relationship management to provide relevant benefits and rewards to customers, business intelligence to drive efficiencies and digital platforms to interact with and provide connectivity to customers.

Relevant technology trends are as follows:

- online booking volumes of hotel rooms continue to increase although they remain below international norms in South Africa;
- booking channels such as Airbnb continue to make it easier for smaller operators to access the market;
- free broadband wireless access is pervasive although the user experience with regards to speed and data caps differs widely;
- the increased utilisation of mobile devices makes a mobile-friendly website an imperative in driving revenue and enhancing customer satisfaction;
- innovative products that improve guest service continue to be developed although it is imperative to evaluate which are valued by customers;
- quality business intelligence and customer relationship management is increasingly important in encouraging customer loyalty, particularly due to potential gaming advertising restrictions and the Consumer Protection Act;
- social networking continues to impact marketing channels and requires transparent and timeous responses and active management;
- improving agility by adopting cloud technology and 'solutions as a service'; and
- the importance of data security is increasing due to external threats, increased connectivity and the need to comply with existing and new legislation.

Consumer preferences

In order for gaming and hotel businesses to deliver quality experiences, facilities and services must be relevant to what customers want and are prepared to pay for. Consumer preferences range from the technology preferences noted above to the look and feel of the physical product, the location of buildings, concepts of restaurants and bar offerings, types of entertainment and travel patterns. Public recognition of brands and their associated reputation are important in attracting and retaining customers.

Societal issues

The weak economic environment, along with political factors, continues to fuel disruption and uncertainty which discourages investment and impacts the high unemployment level and low growth rate in South Africa. The impact on labour disruptions in the gaming and hotel businesses in the markets in which the group operates is limited due to the high level of employee engagement and the location of the majority of the properties in urban areas. The group is, however, indirectly impacted through the adverse effect on the economy.

The gaming industry is exposed to anti-gaming sentiment, which increases the risks of excessive taxation and regulation. The reality, however, is that the issues such as problem gambling are well managed and are substantially exceeded by the benefits in the highly regulated industry through significant tax contributions, infrastructure development, creation of employment, wealth distribution to black economic empowered businesses and PDI shareholders and social investment in the communities that are served.

Environmental issues

The gaming and hotel businesses pose limited risks to the environment due to the service nature of the industry. Tsogo Sun operates predominantly in urban areas, which further reduces the biodiversity impact. The main environmental impacts of the group are the consumption of energy and water, the production of waste and travel of guests to our properties.

Although customer choices are not yet significantly impacted by environmental performance, behavioural changes are being driven by social responsibility. The greater challenges to the industry currently are the rising utility costs and uncertainty of the future supply of energy and particularly of water. The current severe drought and water shortages in the Western Cape is a significant challenge, and while the group's hotels are prepared for water supply interruptions through sufficient storage capacity, there is no practical solution in the event of no water availability in the region and this risk must be addressed by provincial or national government.

Business model continued

OUR CAPITALS

The value of a business is the present value of the future cash flows that can be generated by the assets and other capitals utilised by the business.

The capitals that generate these cash flows include physical assets such as property, plant and equipment and employees as well as intangible capitals such as licences, brands, trademarks, technology and systems, supported by adequate financial capital to pursue growth opportunities and underpinned by quality relationships with key stakeholders. Execution of a robust strategy informed by and responding to material risks and opportunities will lead to optimal utilisation of capitals and generation of cash flows and ultimately value.

We have identified our most important capitals below and our strategy in action section provides more insight into our performance and outlook as well as how our capitals are deployed in our strategy and business model to generate and sustain value in the long term.

Capitals	Utilisation of the capitals	Reference
Financial	Our ability to generate cash flows as well as access to well-priced debt and equity funding determines our ability to fund organic and inorganic growth.	CFO's review 34 Financial strength and durability 48
Social and relationship	Quality relationships with our key stakeholders is vital to the long-term sustainability of Tsogo Sun. Popular misconceptions about the gaming industry within which Tsogo Sun operates can significantly impact the group's reputation and value generation ability. Building trust and credibility with our key stakeholders is key to retaining our social and regulatory licence to operate.	Key relationships 24 Deliver to our beneficiaries 39 Regulatory compliance 52
Manufactured	Significant focus is placed on the quality of the facilities and experiences offered at each of Tsogo Sun's sites. To remain relevant a variety of quality experiences must be provided at appropriate price points across all market segments. Our integrated gaming and entertainment complexes are primarily located in urban areas and our hotels have a wide geographic distribution which are key to the group's competitive advantage. Significant spend is continuously invested into developing and maintaining our properties to keep them relevant and fresh.	Gaming and hotel footprints 12-15 Product relevance to customer experience 49 Organic and inorganic growth 57
Intellectual	Our Tsogo Sun 'sunburst' brand underpins the quality experiences of our customers and our integrated approach across the divisions in leveraging the assets and resources of the group under a unified management structure with a common corporate identity. We are consistently striving to innovate our physical product, technology, accessibility and brand to remain relevant to our customers. Our intellectual capital is largely driven by our people, processes and systems, market intelligence and specialist business partners.	Product relevance to customer experience 49
Human	People are at the core of delivering the Tsogo Sun experience, both front and back of house. A pool of qualified, trained and talented people is required to deliver these experiences, supported by empowered management and relevant support services. Employee development and engagement remain focus areas to ensure we attract and retain the highest calibre of people to drive our strategy.	Human resources 53
Natural	Our utilisation of natural capital is predominantly driven by our requirement for optimally located properties upon which we have instituted property-specific environmental management systems focused mainly on energy, water, waste management and responsible procurement.	Deliver to our beneficiaries 39

Materiality, material risks and opportunities

Determination of materiality

The matters included in our integrated annual report are principally aimed at providers of financial capital in order to support their financial capital allocation assessments. The interests of the providers of financial capital are, however, largely aligned with other key stakeholders in that they also are focused on the creation of value in the long term.

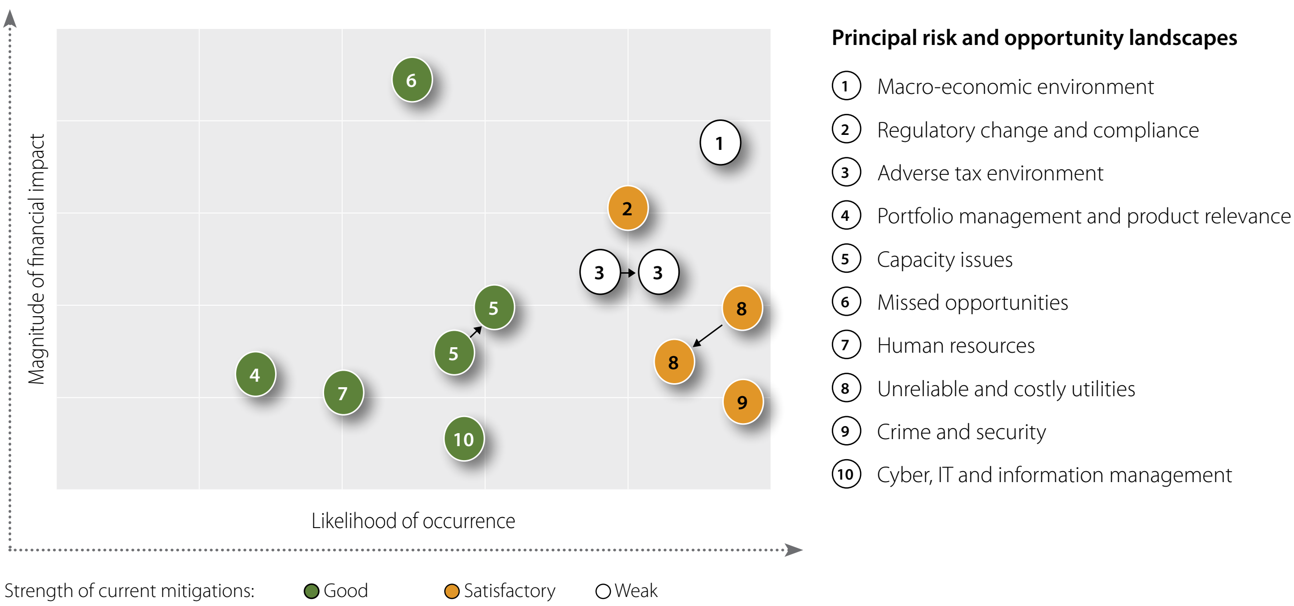
In determining which matters are material for disclosure in our integrated annual report we have considered whether the matter substantively affects, or has the potential to substantively affect, our strategy, our business model or the forms of capital we utilise and ultimately our ability to create value over time.

The assessment of the magnitude of the impact and the likelihood of the occurrence of the group's top risks and opportunities included below informed the identification and prioritisation of the material matters for inclusion in the integrated annual report. The matters identified were compared with those being reported on by organisations in the same or similar industries to ensure that relevant matters have not been excluded from the report.

Material risks and opportunities

The risk management process followed in identifying the group's top risks and opportunities is included on page 70. The matrix reflecting the assessment of movement in the magnitude of the impact and the likelihood of the occurrence of the group's top risks and opportunities over the year is noted below. The specific risks and opportunities within each risk landscape (in order of assessed residual risk), their potential impact and the group's risk responses are noted on pages 22 and 23.

Tsogo Sun group risk and opportunity landscapes movement from March 2016 to March 2017



Material risks and opportunities

Principal risk landscapes	Specific risks we face	Potential impact
Macro-economic environment	• Growth negatively affected by macro-economic factors • Concentration of operations in South Africa • Increased funding costs due to ratings downgrade • Constrained growth in government travel • Resources cycle in offshore operations	• Lower revenue growth and profitability • Increased funding costs
Regulatory change and compliance	• Additional casino licences or relocation of existing casino licences • Policy uncertainty • Smoking legislation • Changes in casino licensing conditions • Changing BBBEE requirements • Increased complexity of compliance, eg POPI, CPA and FICA • Visa regulations • Loss of casino licences	• Lower revenue, higher costs and reduced profitability • Uncertain operating environment resulting in frozen investment spend
Adverse tax environment	• Potential increased national and provincial gaming taxes • Possible VAT increases • Increase in personal taxes • Aggressive tax authorities • Increased rates and property taxes	• Reduced profitability • Uncertain operating environment resulting in frozen investment spend • Increased cost of compliance
Portfolio management and product relevance	• Product relevance in target markets • Increase in maximum bet and maximum payout limits at limited payout machine sites • Lack of maintenance leading to obsolete product • Customers choose other leisure options • Technology and social trends	• Reduced income and profitability • Obsolete hotel stock • Reduced footfall and customers and thus gaming win • Disruption to operations and reduced profitability
Capacity issues	• Fixed cost nature of the business • Impact of Time Square on the Gauteng market • Trading disruption during construction • Casino capacity constraints • Hotels oversupply in certain markets • Ability to manage booking channels including OTAs including Airbnb • Security of tenure on leases and management contracts • Locations of EBTs infringing on casinos	• Lower revenue growth and profitability
Missed opportunities	• New gaming opportunities • Investments in expansion not yielding expected returns • Hotels opportunities, local and offshore • Ineffective integration of acquired businesses	• Lower revenue growth and profitability • Missed revenue opportunities • Wasted investment
Human resources	• Employment equity challenges at senior levels • Changes in labour legislation • Unrealistic expectations, social pressure and/or unresolved industrial relations issues leading to violent strikes and unrest • Limited pool of qualified, trained and talented staff • Lifestyle diseases, including HIV/Aids, hypertension and diabetes	• Failure to meet BBBEE targets • Reduced customer satisfaction, disruption to operations and reduced profitability • Work stoppages, reduced profitability and reputational impacts
Unreliable and costly utilities	• Unreliable water supplies • Unreliable electrical supply • Rise in electricity and water costs	• Disruption to operations and reduced profitability • Machinery breakdown
Crime and security	• Casino and hotel robberies/follow home robberies • Major violent incidents • Fraud by employees/from external sources • Illegal casinos	• Lower revenues, increased cost and lower profitability • Reputational risk
Cyber, IT and information management	• Hacking and hacktivism • Sub-optimal online transacting • Payment card industry data security standards • POPI legislation • Loss of information	• Reputational risk • Fines and penalties • Reduced income and profitability

Risk responses	Associated strategic priorities
• Revised strategic priorities • Review organisational structures • Further focus on cost reduction • Renewed and focused marketing and promotions • Reward programmes	• Financial strength and durability 48 • Organic growth 57
• Engage authorities, including gambling boards • Submit comments to law makers through formal comment structures • Robust compliance procedures • Engage law makers through employer and industry bodies • Litigate where required • Comprehensive BBBEE programme	• Deliver to our beneficiaries 39 • Regulatory compliance 52
• Lobby government through CASA • Educate legislators regarding gaming impact through direct lobbying • Lodge of appeals on assessments and property valuations • Robust compliance procedures	• Deliver to our beneficiaries 39 • Regulatory compliance 52 • Organic growth 57
• Overview of markets • Interaction with local authorities • Investment in facilities and maintenance capex to ensure relevance • Market research to timeously spot trends • Partnerships with other leisure suppliers • Social media interaction	• Product relevance to customer experience 49 • Organic growth 57
• Review organisational structures • Further focus on cost containment • Interaction with gambling boards and city officials • Monitoring returns on new businesses	• Organic growth 57
• Proper and robust evaluation of all new opportunities • Non-financial due diligence of opportunities • Monitoring returns on new businesses	• Organic growth 57 • Inorganic growth 60
• Retention of staff through appropriate remuneration structures • Engage with and empower staff • Fast track and develop talented staff • Performance-driven culture • Focused employment equity strategy • Labour rate parity	• Human resources 53 • Deliver to our beneficiaries 39
• Demand-side management programmes to reduce consumption • Water handling/storage capacity for emergency supply • Self-reliance on generators for emergency electricity supply	• Product relevance to customer experience 49 • Organic growth 57
• Physical security and surveillance procedures and crime intelligence • Coordination with the South African Police Service • Pressure on gaming boards and government to curtail illegal gambling • Internal control frameworks and internal audit procedures	• Regulatory compliance 52 • Organic growth 57
• IT security • Payment card industry standard compliance • Appointment of Information Officer • Review of online transaction opportunities and website rewrite • Increased IT auditing and assurance	• Regulatory compliance 52 • Organic growth 57

Key relationships

We create value through our relationships with our stakeholders. Building trust, mutual respect and credibility with our stakeholders is vital to our long-term sustainability.

All interactions with our stakeholders are based on our values, included on page 54, which guide our behaviour ensuring our stakeholders know what to expect from us. We have taken our stakeholders' views into account in formulating our strategic priorities and report content.

An overview of our key stakeholder groups, their interests and concerns and how we engage with them is provided in the table below.

Stakeholder group	Why it is important for us to engage
Investors and funding institutions	Investors and funding institutions are the providers of capital necessary for our growth and we need transparent communication and to understand potential concerns
Government and regulatory bodies	Government provides us with our licence to trade and the enabling regulatory framework within which to operate and we need to ensure compliance and understand the broader economic, social and environmental issues
Customers	We need to understand our customers' needs, perceptions and behaviours in order to deliver experiences relevant to them, thereby enhancing our brand value and driving revenue
Communities	Engagement assists us to focus our efforts on empowering local communities which contributes to our long-term viability
Employees and unions	Our employees are core to delivering our customer experiences and we need to understand their needs, challenges and aspirations and for them to be aligned with our strategy
Suppliers, tenants and business partners	Our suppliers, tenants and business partners enable us to deliver consistent customer experiences

How we engage with our stakeholders	Our stakeholders' key interests		
• JSE news services • Media releases and published results • Integrated annual reports and financial statements • Annual General Meetings • Dedicated analyst and investor presentations • One-on-one meetings • Tsogo Sun website	• Sustainable growth and returns on investment • Dividends • Risks and opportunities of expansion • Transparent executive remuneration • Corporate governance and ethics • Liquidity and gearing	Financial strength and durability Organic growth Inorganic growth	48 57 60
• Establish constructive relationships • Comment on developments in legislation • Participate in forums • Written responses in consultation processes • Presentations and feedback sessions • Regulatory surveillance, reporting and interaction • Membership of industry bodies, eg CASA, Fedhasa, BLSA, etc	• Taxation revenues • Compliance with legislation • Compliance with licence conditions • Job creation • Investment in public and tourism infrastructure • Investment in disadvantaged communities • Advancing transformation • Social impacts • Reduction in energy and water consumption	Deliver to our beneficiaries Regulatory compliance Human resources	39 52 53
• Satisfaction surveys • Rewards programmes • Customer relationship managers • Call centres • Website and active Twitter and Facebook engagement • One-on-one interaction	• Quality product • Consistent quality experience • Simpler and quicker to deal with us • Value offerings • Long-term security of supply • Recognition for loyalty	Product relevance to customer experience	49
• Events and sponsorships • Media channels • Corporate social investment initiatives • National Responsible Gaming Programme	• Investment in disadvantaged communities • Employment opportunities • Sponsorships • Responsible gaming	Deliver to our beneficiaries	39
• Communication from executives • Internal communications and posters • Induction programmes • Ongoing training and education • Employee surveys • Performance management programmes • Anti-fraud, ethics and corruption hotline • Trade union representative meetings • Staff engagement programme 'livingTSOGO'	• Job security • Engagement • Performance management • Clear understanding of reward structures • Health and safety performance • Access to HIV counselling and wellness programmes • Career planning and skills development • Preferred employer	Human resources	53
• One-on-one meetings • Tender and procurement processes • Anti-fraud, ethics and corruption hotline • Supplier forums and showcases	• Timely payment and favourable terms • Fair treatment • Broad-based black economic empowerment compliance	Deliver to our beneficiaries	39

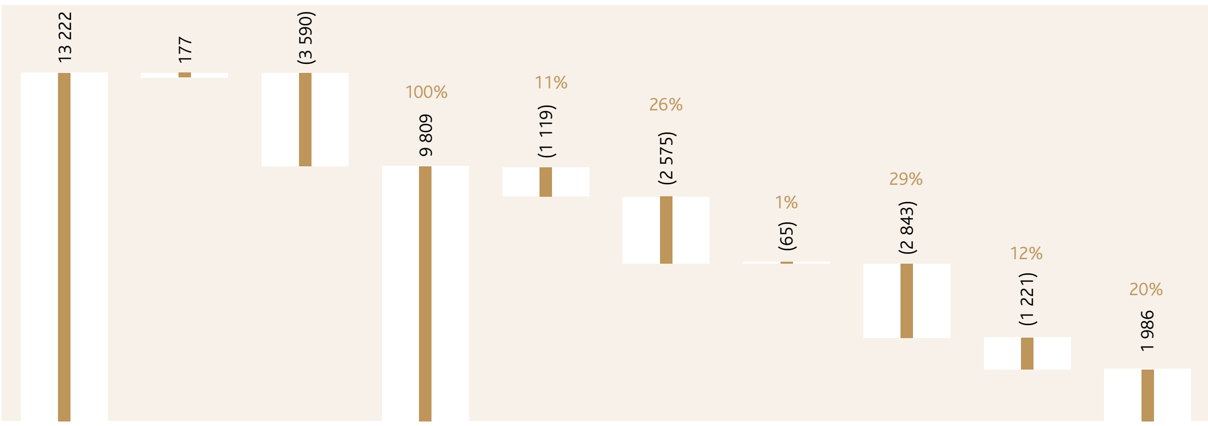
Key relationships continued

In addition to providing exceptional experiences to our customers, the group generates direct and indirect financial benefits for our stakeholders including:

- returns for our shareholders and funding institutions;
- substantial income tax, dividend taxes, gaming levies and VAT, employees' tax and property rates and taxes to national and provincial government;
- corporate social investment within the communities we serve;
- employment within the communities we serve;
- sustainable business for our national and local business partners and suppliers which creates wealth and additional employment; and
- continuous investment to maintain and expand our portfolio of properties.

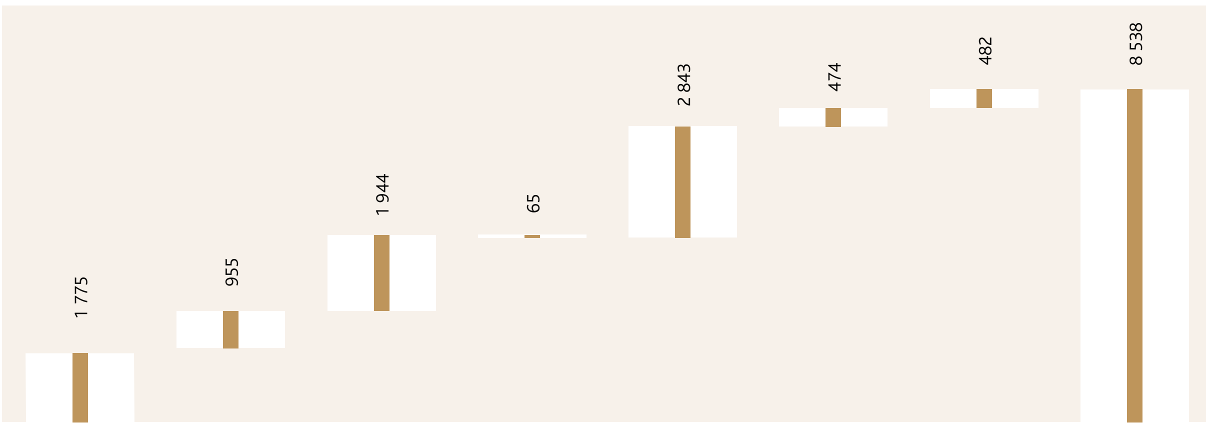
A substantial portion of the value added wealth generated by the group is spent with/distributed to black economic empowered businesses, PDIs and government. The value added by the group and the contribution to black economic empowered businesses, PDIs and government is as follows:

Value added for the year ended 31 March 2017 (Rm)



Cash derived from revenue	Dividends and interest received	Paid to suppliers for materials and services	Total cash value added	Funding institutions	Employees[1]	Corporate social investment	Taxation and property taxes	Shareholders	Net cash retained from operations for growth	
12 283	82	(3 283)	9 082 100%	(832) 9%	(2 484) 27%	(52) 1%	(2 745) 30%	(878) 10%	2 091 23%	2016

Value added to black economic empowered businesses, PDIs and government for the year ended 31 March 2017 (Rm)



Paid to black economically empowered businesses for materials and services*[2]	Funding institutions*	Employees[1]	Corporate social investment*	Taxation and property taxes	Shareholders*	Paid to black economically empowered businesses for capital expenditure*	Total black economically empowered businesses, PDIs and government contribution	
2 369	825	1 848	48	2 745	362	690	8 887	2016

** As per the Department of Trade and Industry tourism sector code*

[1] Net pay to employees with employees' tax included in taxation

[2] The reduction in the measurement of amounts paid to black economically empowered businesses for materials and services is due to the enhanced recognition for value-adding suppliers no longer being applicable under the revised codes of good practice

Chairman and Chief Executive Officer's review

Overview

The year ended 31 March 2017 delivered overall revenue growth of 8% despite disappointing gaming win growth of 2%. The overall revenue growth rate was positively impacted by the consolidation of Hospitality Property Fund with effect from 1 September 2016 and the acquisition of two hotel businesses from the Liberty Group with effect from 1 October 2016. Trading results for the South African gaming and hotel operations reflect the difficult macro-economic environment and poor business confidence and consumer sentiment. The offshore hotels continued to experience difficult trading conditions, with total revenue declining by 8% year-on-year. Despite the challenging overall trading environment, the group managed to grow adjusted headline earnings per share by 6%. With organic revenue growth under pressure, the group remains vigilant in containing costs without impacting customer experience.

The group's casino and hotel properties are in excellent condition as a result of its continuing refurbishment programme and upside potential from any economic recovery is significant. A number of acquisitions were concluded during the year, including:

- acquiring control of Hospitality Property Fund through an asset for share transaction, resulting in the group owning 50.6% of HPF's shares at year end;
- the acquisition of a 20% stake in the GrandWest and Worcester casinos in the Western Cape for R1.35 billion;
- acquiring the remaining 40% of the issued share capital of Cullinan held by Liberty plus loans for a consideration of R1.03 billion;

John Copelyn
Chairman

The group grew adjusted headline earnings per share by 6% despite the difficult macro-economic environment and poor business confidence and consumer sentiment, partially due to the impact of the continued growth strategy, and remains highly cash generative.

Jacques Booysen
Chief Executive Officer

Chairman and Chief Executive Officer's review continued

Major acquisitions

F'10
- 30% of Suncoast (R1.0 billion)
- Century Casinos (R438 million)

F'11
- Gold Reef merger

F'12
- 16.5% of Suncoast (R510 million)
- 52.6% of Hotel Formula1 (R300 million)

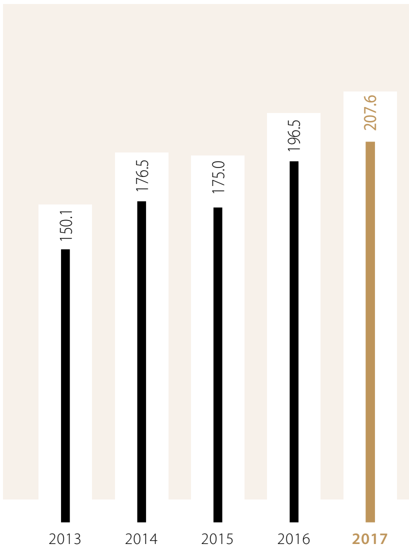
F'14
- 10% of Suncoast (R400 million)
- 75.5% of Southern Sun Ikoyi (R695 million)

F'15
- 10% increase in interest in Cullinan and acquisition of hotel assets (R762 million)
- 25% of Redefine BDL (R145 million)
- Buy-back of 12% of Tsogo Sun ordinary shares (R2.8 billion)

F'16
- 25.9% of International Hotel Group Limited (R315 million)
- 55% of HPF B-linked units (R252 million)

F'17
- 20% of the GrandWest and Worcester casinos (R1.35 billion)
- 40% of Cullinan plus loans (R1.03 billion)
- Acquisition of hotel assets (R310 million)
- 30% of Mykonos (R190 million)
- Control of HPF through an asset for share transaction

Adjusted HEPS (cents)



- the acquisition of Garden Court Umhlanga and StayEasy Pietermaritzburg hotel businesses at a cost of R310 million; and
- acquiring a further 29.6% in Mykonos Casino through a R190 million share buy-back, resulting in the group now owning a 100% interest in the business.

Post-year end, an additional transaction was entered into with HPF, resulting in a further 29 hotel properties being transferred from the group to HPF for shares and cash effective 1 July 2017. Following this transaction and HPF's R1.0 billion rights issue during August 2017, the group now owns 59.6% of HPF. Additional property assets will be injected by the group into HPF as and when commercially appropriate.

The group continues to focus on value-adding projects which currently include the following:
- the expansion of the Suncoast Casino in Durban, including a new privé, dedicated VIP parking and restaurant and entertainment expansion. The revised project is scheduled to be completed by December 2018 at an estimated cost of R1.6 billion;
- continuing engagement with the Western Cape Provincial Government regarding the relocation of one of Tsogo Sun's smaller casinos to the Cape Town Metropole; and
- the proposed acquisition of a 100% interest in Gameco, which will be unbundled from Niveus, a subsidiary of HCI, and which owns Niveus's South African gambling assets excluding sports betting including:
  – Vukani, the largest route operator of Limited Payout Machines ('LPM') in South Africa, with more than 5 000 LPMs at third-party sites; and
  – Galaxy Bingo, offering Electronic Bingo Terminals ('EBT') and paper bingo games at its licensed bingo centres in six provinces, and operating the Kuruman Grand Oasis Casino in the Northern Cape,

for a consideration of R4.48 billion which will be settled in Tsogo Sun shares (valued at R28 per share) and cash with a cash limit of R1.76 billion. This transaction is strategically important to the group as, in the short to medium term, growth in the LPM and EBT industries is expected to be stronger than in the casino industry, mainly as a result of the ability to roll out further gaming capacity and new facilities in previously untapped geographical areas.

The industry continues to face regulatory challenges and these are being addressed as far as practical through constructive engagement with the decision makers to enable a stable regulatory environment.

Strategic priorities

The strategic priorities of the Tsogo Sun group remain sustainability and growth. The current uncertain socio-economic outlook in South Africa heightens sustainability risks which we address by avoiding decision making that negatively impacts the long-term health and survival of the business and secondly, by developing appropriate strategies to eliminate or minimise the potential negative impact of identified external risks and taking advantage of opportunities which may arise. Growth is achieved both organically and inorganically and is measured by the increase in the group's free cash flow generated over time.

Sustainability

Tsogo Sun's sustainability is underpinned by five major pillars of focus. We continue to focus on enhancing our performance in each of these areas.

Financial strength and durability

Closing net debt increased to R12.1 billion mainly as a result of the acquisition activities referred to earlier in this review, with a net debt to Ebitdar ratio of 2.4. The group's committed debt facilities total R15.5 billion, some R3.4 billion above the current drawdown (including available cash on hand), and have an average tenure of three years. Accordingly, the group is adequately funded for ongoing operations and macro-economic shocks that may occur and able to take advantage of attractive expansion opportunities.

Debt is expected to increase with the conclusion of the acquisition of Gameco and the expansion of the Suncoast Casino as discussed above. The group is mindful of its higher gearing levels and the ratio of net debt to Ebitdar is not expected to materially exceed 2.8 times.

Deliver to our beneficiaries

Given the perceived social impacts around gaming, it will always be important who enjoys the economic benefit of the group's activities through ownership, employment, taxes and social programmes.

HCI remains a stable and supportive shareholder and is expected to increase its ownership in the group to over 50% post-year end upon the acquisition of Gameco. The ultimate largest shareholder in the group through HCI is SACTWU.

CSI and enterprise development activities continue to be conducted as part of citizenship, with a focus on programmes that make a real difference in the communities we operate in, and enthusiastic support from our employees at all levels. R65 million was spent on CSI initiatives in the key areas of education, sport and environmental awareness, while in supplier and enterprise development the Tsogo Sun Entrepreneurs programme now supports 200 emerging businesses in the tourism sector and other industries throughout the country.

Tsogo Sun is extremely proud of having achieved a level 1 BBBEE rating under the Revised Codes of Good Practice – tourism sector scorecard. The group continues to resist attempts by various gambling boards to unilaterally impose arbitrary requirements with regard to BBBEE compliance due to the fact that achievement of such levels can be impacted by factors beyond the group's control. We remain committed to BBBEE as evidenced by our level 1 rating, but cannot expose our gaming licences to regulatory risk against uncertain moving targets.

Evidence of the large and diverse stakeholder base that benefits from the group's activities can be found with reference to the approximately 23 000 people employed directly and indirectly by the group and the R2.2 billion in direct taxes paid per annum. We refer you to the value added statement in the key relationships section on page 26 and the community section on page 39 for further information.

Product relevance to customer experience

Tsogo Sun continues to reinforce its position as an established household name, in both the corporate and consumer markets in South Africa. The essence of the group's products remain onsite experiences, as, in order for our customers to consume our projects they need to physically visit our properties, be it for accommodation, theatre, entertainment, dining, gaming or hospitality.

Key to remaining our customers' destinations of choice is the group's ongoing focus on maintaining and refurbishing both its casino and hotel offerings. During the past five years, the group has spent R4.0 billion on casino and hotel refurbishments. The effect of this is that, despite the current difficult trading conditions, should the economic outlook improve, the group will not be faced with a major capital expenditure backlog.

Chairman and Chief Executive Officer's review continued

Continued focus remains on facilitating ease of business for our customers ranging from hotel bookings to ordering refreshments on the casino floor.

We use the feedback received through our guest experience survey programme to ensure that our operations are always aimed at providing a satisfying customer experience.

Regulatory compliance

The group enforces a culture of compliance at all levels of the organisation, relating to all relevant laws and regulations. Compliance is not limited to intensive gaming regulatory requirements, but also involves having systems and review processes in place to understand and abide by laws in areas as diverse as liquor and fire regulations, health and hygiene standards, labour, competition and consumer protection.

While we respect the important role that the various regulatory bodies play in society, business in general and the affairs of the group specifically, we have been, and are still, forced to challenge arbitrary unjustified decisions and laws and regulations that we believe are misguided or will have unintended adverse consequences for the group and its stakeholders. We will continue to defend our commercial rights while maintaining a cordial and cooperative relationship with various levels of government.

Human resources

Tsogo Sun aims to recruit staff with the best attitudes and skills available and provide an enabling and satisfying work environment.

The Tsogo Sun Academy plays a pivotal role in the training and development of our employees and to this end spent R130 million during the 2017 financial year on training. Training and development programmes are aimed at ensuring that all our employees are properly prepared and equipped for their work environment.

We believe that engagement is as important as levels of remuneration to derive the best performance from our workforce and to assess the levels of engagement an employee engagement survey is planned for the coming year. Our remuneration philosophy is aimed at ensuring that we attract and retain talented employees. The remuneration section on pages 73 to 78 highlights the philosophy towards remuneration and incentivisation.

Growth

The value of a business is the present value of the future cash flows that can be generated by the assets and other capitals utilised by that business. The only true measure of growth for our business therefore is its growth in free cash flow over time.

The 2017 financial year saw our free cash flow increase by 14% to R2.2 billion, mainly as a result of cash generated from operations, offset by increased finance costs due to investment activities.

Organic growth

Gaming win growth was negatively impacted by the macro-economic environment and consumer sentiment. Overall gaming win growth of only 2% was achieved, with 8% growth in tables win and slots win flat on the prior year. In the short to medium term it is expected that gaming revenue growth will continue to be impacted by negative consumer sentiment and the macro-economy.

Overall owned occupancies in the South African hotel division increased by 1.3pp to 63.2%, still well below normal long-term levels of approximately 67%. It is not expected to return to these levels without some positive macro-economic indicators and an improvement in business confidence. Revpar increased by 8% to R615, mainly as a result of a 6% growth in average room rate.

Trading for the group's Africa hotels excluding South Africa remained under pressure with occupancies down 1.5pp on the prior year to 52.4%. These hotels continue to experience weaker markets due mainly to the negative impact of low commodity prices and the subsequent collapse of the local currencies.

The 2017 financial year reflects an income and Ebitdar growth of 8% and 11% respectively, assisted by the acquisitions implemented in the current and prior year. The improvement in the Ebitdar margin to 38.2% was assisted by the dividends received from GrandWest and the acquisition of HPF.

Given the quality of our asset base and the high levels of operational gearing in our industries, organic revenue growth even marginally above inflationary levels should see a significant increase in operating cash flows. In the longer term a recovery in consumer and business sentiment, together with an improvement in the macro-economic environment, remain the factors that present the largest growth opportunity for the group. In the current environment we will continue to focus on driving revenue and containing costs.

Inorganic growth

The group continues to pursue inorganic growth through a combination of acquisitions, new developments and expanding our own facilities, and a total of R2.6 billion was spent on this during the 2017 financial year, excluding the HPF asset for share transaction. For details of the transactions refer to page 60.

Further opportunities are being pursued, with the most significant being the Suncoast expansion, the Western Cape relocation and Gameco acquisition referred to above. In addition the group continues with the construction of a 125 room StayEasy in Maputo, Mozambique, the growth of its property portfolio through the roll out of Monte Circle at Montecasino and it is anticipated that the group will invest additional capital in hotel properties in the United Kingdom through International Hotel Properties Limited.

Further investment opportunities will be evaluated as they arise bearing in mind the higher gearing levels of the group and the potential value that such opportunities present. We remain confident of generating significant value for our stakeholders in future, provided that the regulatory environment remains stable and that the macro-economy does not collapse.

Appreciation

We wish to extend our appreciation to the board, management and the staff of the group for their contributions during the year. In particular, we thank Marcel von Aulock for his contribution during his 18 year tenure with the group, the last six of which as Chief Executive Officer. Tsogo Sun, with its irreplaceable assets and talented workforce, is perfectly positioned for an upturn in the economy.

John Copelyn
Chairman

20 September 2017

Jacques Booysen
Chief Executive Officer

20 September 2017

Chief Financial Officer's review

We measure our creation of shareholder value through the increase in adjusted headline earnings per share and the generation of free cash, our efficiency through Ebitdar margin and our financial risk through our net debt:Ebitdar ratio and unutilised net facilities.

The group achieved income of over R13 billion and Ebitdar of over R5 billion for the year ended 31 March 2017 for the first time and grew adjusted headline earnings per share by 6% in the period despite continued pressure on the consumer due to the weak macro-economic environment and consumer sentiment.

Income R13.2 billion	↑	8%
Ebitdar R5.0 billion	↑	11%
Ebitdar margin 38.2%	↑	1.2pp
Adjusted HEPS 207.6 cents	↑	6%
Dividends in respect of the year 104.0 cents per share	↑	6%
Free cash flow R2.2 billion	↑	14%
Net debt R12.1 billion		
Net debt: Ebitdar 2.4 times		
Investment activities R2.6 billion		
Unutilised net facilities R3.4 billion		

Overview

This report should be read in conjunction with the consolidated financial statements available separately on our website which set out the financial position, results and cash flows for the group for the financial year ended 31 March 2017.

Commentary on the organic growth during the year is included in the segmental operational performance on pages 57 to 59.

Commentary on inorganic growth is included on pages 60 to 61.

Commentary on net interest-bearing debt and interest rate and currency risk management is included in the financial strength and durability section on page 48.

Income statement comparison for the year ended

	31 March 2017 Rm	31 March 2016 Rm	% change on 2016
Income	**13 222**	12 283	8
Gaming win	**7 483**	7 361	2
Revenue			
Rooms	**3 078**	2 784	11
Food and beverage	**1 434**	1 353	6
Property rental income	**445**	133	*
Other	**782**	652	20
Ebitdar	**5 049**	4 543	11
Gaming	**3 540**	3 429	3
Hotels – South Africa	**1 359**	920	48
– Offshore	**146**	192	(24)
Foreign exchange losses	**(38)**	(23)	(65)
Corporate	**42**	25	*
Ebitdar margin	**38.2%**	37.0%	1.2pp
Long-term incentives	**(49)**	(46)	(7)
Property rentals	**(242)**	(219)	(11)
Amortisation and depreciation	**(846)**	(812)	(4)
Exceptional items	**787**	(41)	*
Finance costs (net)	**(1 023)**	(857)	(19)
Associates and joint ventures	**38**	29	31
Income tax	**(665)**	(777)	14
Non-controlling interests	**(542)**	(18)	*
Attributable earnings	**2 507**	1 802	39
Adjustments	**(520)**	79	*
Adjusted earnings	**1 987**	1 881	6
Weighted number of shares in issue (m)	**957**	957	–
Adjusted HEPS (cents)	**207.6**	196.5	6

* *Variance not meaningful*

Trading performance

The group achieved income of over R13 billion and Ebitdar of over R5 billion for the year ended 31 March 2017 for the first time and grew adjusted headline earnings per share by 6% in the period despite continued pressure on the consumer due to the weak macro-economic environment and consumer sentiment. Year-on-year growth was achieved in both the casino and hotel segments with the hotel trading results in particular being further positively impacted by various expansionary projects, including the acquisition of two hotel businesses from Liberty and through the acquisition of HPF, offset to some extent by a weak trading performance in Africa, particularly in Nigeria.

Total income for the year of R13.2 billion ended 8% above the prior year with a 2% growth in gaming win, assisted by an 11% growth in rooms revenue, a 6% growth in food and beverage revenue and strong growth in property rental income and dividends received.

Operating expenses including gaming levies and VAT and employee costs, but excluding exceptional items and long-term incentives, increased by 6% on the prior year mainly due to non-organic growth in the business as a result of acquisitions and expansions and foreign exchange losses, offset by savings initiatives. Excluding the non-organic growth and foreign exchange losses, operating expenses increased by only 3%.

Ebitdar at R5.0 billion for the year was 11% up on the prior year despite the R38 million forex loss in the offshore division. The overall group Ebitdar margin of 38.2% is 1.2pp up on the prior year.

Chief Financial Officer's review continued

Long-term incentives

The long-term incentive charge on the cash-settled incentive scheme of R49 million is R3 million above the prior year and values the liability (including dividend adjustments) by reference to the company's share price which is adjusted for management's best estimate of the appreciation units expected to vest and future performance of the group.

Rentals, amortisation and depreciation

Property rentals at R242 million are 11% up on the prior year mainly due to the acquisition of the Holiday Inn Sandton and Crowne Plaza Rosebank hotel businesses in March 2016, with this rental eliminating on consolidation of HPF from 1 September 2016.

Amortisation and depreciation at R846 million is 4% up on the prior year due mainly to the capital spend during the current and the prior year.

Exceptional items and adjustments

Exceptional gains for the year of R787 million relate to fair value gains on the revaluation of investment properties of R757 million related to the non-Tsogo leased hotels in HPF, the release of a fair value reserve for the available-for-sale HPF investment of R46 million, profit on sale of investment properties of R36 million related to the Inn on the Square disposed of by HPF and gains on bargain purchases of R82 million, offset by property, plant and equipment disposals and impairments and loan impairments of R94 million, including an impairment of the Southern Sun Ikoyi of R75 million due to tough local economic environments as mentioned above and interest rate swap fair value adjustments of R6 million and transaction and restructure costs of R34 million.

Exceptional losses for the prior year of R41 million comprises the pre-opening costs of R12 million during the period hotels were closed for refurbishment, capital asset disposals and impairments and loan impairments of R26 million and transaction and restructure costs of R28 million, offset by the fair value gain of investment properties of R25 million.

Net finance costs

Net finance costs of R1.0 billion are 19% above the prior year due to the increase in debt net of cash to fund the growth strategy and includes the effective interest of R48 million on the SunWest and Worcester acquisition in line with IAS 39 *Financial Instruments: Recognition and Measurement*, offset by a credit in respect of the Cullinan put option of R35 million (2016: R7 million charge).

Share of profits of associates and joint ventures

The share of profit of associates and joint ventures of R38 million improved by R9 million on the prior year mainly due to earnings, including the group's share of exceptional gains of R9 million, from International Hotel Properties Limited and Redefine BDL, the group's European hotel investments.

Taxation

The effective tax rate for the year of 18.1% is impacted by the non-taxable fair value gains on investment property and the gains on bargain purchases referred to above, tax exempt dividend income, pre-tax profits attributable to the HPF non-controlling interests due to its REIT tax status, deductible foreign exchange losses on local country currency movements in the African operations that reverse on consolidation and offshore tax rate differentials, offset by non-deductible expenditure such as casino building depreciation and the effective interest on the SunWest and Worcester acquisition. The effective tax rate for the prior year at 30.3% was impacted by the increase in the Capital Gains Tax ('CGT') inclusion rate on deferred tax of R54 million and non-deductible expenditure such as casino building depreciation, offset by foreign exchange losses on the US Dollar denominated loans in the local currencies.

Non-controlling interests

Profit attributable to non-controlling interests of R542 million is R524 million above the prior year mainly due to the HPF non-controlling interests' share of profits, offset by reduced local currency profits at Southern Sun Ikoyi and Southern Sun Maputo due to foreign exchange losses.

Earnings

Group adjusted headline earnings for the year at R2.0 billion ended 6% up on the prior year. The adjustments include the reversal of the post-tax impacts of the exceptional gains and losses noted above, in addition to the reversal of the remeasurement of the Cullinan put option included in net finance costs and the exceptional gains in the share of profit of associates and joint ventures, net of non-controlling interests. The adjustments in the prior year include the reversal of the post-tax impacts of the exceptional losses noted above in addition to the reversal of the remeasurement of the Cullinan put option in finance costs and the CGT inclusion rate deferred tax adjustment referred to above, net of non-controlling interests.

The number of shares in issue is unchanged from the prior year and the resultant adjusted headline earnings per share is 6% up on the prior year at 207.6 cents per share.

Cash flow

	31 March 2017 Rm	31 March 2016 Rm	% change on 2016
Cash generated from operations	**4 776**	4 376	9
Dividends received	**134**	51	
Net interest paid	**(1 076)**	(801)	
Income tax paid	**(627)**	(657)	
Operating equipment	**(65)**	(71)	
Maintenance capital expenditure	**(925)**	(945)	
Free cash flow	**2 217**	1 953	14
Dividends paid to shareholders	**(975)**	(878)	
Dividends paid to non-controlling shareholders	**(113)**	–	
Pre-acquisition dividend	**(133)**	–	
Disposal proceeds	**145**	28	
Investment activities	**(2 590)**	(962)	
Other	**1**	28	
Increase in net interest-bearing debt	**(1 448)**	169	
Opening net interest-bearing debt	**(9 248)**	(9 211)	
Acquired with acquisitions	**(1 536)**	3	
Accrued interest, prepaid borrowing costs and currency moves	**119**	(209)	
Closing net interest-bearing debt	**(12 113)**	(9 248)	

Cash generated from operations for the year improved by 9% on the prior year to R4.8 billion. Net finance costs increased by 34% due to the increase in net debt, taxation paid reduced by 5% mainly due to refunds received from SARS, dividends paid to non-controlling shareholders relate to HPF and the R133 million HPF pre-acquisition dividend paid in September was out of cash acquired with the subsidiary. Dividends received increased by R83 million due mainly to the acquisition of the stake in the GrandWest and Worcester casinos. Cash flows utilised for investment activities of R2.6 billion (net of R189 million cash acquired from HPF) consisted mainly of expansion capital expenditure and the acquisitions and investments described under the inorganic growth section on page 60.

Balance sheet derivative financial instruments

During the 2015 year the group entered into a call option over Liberty's 40% shareholding in Cullinan and Liberty had a corresponding put option, both exercisable at the fair value of the shares. A financial liability for the put option and a corresponding debit to transactions with non-controlling interest was recognised on initial recognition. At the end of each reporting period the liability was remeasured and the increase or decrease recognised in the income statement. The group acquired Liberty's 40% shareholding in Cullinan in December 2016. A fair value gain was recognised on the settlement of the derivative of R35 million which has been included in finance costs and the original put option of R493 million was reversed to retained earnings.

Dividends

A final gross cash dividend of 70.0 cents per share in respect of the company's 2017 year end was declared and the dividend was paid on 19 June 2017. The number of ordinary shares in issue was 957 373 089 (excluding treasury shares). The total dividends declared in respect of the 2017 financial year amounted to 104.0 cents per share which is 6% up on the 2016 financial year and which equates to 50% of fully diluted adjusted HEPS.

Subsequent events

There are no matters or circumstances arising since 31 March 2017, not otherwise dealt with in the financial statements, other than the progress noted on the HPF and Niveus transactions on page 61, that would materially affect the operations or results of the group.

Looking ahead

Given the weak state of the South African economy and many of the commodity focused countries in which the group operates, trading is expected to remain under pressure. Growth will depend on how these economies perform going forward, including the impact of changes in commodity prices, and the level of policy certainty that the government is able to achieve. Nevertheless, the group remains highly cash generative and is confident in achieving attractive returns from the growth strategy once the macro-economic environment improves.

RB Huddy
Chief Financial Officer

20 September 2017

Sustainability strategy in action

The key pillars of our sustainability include meeting the reasonable requirements of our beneficiaries, financial strength and durability, maintained product relevance to customer experience, regulatory compliance and adequately skilled human resources. In summary, a business has to stay in business to be able to take advantage of the commercial opportunities that are presented to it. Good businesses fail when they are fragile, inflexible, unethical and/or poorly managed.

Deliver to our beneficiaries

The nature of the shareholders of the group is important in a highly visible and regulated industry such as gaming. Popular misconceptions about the industry make it a target for attacks through excessive taxation and regulation. While the group spends money and time on engaging with stakeholders to ensure that the true facts around issues such as problem gaming are presented, the strongest protection for the business is to ensure that a significant portion of the economic benefits of ownership flow to community, charitable or socially beneficial organisations. This is achieved through meaningful citizenship programmes and also through direct and indirect equity ownership and employment.

Key performance indicators

	2017	2016
Black ownership	**62%**	62%
Value added contribution to black economic empowered businesses, PDIs and government	**R8.5 billion**	R8.9 billion
BBBEE level	**Level 1**	Level 2
CSI outcomes	**Tsogo Sun Sports, Arts and Learning Academies support 46 398 learners**	Tsogo Sun Sports, Arts and Learning Academies support 43 945 learners
ESD outcomes	**Tsogo Sun Entrepreneurs programme supports 200 beneficiaries**	Tsogo Sun Entrepreneurs programme supports 180 beneficiaries

2017 performance

Shareholders

As mentioned in the group overview on page 3 the nature of the HCI shareholding is of particular importance as it provides the bulk of the 62% broad-based empowered ownership at group level. HCI has provided a stable shareholder base for a number of years that has allowed the group to grow and take advantage of opportunities. The balance of the shareholding is diverse with significant liquidity.

Community

Tsogo Sun is committed to the upliftment and development of local communities. We are further committed to leveraging our resources, experience and geographic spread within the hospitality and entertainment industry to provide the foundation for initiatives that achieve lasting results in the communities where we are present. A portion of our profits is spent annually on social investment and, through Tsogo Sun Citizenship, we are able to deliver effective social initiatives that seek to create shared value with the broader society. Tsogo Sun Citizenship comprises three areas, being community development, entrepreneurial development and the natural environment.

Community development

During the year, the group's combined social investment in community development amounted to R65 million, all of which is verified spend on BBBEE socio-economic development. This is the equivalent of 2.6% of net profit after tax and represents 1.6pp more than the tourism sector code target.

While our casinos and hotels provide support towards a wide range of projects and initiatives designed to uplift people in their local communities, Tsogo Sun's national community development takes place through the Tsogo Sun Learning, Sports and Arts Academies, which collectively reach 46 398 learners who participate in our full-year programmes.

Sustainability strategy in action continued

Deliver to our beneficiaries continued

Academy	Schools	Teachers and community coaches	Learners	Adult education
Tsogo Sun Learning Academy	127	103	16 084	1 245
Tsogo Sun Sports Academy	78	1 009	3 166	–
Tsogo Sun Arts Academy	20	7	210	–
Tsogo Sun Moves for Life	56	632	26 938	–
Total	**281**	**1 751**	**46 398**	**1 245**

Our national community development programmes focus on education and training for disadvantaged children and youth, which reach 46 398 learners. This includes the Tsogo Sun Moves for Life national chess programme, which reaches 26 938 learners and 632 educators across 56 schools with the objective of improving maths, science and literacy skills through the medium of chess, within the school foundation phase.

Through education, the group provides assistance to disadvantaged young people by helping them to achieve their academic potential. Our support helps them to choose subjects wisely, prepare for tertiary education and learn skills to prepare them for the working world. It also provides general skills for 'life after school' to equip them with essential skills required for creating successful futures for themselves.

The group delivers effective peer-driven youth development in partnership with Columba Youth Leadership, an organisation that instils a sense of purpose, determination and 21st century skills into large numbers of young South African leaders to ensure that they are self-motivated, work-ready and highly employable. The provision of bursaries to high potential students, support to early childhood development educators and school visits to the Apartheid Museum also form an important part of Tsogo Sun's commitment to education.

Sport and arts are supported as mediums to deliver many of the essentials for successful formal education in schools with the ultimate goal of nurturing children's wellbeing. Youth between the ages of 7 and 17 are supported through training programmes and the provision of opportunities for competitive participation. Accreditation of facilitators, coaches, mentors and referees in Tsogo Sun supported education programmes is also provided as a means of ensuring the quality of our citizenship delivery.

In line with the group's education focus, we invest in Amandla EduFootball Safe Hubs in various areas across the country. Safe Hubs provide safe spaces that combine sports and learning to empower South African youth, and ultimately serve to change lives by nurturing young dreams.

Enterprise and supplier development

Tsogo Sun is committed to the development of small, medium and micro-enterprises ('SMMEs') as a solution to creating employment and as a contributor towards the growth of the South African economy. We deliver enterprise and supplier development through our national programme, 'Tsogo Sun Entrepreneurs', which comprehensively supports emerging businesses in the tourism sector and other industries throughout the country.

The group's combined spend on enterprise and supplier development for the year is R93 million, R14 million of which was spent on enterprise development beneficiaries and R79 million of which was spent on supplier development beneficiaries, representing a total of 3.7% of net profit after tax, which is 0.2 pp above the tourism sector code target.

The group has developed a plan for enterprise and supplier development that connects emerging black-owned enterprises into the procurement pipeline, supports existing black-owned Exempt Micro Enterprises ('EMEs') and Qualifying Small Enterprises ('QSEs') who are suppliers to the group through Tsogo Sun Entrepreneurs, and at the same time ensures that our procurement requirements are met.

As part of this plan, we support 200 businesses who are enrolled in the Tsogo Sun Entrepreneurs full year development programme, which delivers business foundation skills, coaching and mentorship. As the only programme of its kind in South Africa, 82% of the entrepreneurs developed by Tsogo Sun Entrepreneurs are black South African women.

A total of 47 businesses in the Alumni phase have expanded their operations as a result of the programme. Each employs between 1 and 50 staff and reaches up to 30 people in the value chain. A total of 146 entrepreneurs have successfully completed the UCT Business Management Course funded by the programme. The Tsogo Sun Entrepreneurs strategy is designed to connect to Tsogo Sun's supply chain, creating a pipeline of promising suppliers to the group.

The Tsogo Sun enterprise and supplier development plan has been successfully implemented over the last two years and has involved the introduction of a monitoring and evaluation tool and a system for the selection of entrepreneurs for development which is managed centrally in order to ensure that the beneficiaries are a correct fit for the programme.

Supplier showcases have been held at Tsogo Sun properties across the country, serving as mini-indabas for promising suppliers to the group and as channels for the registration and enrolment of new entrepreneurs into the development portion of the programme. These showcases enable the group's hotels and casinos to continue their focus on supporting local small businesses and suppliers in order to address the need for access to new markets, wealth creation and employment.

Tsogo Sun Volunteers

Our sense of community at Tsogo Sun can be seen in the many causes that we support and the time and effort that our people contribute towards volunteering to assist those less fortunate. By leveraging our resources, experience and geographic presence through the Tsogo Sun Volunteers, we help to improve social, economic and environmental conditions within our local communities.

Transformation

Tsogo Sun is a pioneer in transformation and a leader in the empowerment of previously disadvantaged people, businesses and communities in South Africa. The group currently holds a level 1 BBBEE contributor status, measured against the dti's Revised Codes of Good Practice – tourism sector scorecard, and complies with the related guidelines. The group's casinos and hotels are in addition individually measured against the same scorecard. The formal verification audits are performed annually by Empowerdex (an accredited economic empowerment rating agency), with the results for the year ended 31 March being as follows:

	Target score on Revised Codes – tourism	**2017**	2016
Ownership	27	**27.0**	27.0
Management and control	19	**10.4**	10.0
Skills development	20	**18.8**	16.0
Enterprise and supplier development	40	**37.3**	35.3
Socio-economic development	5	**8.0**	8.0
Overall	111	**101.5**	96.3
Rating level		**1**	2

The group is proud to be a level 1 BBBEE contributor with 135% procurement recognition status for 2017 and we have worked hard to implement our empowerment strategy in order to achieve this result. The group received 101.5 out of a total available 111 points on the tourism sector scorecard. Tsogo Sun's black ownership is verified at 62.1% and black women ownership is 34.4%.

Tsogo Sun operates a BBBEE council as one of the group's governance structures whose purpose is to ensure that the priority of empowerment is consistently managed and monitored. The BBBEE council sets BBBEE strategy and direction for the group. It ensures that the group is compliant with legislation and it monitors group-wide performance measured against the scorecard. It sets internal targets and oversees the annual ratings process for the group. The bi-annual BBBEE council meetings are chaired by the group Human Resources Director and are attended by the group's senior leadership, including the Chief Executive Officer and Chief Financial Officer.

Responsible gambling

Tsogo Sun acknowledges that gambling can be an issue of concern for some people with a predisposition to addictive behaviour in communities where we operate. We engage these concerns by educating our employees and customers about responsible gaming and seek to avoid the misuse of gambling. Tsogo Sun contributes to, and actively promotes, the National Responsible Gambling Programme.

To ensure an environment of responsible gambling, close attention is paid to the exclusion of:

- Under aged persons from gambling areas in accordance with legislation;
- visibly intoxicated people from gambling according to legislation;
- problem gamblers from gambling areas – by executing Tsogo Sun's self-exclusion policies;
- money lenders from gambling areas; and
- criminal elements and persons prone to bad behaviour.

The group monitors and manages the number of complaints and code violations.

Industry bodies

Tsogo Sun participates actively in industry bodies such as the TBCSA, the SATB, Fedhasa and CASA through the provision of time, effort and intellectual contributions from management. It also forms close relationships with national and regional gaming and tourism associations.

Sustainability strategy in action continued

Deliver to our beneficiaries continued

Tenants

The delivery of quality office, hospitality, gaming, dining and entertainment experiences is important to retaining footfall at our properties and satisfying our customers' diverse requirements. The delivery of these experiences is through a combination of owned and outsourced businesses to provide our customers with a range of differentiated products and services.

With a total of 403 tenants across Tsogo Sun's various properties, tenanting is one of the group's core focus areas to ensure that our customers have access to the best office, retail, restaurant and entertainment-related offerings.

The group's property and tenanting department manages this important element of our business together with the real estate department to ensure that our buildings are appropriately tenanted, maintained, refurbished, upgraded and renovated on an ongoing basis so that our offerings remain fresh and current. Our philosophy with regard to selecting tenanting partners is centred on owner-run outlets that will deliver the required experiences at appropriate prices.

Suppliers

The group has developed long-term, mutually beneficial relationships with our suppliers of goods and services. Through these supplier relationships many more indirect jobs are created and wealth is generated in the economy. A growing portion of our procurement is centrally managed which allows for enhanced consistency in standards and pricing and closer relationships with our suppliers. We ensure that, as far as is practically and commercially possible, our hotels and casinos procure products from vendors who are located in the areas where they are situated.

Tsogo Sun encourages diversity within its commercial associations, particularly through the involvement of previously disadvantaged persons and local businesses where it operates. The group supports black businesses in South Africa through a focused procurement strategy. Verified total procurement spend on black economically empowered businesses amounted to R3.6 billion during the year. The group's BBBEE score for preferential procurement, which is measured within the Enterprise and Supplier Development element is 20.3 out of 25. Procurement from black women-owned businesses and further opportunities to establish and support enterprise and supplier development initiatives through procurement are focus areas of the group.

An additional procurement consideration is the environmental performance of our suppliers, which is taken into account as part of our procurement criteria during the supplier selection process.

Third-party owners

The group leases hotel properties and manages hotel businesses on behalf of third-party owners where it does not own the property or the business. The most significant leasing relationship is with Hospitality Property Fund ('HPF') from which the group leased 10 hotel properties from September 2016. The most significant management relationship is with Liberty for whom Tsogo Sun manages three hotel properties and from whom the group leases the Sandton Convention Centre. The relationships are mutually beneficial with financial returns and access to additional properties for Tsogo Sun and enhanced returns to the owners through our skills and distribution.

Environment

While our main business activities pose limited risk to the environment due to the service nature of the industry, environmental management practices have been integrated as part of our operations. Tsogo Sun has made the commitment to reduce the impact that the business has on the environment and to encourage guests to embrace greener behaviour for the wellbeing of the environment. The group reports to the Carbon Disclosure Project and Water Disclosure Project as a subsidiary of HCI.

Our efforts to manage our business sustainably serves the interests of our company and the community and in achieving this our stated policy and commitment is to:

- ensure that at all times, we identify, evaluate and comply with local, regional or national environmental laws and regulations applicable to our operations within the areas where we conduct business;
- continually evaluate and manage our environmental risks, targets and objectives;
- actively seek to minimise pollution, emissions and effluents emanating from our operations;
- work towards minimising waste by reducing, reusing and recycling programmes and adopting a 'zero waste' policy;
- strive to reduce consumption of natural resources by the responsible use of energy, gas and water and the identification and implementation of sustainable energy solutions;
- manage biodiversity through the protection of flora, fauna and land associated with, or impacted by, our operations;
- communicate our policies and achievements openly and transparently to our stakeholders;
- collaborate with our suppliers and business partners to actively reduce the environmental impact of our business activities;
- continually improve and innovate on our environmental performance standards;
- report annually on our environmental performance; and
- provide support for the sustainable development of our communities.

To ensure the objectives of our environmental programme are met, a property-specific environmental management system has been developed at all of our casinos and hotels aimed specifically at energy, water, waste management and responsible procurement. The system is managed holistically as part of the in-house Organisational Resilience Management Standard audit process and is verified by the German quality body, DQS-UL Group.

Scope and boundaries of emissions measurement

The scope and boundaries of measurement are consistent with the prior year. Scope 1 and scope 2 emissions are reported for all owned businesses located at properties, owned or leased by the group, in South Africa and offshore, excluding emissions relating to tenants. Tenant emissions at owned or leased properties, emissions at properties not owned but managed by the group, emissions from outside laundry services provided to the group and business travel emissions are reported in scope 3. Fugitive emissions, mainly from refrigerants, have not been measured as they are not significant and there are no other emissions that are considered material. Comparatives have been restated to ensure consistent reporting. The restatements are not significant at 0.04% of consumption.

Emissions measurement

Total emissions (tCO_2e)	**2017**	2016 Restated	2016 Reported	% change on 2016 Restated
Scope 1	**5 010**	5 794	5 735	(14)
Petrol and diesel (owned company vehicles)	**446**	547	572	(18)
Diesel consumed (owned businesses)	**1 767**	2 707	2 677	(35)
LPG and natural gas usage (owned businesses)	**2 797**	2 540	2 486	10
Scope 2	**216 516**	216 186	216 416	–
Energy consumed (owned businesses)	**216 516**	216 186	216 416	–
Scope 3	**103 458**	80 554	80 272	28
Energy consumed (tenants)	**48 488**	24 503	24 268	98
Energy consumed (managed properties)	**24 147**	25 106	25 104	(4)
Laundry services (outsourced)	**28 752**	28 650	28 650	–
Business travel	**2 071**	2 295	2 250	(10)
Total emissions (tCO_2e)	**324 984**	302 534	302 423	7

Ninety eight percent of scope 1 and 2 emissions arise through the consumption of electricity and thus demand-side management of electrical consumption remains the area of focus for the group in reducing emissions. Ninety seven percent of the scope 3 emissions arising from tenants at group properties and at properties managed by the group also arise from the consumption of electricity.

Electricity

Scope 2 emissions from electricity consumption at the group's owned properties were flat on the prior year at 216 516 tCO_2e despite two additional hotels being acquired in October 2016 and an increased electricity consumption due to reduced load shedding due to savings from ongoing energy-saving initiatives. The installation of energy-efficient equipment continues where practical, although much has been done since 2006, and the majority of the consumption reductions are as a result of consumption measurement and behavioural change initiatives at the units.

LPG and natural gas

LPG and natural gas are primarily used for cooking with limited space heating and water heating at three properties. Scope 1 emissions from the consumption of LPG and natural gas increased by 10% to 2 797 tCO_2e due mainly to owned outlets at Gold Reef City opened for a full year, two additional hotels being acquired in October 2016 and hotels that were closed for refurbishment during the prior year.

Diesel

Diesel is utilised for back-up electrical generation. Scope 1 emissions from the consumption of diesel decreased by 35% to 1 767 tCO_2e due to reduced load shedding and supply interruptions during the year.

Scope 3 emissions

The 98% increase in scope 3 emissions from tenants at group properties is mainly due to the acquisition of 12 additional hotels through the HPF acquisition in September 2016. The 4% reduction in scope 3 emissions from properties managed by the group is due mainly to the two previously managed hotels being acquired in October 2016. The group utilises outsourced laundries at the majority of its owned and managed properties and the scope 3 emissions from laundry services were flat on the prior year.

Sustainability strategy in action continued

Deliver to our beneficiaries continued

Water

Although supply interruptions due to poor municipal infrastructure continue to increase and medium-term water shortages are probable, the group does not have company-specific water risks. The group is, however, subject to the general impacts of climate change, as evidenced by the current severe water shortages in the Western Cape. Contingency plans such as reverse osmosis of brackish water are being investigated, but realistically a solution must be provided on an industrial scale by government, as there is little point in the hotels having access to potable water if the region does not. The majority of our properties are in urban areas and use potable water provided by local municipalities (90% of consumption). Two resort properties utilise surface water for irrigation, two resort properties are fully reliant on river water, one property primarily utilises ground water due to continuous supply problems from the local municipality and the Gold Reef City Theme Park utilises cleaned mine water for the water rides. Water consumption at the group's owned properties decreased during the year by 3% to 2.7 million kilolitres mainly due to ongoing conservation and reduction measures at all properties, offset by two additional hotels being acquired in October 2016.

Waste management

Recycling initiatives are in place at many properties although the efforts differ depending on the infrastructure available to support recycling. Waste management information is being collated throughout the group and there are plans to standardise recycling systems and volume monitoring methods across our properties.

Biodiversity

The majority of our properties are in urban areas and are thus not in close proximity to sensitive environments. There are four resort properties in rural environments where management of biodiversity is more important and no new facilities were developed at these properties during the year. Where applicable, the properties have programmes in place to replace alien vegetation with indigenous plants.

Environmental education

As part of our commitment to the upliftment and development of communities through Tsogo Sun Citizenship, we strive to create awareness in local communities to encourage a responsible attitude towards the use of electricity and water and the management of waste. We also champion opportunities to educate people about reducing their impact on the environment through tree planting, food security and conserving our natural heritage.

Tsogo Sun partners with Generation Earth and the Miss Earth SA leadership development programme, both of which provide education about environmental issues among young South Africans. Through these partnerships, about 20 000 school children have been educated on environmental responsibility, 1 500 trees have been planted and hundreds of environmental youth ambassadors are enabled to travel to all corners of South Africa, delivering the message for a sustainable future.

Through environmental education, the group plays an active role in influencing stakeholders such as communities, employees and customers to take responsibility for their impact on the environment and positively change their behaviour through campaigns such as '#WasteStopsWithMe' and by holding national empowerment and citizenship seminars that address, among other topics related to the green economy, the subject of climate change.

Looking ahead

Community development

Tsogo Sun's community development programmes are growing in impact and reach, with a focus on education for disadvantaged young people, preparing them for the world of work. The aim is to create scalable and sustainable programme models that can be replicated more widely in collaboration with other corporates, civil society and government. Collectively working towards improving the employability and entrepreneurial skills of young people from disadvantaged communities will contribute to individual empowerment where it is needed, and economic growth in the longer term.

Emphasis is being placed on initiatives such as career guidance and other education programmes, creating a pipeline of development for learners from Grades 9 to 12. This commences with an online evaluation exercise in Grade 9 that identifies individual interests, skills and aptitudes to match personality types, highlights the most suitable career opportunities and guides learners to better align subject choices with their potential career choices. Career guidance, tertiary education options and application, life skills and job readiness preparation, continue through to Grade 12.

In line with global practice, the group is paying particular attention to the depth of the impact that the community programmes deliver to beneficiaries. This results in working with a smaller number of beneficiaries in the programmes and providing more relevant support to ensure opportunities to gain a foothold in the employment or entrepreneurial sectors.

Monitoring and evaluation is increasingly important to enable the measurement of meaningful change and to replicate successful models. Our internal information system continues to be enhanced to provide comprehensive tracking and management of all financial, in-kind and employee volunteering contributions made across the group.

We are also actively monitoring the participation, attendance and involvement of learners, educators and community stakeholders through our impact assessment tool to determine:

- The impact on our beneficiaries;
- How we are positively influencing the lives of the people we support;
- Where we need to apply more emphasis to achieve intended results; and
- How these results are addressing the needs of the communities.

We will continue to enhance the offering of the career guidance programme, ensuring that young people are given the tools to make the right choices for their future success through a range of development and support initiatives. Plans are being evaluated to create a wider scope of opportunities for young people post-Grade 12 to study further, to obtain entry-level employment within the group or elsewhere, or to become successful entrepreneurs, with the aim of providing a lasting legacy of economic empowerment and financial independence. The formalisation of employment options, bursaries and community learnerships across the group will continue in the coming year.

Enterprise and supplier development

The Tsogo Sun enterprise and supplier development plan will continue into its third year of the five-year implementation. The monitoring and evaluation tool will be refined to enable the group to continue to accurately measure the plan's impact on the businesses supported by Tsogo Sun Entrepreneurs. The group's system for the selection of entrepreneurs for development will continue to be managed centrally in order to ensure that the beneficiaries receiving development are a correct fit for the programme.

Supplier showcases will continue to be held at Tsogo Sun properties across the country, serving as mini-indabas for promising suppliers to the group and as channels for the registration and enrolment of new entrepreneurs into the development portion of the programme. These showcases enable the group's hotels and casinos to continue their focus on supporting local small businesses and suppliers in order to address the need for access to new markets, wealth creation and employment.

Transformation

The group has met its target of achieving level 1 BBBEE contributor status and the future intention is to maintain this performance in the year ahead. We intend to do this through continued focus on our empowerment priorities which include all five of the elements of the BBBEE scorecard.

From an operational point of view, this will involve paying close attention to maintaining the diversity of our workforce and developing their skills and those of potential new employees, ensuring that our supplier mix is appropriately spread, developing small businesses and investing in our communities.

Third-party owners

Post-year end the group sold an additional 29 hotel properties to HPF and has leased them from HPF from July 2017. This has increased the number of hotels that the group leases from HPF to 39.

Environment

The focus during the year will be to ensure that the energy and water consumption management programmes remain in place with the objective of continuously reducing consumption year on year, excluding the impact of increased capacity or additional operations. Through environmental education, the group will continue to influence stakeholders such as communities, employees and customers, to take responsibility for their impact on the environment and positively change their behaviour by holding citizenship seminars that address among other topics related to the green economy, the subject of climate change.

Sustainability strategy in action continued

TSOGO SUN CITIZENSHIP

EDUCATION AND LEARNING

The provision of bursaries to high potential students, support to early childhood development educators and school visits to the Apartheid Museum form an important part of Tsogo Sun's commitment to education.

COLUMBA LEADERSHIP

Tsogo Sun delivers effective peer-driven youth development in partnership with Columba Youth Leadership which instils a sense of purpose, determination and 21st century skills into large numbers of young South African leaders to ensure that they are self-motivated, work-ready and highly employable.

TSOGO SUN VOLUNTEERS

By leveraging our group's resources, experience and geographic presence through the Tsogo Sun Volunteers programme, which mobilises our workforce to contribute to the many causes that we support, Tsogo Sun helps to improve social, economic and environmental conditions within our local communities.

CHESS

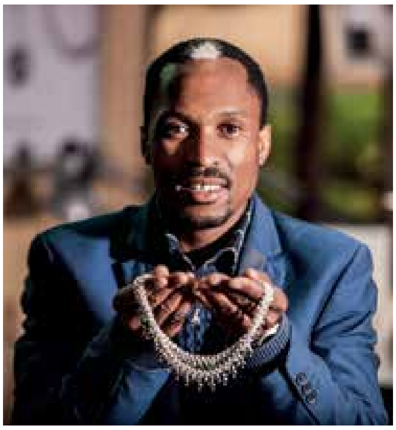
The Tsogo Sun Moves For Life chess programme reaches 26 938 learners and 632 educators across 56 schools with the objective of improving maths, science and literacy skills through the medium of chess, within the foundation phase at schools across South Africa.

AMANDLA EDUFOOTBALL SAFE HUBS

Tsogo Sun invests in the development and operation of Amandla EduFootball Safe Hubs, which provide safe spaces that combine sports and learning to empower and educate South African youth and change lives by nurturing young dreams.

TSOGO SUN ENTREPRENEURS

200 small businesses are enrolled in the Tsogo Sun Entrepreneurs full year development programme, which delivers business foundation skills, coaching and mentorship. The Tsogo Sun Entrepreneurs programme connects to Tsogo Sun's supply chain, creating a pipeline of promising suppliers to the group. The Tsogo Sun Entrepreneur of the Year for 2016 – 2017 is Nqobile Nkosi, owner of NQ Jewellery, Soweto's first manufacturing jewellery designer.



TSOGO SUN ENVIRONMENT

Through Tsogo Sun Environment, nearly 20 000 school children have been educated on environmental responsibility and the green economy, more than 1 500 trees have been planted and hundreds of environmental youth ambassadors are enabled to travel to all corners of South Africa, delivering the message for a sustainable future. A recent focus has been the 'Waste Stops With Me' campaign which involves beach, park, school and inner city clean-ups with the Tsogo Sun Volunteers.

Sustainability strategy in action continued

Financial strength and durability

The group is highly cash generative but it is important to ensure that the capital structure of the group is appropriate so that the business survives through economic cycles.

The group believes that the relative resilience of its financial performance throughout the global economic downturn can be attributed, in part, to the general stability of its gaming income. Demand for the type of gaming-related services the group offers is sensitive to decreases in discretionary consumer spending but, because of its relatively high disposable income levels, the group's core customer base has largely maintained its spending on gaming activities through the adverse macro-economic conditions of recent years. In addition, the group's gaming business is largely unaffected by seasonality. The group believes that these factors are a significant strength of its business that alleviates the volatility usually inherent in operating in other industries.

Macro-economic conditions will vary in cycles. This is particularly relevant in the hotel industry, which is regularly in a state of under or over-supply. In order to be able to withstand the impacts of these cycles, the group aims to ensure that debt is used prudently, with careful monitoring of the net debt to Ebitdar ratio.

In addition, the group ensures availability of sufficient credit facilities with long-term maturities, providing additional liquidity in the event of a deterioration in economic conditions.

Key performance indicators

	2017	2016
Net debt to Ebitdar	**2.4 times**	2.0 times
Unutilised net facilities (including available cash on hand)	**R3.4 billion**	R4.8 billion
Weighted average expiry of debt facilities (excluding permanent revolving credit facilities)	**36 months**	49 months
Net debt hedged through fixed interest rate swaps	**58%**	57%

2017 performance

Net interest-bearing debt

Interest-bearing debt net of cash at 31 March 2017 totalled R12.1 billion, which is R2.9 billion above the 31 March 2016 balance of R9.2 billion, with R1.2 billion paid in dividends to group shareholders in addition to the investment activities of R2.6 billion during the year. The increase is mainly due to the consolidation of the HPF debt net of cash of R1.5 billion, together with additional funding for the group's expansion programme.

For more detail on the group's borrowings and cash position refer to notes 29 and 32 on pages 44 and 45 of the annual financial statements.

During the year the majority of the US Dollar facilities were renegotiated to five-year term bullet facilities to increase flexibility and mitigate the foreign currency liquidity constraints in Nigeria and Mozambique. Additional facilities amounting to US Dollar 17 million were negotiated for the construction of StayEasy Maputo. The tenures on the majority of existing Rand facilities are to June 2020 and June 2021. Net debt to Ebitdar as at 31 March 2017 was 2.4 times with unutilised net facilities (including available cash on hand) of R3.4 billion. The weighted average number of months to expiry of the debt facilities (excluding 364-day revolving credit facilities) was 36 months.

Interest rate and currency risk management

The group has hedged a significant proportion of debt facilities to maturity to lock in the current historically low interest rate environment. In order to limit income statement volatility, the group does not normally enter into speculative hedges. As at 31 March 2017, 58% of net debt was hedged through fixed interest rate swaps and other fixed rate instruments. The weighted average effective interest rate for the year was 9.4% (2016: 9.1%). The interest rate is higher than the prior year due mainly to the repo rate increases.

Debt at year end is either Rand or US Dollar denominated, dependent on the nature of the cash flows in the underlying operations, with offshore cash held approximately 43% in US Dollar, 10% in Euro, 21% in Nigerian Naira and 21% in Mozambican Metical with limited other local currency deposits.

Looking ahead

The facility pricing with the group's existing consortium of banks remains competitively priced. An additional R3.5 billion in bank facilities were finalised post-year end in order to refinance a term loan of R1.5 billion due in July 2017 and to fund future acquisitions. The HPF bank facilities were also replaced post-year end which will reduce the cost of funding and provide additional funding headroom. HPF raised R1.0 billion through a rights issue post-year end.

In the event of an increase in the level of debt, further future dated interest rate swaps will be concluded. In the case of a significant spike in interest rates the group would be protected until March 2021 and could restrict investment to ensure debt levels would not cause financial distress.

Product relevance to customer experience

Tsogo Sun sells experiences including hospitality, gaming, dining and entertainment. To provide the variety and quality of experiences demanded by the group's various clientèle at the appropriate price points, the group needs to constantly monitor and invest in:

- physical product that caters to the customer – including hotel operating equipment, major and minor refurbishments to both hotel and entertainment complexes, gaming equipment, tenant allowances and mind and mood infrastructure to enhance customer experience;
- technology that works for the customer and makes the product work – including gaming management systems to ensure optimal gaming floor utilisation, guest facing and back-of-house hospitality systems for in-house facilities and reservations, channel and customer relationship management;
- accessibility that allows the customer to utilise the group's products with minimal barriers to entry – including physical facilities as simple as sufficient parking, accessibility for mobility impaired guests, easy access to reservation systems and personnel for both trade and individual buyers and easy access to information on the group's products; and
- branding which is critical to the way in which the group is viewed by its current and prospective customers.

Key performance indicators

	2017	2016
Gaming		
• Rewards club membership contribution to gaming revenue	**76%**	75%
• Guest satisfaction – gaming	**77%**	77%
• Slot machine average age	**5.4 years**	5.1 years
Hotels		
• Rewards club membership contribution to hotel revenue	**30%**	33%
• Guest satisfaction – hotels	**88%**	87%
• Hotel property brand audits	**No material deviations from brand standards**	No material deviations from brand standards
Hygiene audits	**No significant issues noted**	No significant issues noted
Maintenance capital spend	**R925 million**	R945 million

2017 performance

Product relevance

In order for the group to deliver the hospitality, gaming, dining and entertainment experiences that our customers desire, it is important that our physical product and service delivery are relevant to our customers at appropriate price points, are consistent in standard and delivery, provide the variety of experiences that will encourage repeat visits and make it easy for our customers to do business with the group. Consumer expectations range from technology preferences to the look and feel of the physical product, the location of buildings, concepts for restaurants and bar offerings, types of entertainment and travel patterns.

The group seeks to respond dynamically to changing trends, refreshing casino and hotel offerings to reflect contemporary tastes and embracing new technologies that will improve customer experience. Therefore, we have committed to investing significantly in the regular maintenance and refurbishment of our properties in order to keep the experiences attractive and relevant to our customers. Slot machines are replaced on an approximate seven to 10-year cycle and the current average age of slot machines is 5.4 years. Many of these machines, however, have been upgraded or have had game changes to ensure they remain relevant. Physical standards at hotel properties are evaluated through hotel property audits. We believe that our properties offer a superior experience to those of our peers and of other leisure activities. In order to preserve our market position and to attract existing and new customers to our gaming and hotel operations, we intend to continue our disciplined programme of investment to continually refresh the offerings and décor of our facilities. There were no material deviations from the relevant brand standards during the period under review.

Product development

Development of the casino and hotel real estate is a critical component of the group's business and its plans for organic growth. On average over the past five years, approximately R1.3 billion has been invested annually in the expansion, refurbishment and maintenance of the group's existing casinos and hotels, excluding the acquisition of new properties. The ability to develop and maintain relevant physical products is a key competency required in the business and the location selection, construction and ongoing property maintenance are the core skills required. Key personnel are employed on a permanent basis to deliver these core skills that safeguard and mentor this knowledge.

Sustainability strategy in action continued

Product relevance to customer experience continued

These skills are augmented by a network of experienced professionals that have worked with the business for a number of years but who are regularly supplemented with new professional firms with the objective of introducing change and fresh ideas to established methods, concepts and systems.

Information technology

Information technology strategy and governance are driven centrally with divisional teams delivering operational system-specific solutions to meet the business requirements. Both divisions predominantly utilise third-party packaged solutions which have been purpose built for the industry. The management process to oversee governance and to achieve more coordinated and efficient IT service delivery to both operating divisions has matured. Due to continuous and responsible IT investment over the past few years there are no legacy system issues.

It remains our strategy to leverage off specialist application software providers and not to invest heavily in our own internally developed systems. We believe suppliers are, in general, better positioned to carry out research and development and keep pace with industry changes and the rapid evolution of technology. However, we position ourselves to actively influence application development direction through direct participation and collaborative design with our suppliers. This approach optimises our technology investment and reduces redundancy.

During the 2017 financial year the group launched the new hotel internet booking engine which provided an enhanced user experience and has significantly improved booking conversions. Campaigns and special deals are being promoted through Facebook and Twitter which are cost-effective channels and the group continues to add more sophisticated features to the digital platform. Increasing regulatory reporting requirements required the continued development of relevant system enhancements to support them. The group deployed numerous tools to protect ourselves from increasingly sophisticated cyber attacks (including malware, hacking, phishing, spam, virus protection, data protection, etc). Significant effort was invested in optimising systems uptime and protecting sensitive data and the group regularly obtains external assurance to verify that appropriate steps are taken and we are reasonably well protected. This will require continued focus as the dynamics change continuously.

Our priority opportunities in the medium term revolve around a new model and solution for the hotel property management systems, a more integrated group-wide approach to customer relationship management, a more coordinated enterprise-wide digital approach including improved online engagement with loyalty and prospective customers and driving direct bookings online and at the best rate and improving the resilience of our IT infrastructure (availability, protection, security).

Our core technology differentiator remains the manner in which we utilise and integrate the relevant features of our systems to streamline and optimise our operations, enhance the customer experience and ensure Tsogo Sun is the easiest place to do business.

Tsogo Sun brand portfolio management

The group continues to grow the master brand through focused communication and brand execution with the messaging across all the brands consistently supporting the group brand essence of 'creating great experiences' for our guests.

The clear brand portfolio allows for consistent decision-making in operations and has remained unchanged with new hotel product being opened under the StayEasy and SunSquare brands and the Sun1 brand being refreshed to increase its appeal to its intended target audience.

In a shift from predominantly traditional marketing campaigns to digital marketing channels the product brands' corporate identities were updated to allow the visual language to translate effectively onto electronic platforms. This included the style of photography, the choice of messaging and the crafting of a distinct user experience journey. Utilising the digital channels has resulted in faster response times to market, higher return on investment and successful and award-winning campaigns.

The management of the brand portfolio includes brand standards that support each brand's delivery. A set of group hallmarks have been introduced and are being rolled out across all the brands. The purpose of the group hallmarks and the supporting hallmark behaviours is to provide a benchmark for service delivery at each property while at the same time providing a golden thread for guest experiences across the portfolio.

The sunburst remains the symbol of the group and serves proudly as our mark on our real estate across our footprint. It instils pride in our employees and trust in our stakeholders.

Customer satisfaction

The group has historically relied on post-visit surveys to ascertain service levels and guest satisfaction. Online reviews and social media interactions have added a level of complexity. There is more data available in more dynamic formats and our guests are expecting faster responses.

The management of post-visit surveys continues, as the data gathered via this platform allows the business to gain deeper insights into the organisation. However, online reputation management via social media and third-party review sites has enhanced our ability to track guest satisfaction.

The group recognises the importance of managing its online reputation and the tracking of online review data was enhanced during the year through online dashboard enhancements which allow operators to view their guest satisfaction across all platforms with the ability to manage them from the site. This allows for more accurate results, as it includes multiple listening posts, and faster turnaround times.

The post-visit surveys continue to consistently provide feedback from approximately 10 000 guests per month. The overall satisfaction score for Hotels averaged 88% (2016: 87%) for the year. The overall satisfaction score for Gaming averaged 77%, flat on the prior year.

The overall satisfaction score for online third-party review sites for Hotels, which was measured for the first time during the year, was 83%.

The guest satisfaction correlates with the high levels of engagement across the various platforms:

- tsogosun.com – 1 million+ visits per month (2016: 750 000+)
- Facebook – 1.65 million (2016: 1.35 million)
- Twitter – 78 400 followers (2016: 61 000)
- Instagram – 25 200 followers (2016: 16 300)

Customer rewards programmes

Tsogo Sun's hotel and casino rewards programme is designed to encourage relationships of mutual value with customers by giving benefits and rewards to cardholders. It provides the group with detailed information about trends across its customer base that enables Tsogo Sun to improve our offering in response to changing consumer behaviour and to meet the demands of top-tier active reward club members more effectively. While our gaming management systems do not allow for full portability of rewards and benefits, the rewards programme provides patrons with consistent card status levels, rewards and benefits across the group.

Tsogo Sun gaming – rewards programme segmental analysis

Tsogo Sun gaming had 325 489 active gaming cardholders during the year. The contribution to total gaming revenue for the year from active members of the reward programme was 76%.

Segment	**2017 % active customers**	**2017 contribution %**	2016 % active customers	2016 contribution %
Black	**8**	**51**	8	50
Platinum	**14**	**15**	14	16
Gold	**78**	**10**	78	9
	100	**76**	100	75

Tsogo Sun hotels – rewards programme segmental analysis

Tsogo Sun hotels had 105 979 active reward cardholders during the year. The contribution to total hotel revenue for the year from active members of the reward programme was 30%.

Segment	**2017 % active customers**	**2017 contribution %***	2016 % active customers	2016 contribution %*
Black	**5**	**9**	5	9
Platinum	**14**	**8**	13	10
Gold	**81**	**13**	82	14
	100	**30**	100	33

** Systemwide*

Customer safety

Tsogo Sun recognises that the health, safety and wellbeing of customers and employees is of paramount importance. Life safety equipment and procedures are maintained at high levels of quality and compliance at all our facilities. Compliance with best practice in life safety, health, hygiene and fire protection is a non-negotiable element of our management systems.

Each property undergoes rigorous safety inspections as part of the Organisational Resilience Management Standard audit process, and deviations from the agreed standards and incidents and events are reported and resolved.

All Tsogo Sun hotel, casino and restaurant properties, including outsourced restaurants, undergo an independent audit every second or third month, which covers food safety practices and compliance to the group standard, as well as legislated elements. Temperature control, personal hygiene, good manufacturing practices, product traceability and storage, cleaning programmes and pest control are included. Audits are strictly unannounced and include surface swabs, hand swabs and food samples, which are selected at random during the audits and assessed for microbiological quality. No significant issues were noted.

Looking ahead

Customer reward programmes

In addition to planned rewards specific communication, integration of the rewards programme into all marketing communication will increase awareness of the programme structure, benefits and processes and reinforce the value offering.

Data mining and analysis of customer interactions and data will form the basis of the strategy to create and maintain relationships with members, assisting with retention and assisting revenue growth. Targeted and individual offers, rewards and incentives will be used to encourage repeat stays/visits and incremental spend. To improve data analytics as well as the delivery of more appropriate individual rewards, Gaming analysis will move from 'theoretical' to 'actual' win.

Technology will continue to play a key role in achieving the focus with successful implementation of Microsoft CRM in Gaming as well as the introduction of remote pin retrieval, bonus Sunrands and eVouchers in Hotels.

Sustainability strategy in action continued

Regulatory compliance

Gaming licences are extremely valuable assets to the group. These are issued for an indefinite period (with the exception of the Eastern Cape-based licences) and are maintained through a strict compliance culture including compliance with all laws and regulations to which the group is subject.

This strict culture of compliance is applied to all aspects of the group's business including areas as diverse as hospitality hygiene, liquor licences, fire and life safety regulations, corruption, insider trading and competition law.

Despite the significant cost involved, the group treats compliance as a necessary investment and not an unavoidable cost, and recognises that compliance yields benefits such as an enhanced financial and operational internal control environment.

Key performance indicators

	2017	2016
Significant gaming regulation breaches	**Nil**	Nil
Fines imposed for other regulatory breaches	**Nil**	Nil
Fines imposed for breaches of law	**Nil**	Nil

2017 performance

Regulatory compliance

The South African trading environment is highly regulated and compliance with the regulations is critical to our licence to trade. The broader trading environment is becoming increasingly complex and is governed by legislation and policies, much of it relatively new, relating to competition, customer protection, privacy, environmental, health and safety, money laundering and labour issues. A number of statutes provide for monitoring and enforcement by regulatory bodies. The audit and risk committee is updated with all material changes to legislation and regulations twice a year and the board is updated quarterly.

The casino operations are regulated by the provincial gambling boards and, from an oversight perspective, by the National Gambling Board. The standards of regulation within the industry are in line with global best practice. Gaming regulation compliance, which is of particular importance in retaining casino licences, is achieved through the implementation of internal control procedures and compliance policies, compliance committees, an anonymous tip-off system, interventions with regulators and law enforcement agencies, centralised specialist understanding of the interpretation and application of legislation, internal and external compliance audits and by creating a compliance culture through training. Compliance with the terms of a licence is monitored by the relevant provincial gambling board on an ongoing basis and certain provinces may conduct quarterly, bi-annual and annual inspections.

During the year, the group participated in the public consultation process in respect of proposed legislative and policy amendments which may have a regulatory compliance impact on the group's casino and hotel operations. The most significant contributions with regard to gaming were made in respect of the National Gambling and Liquor Policies, proposed amendments to the National Gambling Act and Policies, various provincial gambling acts and regulations and, in particular the 41st licence, the roll out of additional bingo sites, liquor legislation and the FICA, which may cause more onerous regulatory obligations on casinos. The Minister of Finance has proclaimed the commencement of certain provisions of the FICA with effect from July 2017, with further provisions coming into operation in October 2017. The group is currently participating in various consultation processes with the Financial Intelligence Centre regarding a transitional period for the implementation of the amendments to the Act, as well as recently proposed amendments to the Regulations. Furthermore, the group has commenced a project to align its current processes and policies to comply with new and additional requirements.

Tsogo Sun ensures that the group complies with all applicable legislation in all countries in which it operates and, where possible, builds constructive relationships with the regulatory bodies. There were no significant breaches of any legislation and no significant fines imposed during the year.

There were no reported incidents regarding breaches of customer privacy or losses of customer data.

Looking ahead

Material areas of regulation will continue to be incorporated into the combined assurance framework to ensure that all relevant legislation and regulations continue to be applied and adhered to.

Human resources

People are at the core of delivering a Tsogo Sun experience, both front and back-of-house.

At the guest level, Tsogo Sun does not sell a system or manufacture a physical product for resale. Every aspect of the business, from the gamer's experience at the roulette wheel to the dining experience in the restaurants, to the check in and check out at the front desk, requires an interaction with people of the group. A pool of qualified, trained and talented people is required to deliver these experiences, supported by empowered management and relevant support services.

At the corporate level, the group is reliant on executives and managers who can identify and manage both risks and opportunities and implement appropriate responses. These individuals, both senior and junior, need to apply long-term thinking and avoid quick and unsustainable fixes.

In order to attract and retain the appropriate talent pool, the group needs to ensure that all aspects of the employee's experience, including but not limited to, remuneration and incentivisation, is properly structured.

Key performance indicators

	2017	2016
Management and control (revised codes) score/employment equity (2007 codes) score	**10.4/19**	10.0/19
Training spend as a % of payroll	**4.3%**	4.5%
Staff resignations	**9.8%**	10.1%

2017 performance

Human capital management

We believe that the sustainable growth of our group depends as much on our people as it does on our operational expertise. Our employment policies are designed to empower and develop employees, and create an environment in which each employee can perform and grow to his or her fullest potential. We also strive to attract and retain the highest calibre staff while at the same time redressing historical imbalances, where they may exist.

Job creation and employee stability

The group contributes approximately 12 800 direct jobs and 22 700 combined direct and indirect jobs (including contract staff employed by third-party service providers) where our operations are situated in South Africa.

Staff resignations decreased to 9.8% (2016: 10.1%) and remains acceptable for the hospitality industry and is testimony to the favourable employee engagement and values-based leadership approach across the group.

Employee development

Training spend for the year at R130 million, which at 5.1% of payroll, has increased from the prior year. The group spent R117 million on training and development initiatives provided to black people during the year, which is 4.5% of payroll. In accordance with the BBBEE revised codes – tourism sector scorecard targets, the spend is measured against the national Black Economically Active Population targets. For this reason, the group's verified spend on BBBEE training and development amounted to R110 million, which is the equivalent of 4.3% of payroll. The group's BBBEE score for skills development is 18.9 out of 20 within the scorecard framework. In the year the group employed 1 361 people on learnerships and provided 1 308 unemployed people with learnership opportunities. Of the unemployed people on learnerships, the group employed 491 people after they had completed their training.

Through its integrated academy, during the year Tsogo Sun continued with the roll out of the new learning strategy, based on international best practice. This has resulted in a steady supply and promotion of talented individuals within the organisation and a focus on the basic skills of our frontline staff. The new strategy has also resulted in a reduction of inefficient training time off the job and an increase in on-the-job learning. In addition, management development has become more targeted, focused and customised, resulting in increased efficiencies to the business. A renewed focus on just-in-time learning based on specific business needs has also increased efficiencies and the quality of learning and development throughout the business. Tsogo Sun continues to demonstrate its commitment to investing in the education, training and development of its employees through the activities of the Tsogo Sun Academy.

Employee engagement

The group operates under a single engagement programme reflecting the values, culture and behaviours common to the business. livingTSOGO is simple and straightforward – from the concept of attaching values to our company name to the values themselves. Employees participate in the components designed to

Sustainability strategy in action continued

Human resources continued

bring them to life including livingTSOGO World which incorporates the group's induction programme and livingTSOGO Moments which provides recognition and rewards.

An employee from the Suncoast Casino was recognised for the second year running as the livingTSOGO ambassador in terms of the employee rewards programme.

Employee wellness

Tsogo Sun is committed to the wellness of our employees and provides services to them through employee clinics in Tsogo Sun gaming, an employee assistance helpline, wellness days and executive medicals. During the year, a total of 58 300 primary healthcare consultations were provided at employee clinics located at our casino complexes and this has contributed positively to the management of absenteeism within the group. Meals are also provided to our employees in canteens at our hotels and casinos.

As part of the wellness programme, HIV/Aids has been a focus area for many years through awareness campaigns, voluntary testing, counselling and clinical management, which has positively contributed to a lower prevalence rate than anticipated.

Health and safety

The gaming and hospitality industries are safe environments relative to many other industries. Tsogo Sun properties undergo rigorous safety inspections as part of the Organisational Resilience Management Standard audit process, and deviations from the agreed standards, as well as incidents and events, are reported and resolved.

No employee fatalities as a result of health and safety incidents occurred at any of our properties. The group maintained an average lost-time injury frequency rate of 1.6. This equates to the number of injuries which rendered an employee unfit for duty for one shift or longer per 200 000 hours worked.

Employment equity

The principles of empowerment and diversity are entrenched into the ethos of Tsogo Sun. The table below reflects our employment equity and includes South Africa only. It excludes the approximately 9 900 contract staff employed by third-party service providers and 1 608 staff employed outside South Africa:

	South African male				South African female				Foreign nationals		
Employees	African	Indian	Coloured	White	African	Indian	Coloured	White	Male	Female	Total
Permanent	**3 226**	**500**	**367**	**573**	**3 441**	**382**	**461**	**570**	**77**	**32**	**9 629**
Executives and management	409	172	94	387	341	107	92	320	34	10	1 966
Supervisors and skilled employees	1 324	202	152	131	1 287	183	209	204	29	18	3 739
Other employees	1 493	126	121	55	1 813	92	160	46	14	4	3 924
Operational support	**1 197**	**25**	**61**	**18**	**1 736**	**33**	**86**	**31**	**26**	**12**	**3 225**
Executives and management	–	–	–	1	–	–	–	2	1	–	4
Supervisors and skilled employees	521	12	17	9	730	24	30	20	10	5	1 378
Other employees	676	13	44	8	1 006	9	56	9	15	7	1 843
Total 2017	**4 423**	**525**	**428**	**591**	**5 177**	**415**	**547**	**601**	**103**	**44**	**12 854**
Total 2016	**4 407**	**527**	**435**	**621**	**4 983**	**424**	**569**	**617**	**111**	**53**	**12 747**

Permanent employees work full time or on a flexible roster basis according to business levels and are guaranteed a minimum number of hours work per month. Operational support staff generally work on a flexible roster basis according to business levels and have no guaranteed hours.

There have been no significant changes to the group's headcount since last year and the percentage of female employees increased slightly to 53% of the workforce in 2017.

We ensure that our workforce reflects our focused employment equity philosophy. In this regard, in accordance with our verified management and control results, presently black representation at senior management level is 23.9%, at middle management level it is 53.8% and at junior management level it is 77.3%. The representation of black employees throughout the group is currently 90.2%.

The main challenges in employment equity remain in the areas of executive, senior management and black disabled employees. The Tsogo Sun Academy assists in facilitating and fast tracking the development of our employees' skills, enabling our development pipeline.

Unions

Tsogo Sun recognises the right to freedom of association of employees and we recognise that collective bargaining forms an integral part of labour relations. Of the 10 699 employees in South Africa who are eligible to join a union 2 004 (19%) are union members. Union membership has been consistently decreasing with 2 402 employees union members in the prior year.

We endeavour to maintain transparent and constructive relations with our employees and to encourage a culture of engagement within the business. In addition, the consistent approach we have applied to determining annual increases over many years, including during times of economic downturn, has resulted in a low level of industrial action over the past decade.

Looking ahead

Employee development

International best practice dictates that in order to create a productive learning culture, line management needs to be properly equipped to progressively develop employees in their charge, and to ensure basic front line services are provided to the guest. This objective will receive significant attention in the coming year, together with the embracing of technology in order to increase the reach of learning and development within the group. Furthermore, a focus will be placed on growing learners within the organisation and equipping them with skills in order to get faster and maximum benefit from interventions provided by the Academy.

Employee engagement

The focus during the year will be on integration of the values into business operations and continually recognising and celebrating employees whose behaviour embodies our values, with livingTSOGO Moments. A livingTSOGO engagement survey is planned for the year.

Growth strategy in action

The value of a business is the present value of the future cash flows that can be generated by the assets and other capitals utilised by the business. Accordingly, the only true measure of growth for our business over time is the growth in cash flow.

Growth in cash flow over time is generated through the optimal operation of the group's capitals (organic growth) and building the tangible and intangible asset base of the group through developing and acquiring new businesses (inorganic growth). It is only with sustainable and growing cash flows that a business can hope to create value for the organisation, its stakeholders and society and thereby achieve a multitude of additional benefits such as increased levels of employment and meaningful social contributions.

Organic growth

Both hotels and gaming have high levels of operational gearing due to substantial levels of fixed operating costs. The major driver of long-term organic growth will arise from maximising the revenue generated from the group's asset base in all macro-economic circumstances.

Operational overheads must be reviewed and measured for efficiency and to ensure each Rand spent is either in support of the objective of sustainability or growth.

Key performance indicators

	2017	2016
Organic income growth	**2%**	6%
Organic Ebitdar growth	**1%**	5%
Free cash flow	**R2.2 billion**	R2.0 billion
Maintenance capital expenditure	**R925 million**	R945 million
Adjusted HEPS growth	**6%**	12%

2017 performance

Segmental operating performance

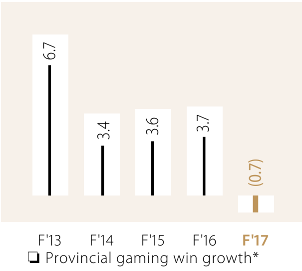
	Income		Ebitdar		Ebitdar margin	
Year ended 31 March	**2017 Rm**	2016 Rm	**2017 Rm**	2016 Rm	**2017 %**	2016 %
Montecasino	**2 694**	2 674	**1 196**	1 194	**44.4**	44.7
Suncoast	**1 732**	1 701	**810**	791	**46.8**	46.5
Gold Reef City	**1 450**	1 380	**549**	525	**37.9**	38.1
Silverstar	**735**	735	**248**	254	**33.7**	34.6
Golden Horse	**392**	369	**176**	163	**44.8**	44.2
Emnotweni	**383**	384	**145**	152	**37.9**	39.5
The Ridge	**382**	391	**147**	160	**38.6**	40.9
Hemingways	**306**	318	**95**	113	**31.2**	35.4
Garden Route	**225**	218	**96**	92	**42.8**	42.3
The Caledon	**175**	163	**54**	43	**30.6**	26.2
Blackrock	**170**	168	**65**	63	**37.9**	37.7
Mykonos	**162**	156	**72**	68	**44.5**	44.0
Goldfields	**133**	134	**41**	44	**31.0**	32.4
Other gaming operations	**195**	109	**(154)**	(233)		
Total gaming operations	**9 134**	8 900	**3 540**	3 429	**38.8**	38.5
South African hotels division[1]	**3 509**	2 744	**1 359**	920	**38.7**	33.5
Offshore hotels division	**635**	691	**108**	169	**17.0**	24.5
Pre-foreign exchange losses			***146***	*192*	***23.0***	*27.8*
Foreign exchange losses			***(38)***	*(23)*		
Corporate[1]	**(56)**	(52)	**42**	25		
Group	**13 222**	12 283	**5 049**	4 543	**38.2**	37.0

All casino units are reported pre-internal gaming management fees
[1] Includes R55 million (2015: R53 million) intergroup management fees

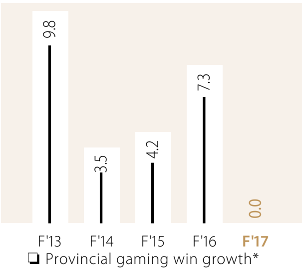
Growth strategy in action continued

Organic growth continued

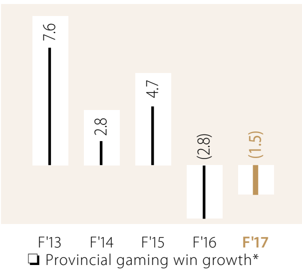
Gauteng



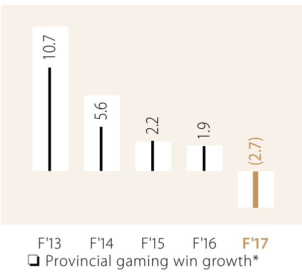
KwaZulu-Natal



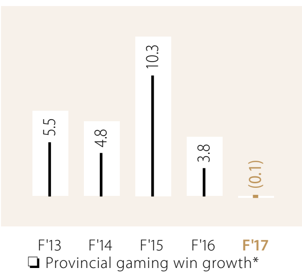
Mpumalanga



Eastern Cape



Western Cape



** Based on gambling board statistics*

Tsogo Sun gaming

Gaming win for the year grew by a disappointing 2% on the prior year with slots win flat and 8% growth in tables win. The high-end privé market continued to perform well, albeit with volatility in win percentages from month to month and the main floor business remaining under pressure.

	31 March 2017 Rm	31 March 2016 Rm	% change on 2016
Gaming win	**7 483**	7 361	2
Tables	**1 891**	1 750	8
Slots	**5 592**	5 611	–
Win % – tables	**21.8**	21.5	0.3pp
Hold % – slots	**5.0**	5.0	–

Gauteng recorded a reduction in provincial gaming win of 0.7% for the year. Gaming win growth of 1.5% was achieved at Montecasino and 6.4% at Gold Reef City with a reduction at Silverstar of 0.1%. Gold Reef City continues to be positively impacted by the refurbishment and expansion work which was completed in October 2015. Silverstar growth was again disappointing but was impacted by the loss of particular high end play that did not recur during the year.

KwaZulu-Natal provincial gaming win was flat on the prior year. Gaming win growth of 1.8% was achieved at Suncoast Casino and Entertainment World and 6.0% at Golden Horse Casino in Pietermaritzburg, primarily on the back of refurbishment work undertaken at that unit, with a reduction of 0.4% at Blackrock Casino in Newcastle.

Mpumalanga recorded a reduction in provincial gaming win of 1.5% for the year. Gaming win reduced by 2.8% at Emnotweni Casino in Nelspruit and 2.8% at The Ridge Casino in Emalahleni impacted by significant economic disruptions to the local manufacturing industry in that area.

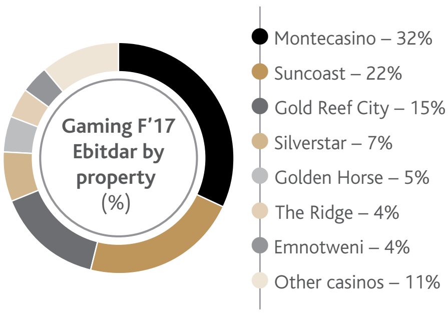
The Eastern Cape provincial gaming win reduced by 2.7% for the year. Hemingways gaming win reduced by 7.4% on the prior year, impacted by the poor economic conditions in the East London area.

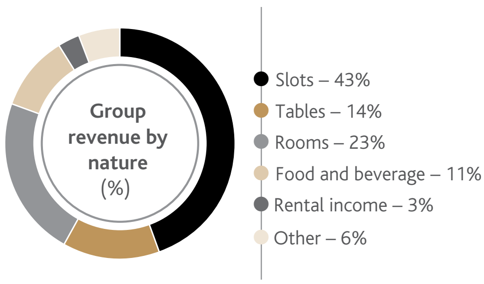
The Western Cape provincial gaming win reduced by 0.1% for the year. The Caledon Casino, Hotel and Spa, Garden Route Casino in Mossel Bay and Mykonos Casino in Langebaan reported growth of 8.7%, 2.5% and 5.4% respectively.

Goldfields Casino in Welkom in the Free State experienced difficult conditions with a reduction in gaming win of 2.0% on the prior year.

Other Gaming division operations consisting of the Sandton Convention Centre and head office costs reflected a net cost of R154 million, a decrease of R79 million on the prior year due mainly to the dividends received from SunWest of R70 million, representing three quarterly dividends.

Overall revenue for the Gaming division increased 3% on the prior year to R9.1 billion. Ebitdar increased 3% on the prior year to R3.5 billion at a margin of 38.8%, 0.3pp above the prior year with particularly good control on overheads mitigating the slow growth in gaming win.





Tsogo Sun hotels

The hotel industry in South Africa continues to experience a recovery from the dual impact of depressed demand and oversupply. Overall industry occupancies have improved to 65.2% (2016: 63.8%) for the year.

Trading for the group's South African hotels for the year recorded a system-wide revenue per available room ('Revpar') growth of 6% on the prior year due mainly to an increase in average room rates by 5% to R1 067, with occupancies above the prior period at 64.3% (2016: 63.5%).

Overall revenue for the South African hotels division increased 28% on the prior year to R3.5 billion assisted by the inclusion of the Holiday Inn Sandton and Crowne Plaza Rosebank hotel businesses from March 2016, the Garden Court Umhlanga and the StayEasy Pietermaritzburg from October 2016, the consolidation of HPF from September 2016 and the closure of the Riverside Sun and Sabi River Sun hotels for refurbishment during the prior year. Ebitdar increased by 48% on the prior year to R1.4 billion at a margin of 38.7% (2016: 33.5%). Of the Ebitdar growth 36% is due to the HPF and related Majormatic acquisition.

The offshore division of hotels achieved total revenue of R635 million which was 8% down on the prior year, impacted by tough local economic environments due mainly to the reduction in commodity prices impacting the local economies negatively. This was further adversely impacted by the strengthening of the Rand against both the US Dollar and the Euro. Ebitdar (pre-foreign exchange losses) decreased by 24% to R146 million. Foreign exchange losses of R38 million (2016: R23 million) were incurred on the translation of offshore monetary items, principally between local country currencies and the US Dollar.

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

	31 March 2017	31 March 2016
Occupancy (%)	**63.3**	62.5
Average room rate (R)	**1 063**	1 035
Revpar (R)	**672**	646
Rooms available ('000)	**4 578**	4 307
Rooms sold ('000)	**2 895**	2 691
Rooms revenue (Rm)	**3 078**	2 784

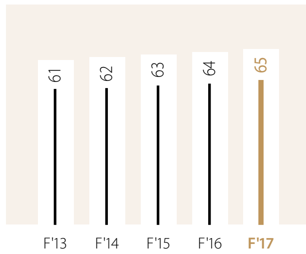
Maintenance capital expenditure

The group invested R925 million on maintenance capex group-wide, including gaming equipment replacements and major hotel and casino refurbishments, ensuring our assets remain best in class.

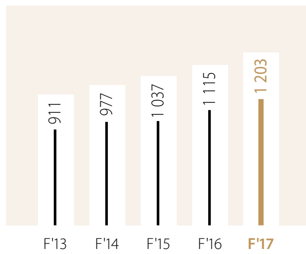
Looking ahead

The underlying operations of the group remain highly geared towards the South African consumer (in gaming) and the corporate market (in hotels). The high level of operational gearing still presents significant growth potential to the group should these sectors of the South African economy improve.

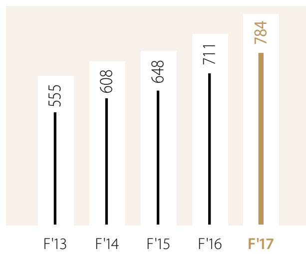
SA occupancy* (%)



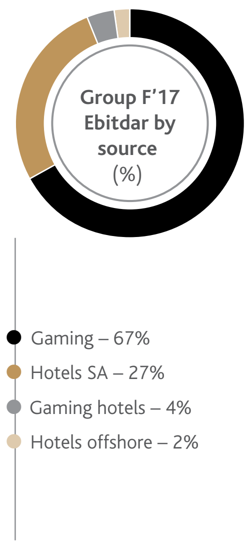
SA average rate* (R)



SA Revpar* (R)



** South African hotel industry based on STR Global statistics*



Growth strategy in action continued

Inorganic growth

Inorganic growth will be a combination of capacity increases in existing businesses, greenfield developments in new markets and acquisitions within the group's core competence. In all situations, a discipline around due diligence and feasibility is critical to ensuring the success of growth projects.

The propensity for growth projects to absorb both financial and human resources must be carefully evaluated within the group's capacity tolerances as these can impact some of the pillars of sustainability.

Key performance indicators

	2017 Rm	2016 Rm
Investment activity expenditure	**2 590**	962

2017 performance

In terms of our growth strategy the group has continued to invest significant resources during the year, including:

- the acquisition from Sun International Limited and Grand Parade Investments Limited of a 20% equity interest in each of SunWest and Worcester for an aggregate R1.3 billion effective 1 April 2016. This has given the group an enhanced exposure to the Cape Town casino market through a passive investment with an attractive dividend yield. We continue to push for the opportunity to relocate one of the smaller Cape-based casinos into an untapped area in the metropole, despite significant delays by the province on this matter;
- the acquisition of two previously managed hotels from Liberty by Cullinan, being the Garden Court Umhlanga and the StayEasy Pietermaritzburg for R310 million effective 1 October 2016, bringing the number of hotels and rooms in Cullinan to 10 and 2 263 respectively. This was followed by the acquisition of the 40% shareholding Liberty had in Cullinan, including all shareholders' loans owing to Liberty for R1.0 billion effective 1 December 2016;
- the acquisition of a 50.6% controlling stake in HPF through conversion of the 78 million HPF B-linked units to a single class of share and the injection of 10 owned hotels on an asset for share basis;
- the acquisition of the 29.6% minority stake in the Mykonos Casino through a share buy-back effective 12 December 2016 for R190 million and additional undeveloped land for future expansion for R30 million; and
- construction commenced and was then interrupted on the expansion of the Suncoast Casino and Entertainment World. The scheme has been redesigned and the cost of the expansion has been decreased to R1.6 billion including past spend with construction recommencing in mid-June 2017 with eighteen months to completion. R1.3 billion is still to be spent on the project.

Investment activity expenditure

	31 March 2017 Rm	31 March 2016 Rm
SunWest and Worcester casinos	**1 272**	–
Suncoast expansion	**112**	47
Cape Town land	**110**	–
SunSquare and StayEasy Cape Town FF&E	**53**	–
Gold Reef City redevelopment	**34**	256
SUN1 expansions	**25**	20
Monte Circle and Monte Place	**16**	27
Silverstar redevelopment	**3**	28
Southern Sun Maputo expansion	**1**	15
Emnotweni expansion	**–**	2
Other	**–**	–
Expansion capex	**1 626**	395
Cullinan minorities	**459**	–
Acquisition of Liberty hotels	**310**	–
Mykonos minorities	**190**	–
Blackrock minorities	**5**	–
International Hotel Group	**–**	315
Hospitality Property Fund B-linked units	**–**	252
Majormatic/Extrabold	**–**	15
Acquisitions and minorities	**964**	582
Loans and investments	**–**	(15)
Investment activity expenditure	**2 590**	962

Looking ahead

The group remains highly cash generative and continues to pursue significant opportunities to invest capital in its growth strategy.

Our medium-term growth strategy focuses on opportunities that are expected to yield greater return on investment and effort at lower levels of risk.

In gaming, the focus remains on capacity increases in our existing properties, particularly in specific markets where changing demographics are driving growth. With only one of the known national licences that is not allocated an attractive proposition, we remain acquisitive for existing licences, but only at the right price. African expansion would only become attractive as regional economies develop a more robust middle market and enable regulatory environments. Expansion outside South Africa remains unattractive due to the additional risk of operating in diverse regulatory environments and the limited economies of scale that can be achieved.

In hotels, we remain opportunistic in South Africa and will acquire properties if they are well located, align with our business model and are realistically priced. Although occupancies are improving they are not yet at long-term averages and there should not be significant hotel stock being added to the market at this stage of the cycle. We would, however, actively seek opportunities to land bank, build or lease in superior locations or nodes that are expected to grow more strongly in the future. In other jurisdictions we continue to evaluate opportunities to manage, lease or own hotel properties in markets where we believe we have a competitive advantage and will mostly focus on the territories we already operate in.

The group continues to implement a variety of projects and acquisitions including:

- post-year end the group sold an additional 29 hotels to HPF and has leased them from HPF from July 2017. As the hotels are owner occupied for group purposes there is no impact apart from non-controlling interests;
- the acquisition of HCI's and all other shareholders' interests in Gameco for a combination of Tsogo Sun shares and cash. Niveus and Tsogo Sun shareholder approval has been received but the transaction remains subject to a number of conditions precedent;
- the potential to bid for the relocation of one of the smaller casinos in the Western Cape to the Cape Metropole remains an opportunity for the group should the provincial authorities allow such a process;
- development has commenced on a 125 room StayEasy in Maputo, Mozambique, which is expected to cost US Dollar 16 million and be completed by late 2018;
- the acquisition of additional hotel properties by International Hotel Properties Limited, which currently owns nine hotels in the United Kingdom, is anticipated in the future and the group may apply additional capital in this regard; and
- the opening of a new 503 room SunSquare and StayEasy branded leased hotel in the Cape Town city bowl during August 2017.

Reporting approach

Although King IV will only apply to the group from the 2018 financial year this integrated governance section contains the majority of the disclosure requirements contained within King IV. All of the disclosures required under King III have been retained to ensure the reporting continues to comply with King III for this report.

The King III gap analysis, to review the company's application of the various principles of King III, was updated during the year. A copy of the full gap analysis is available on the company's website. The principles required by King III where application is 'applied differently' are as follows:

The board should elect a Chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of Chairman of the board.	The board exercised its prerogative to appoint John Copelyn as the Chairman. As a compensating control, a lead independent director was appointed.
The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	The major shareholder exercised its prerogative to appoint the directors representing their interests. The majority of the directors are non-executive with three of the non-executive directors being independent.
Directors should be appointed through a formal process.	Directors are nominated by the board and appointed at the Annual General Meeting. Formal letters of appointment including the required roles and responsibilities are, however, not issued.

An assessment of King IV has been completed and the group substantially applies the 16 principles. Work is required on a number of practices with new requirements prior to the completion of the 2018 integrated report. These include the monitoring of ethics, board succession planning, assurance of non-financial information in reports, technology and information governance, formal stakeholder relationship management and elements of remuneration disclosure.

Effective and ethical leadership

Ethics

The group has an ethics policy and a code of conduct which guides its business practices. The ethics policy seeks to reinforce the company's many policies, principles and practices through providing clarity on expectations and underlying matters of principle. The key aspects of the ethics policy are how business is conducted, the group's societal contribution and handling of people, the need for employees to speak out about wrong doings, conflicts of interest, the legitimate interests of the business, application of law, policies and procedures, corporate governance matters and individual accountability. The code of conduct provides guidance on matters such as conflicts of interests, acceptance and giving of donations and gifts, compliance with laws and the dissemination of confidential information.

The board has ultimate responsibility for the ethical culture of the business. The social and ethics committee has oversight over the group's ethical matters and the roles and responsibilities are set out in the terms of reference of the committee. All senior employees are required to sign an annual declaration confirming no conflict of interests and compliance with laws and regulations. The group has an independent whistle-blower line and all reported matters are investigated by appropriate employees and the results reported to the audit and risk committee. Unethical behaviour is not tolerated within the group or its business partners and all criminal behaviour is reported to the police.

Responsible corporate citizenship

The social and ethics committee has oversight over the group's social matters and the roles and responsibilities are set out in the terms of reference of the committee. The key areas of focus are social and economic development of the industry, state and partners, corporate citizenship within the community, the natural environment and relationships with customers and employees. Refer to the deliver to our beneficiaries section on pages 39 to 47, the product relevance to customer experience section on pages 49 to 51, the regulatory compliance section on page 52 and the human resources section on pages 53 to 55 for information as to how the group manages its social outcomes.

Value creation and reporting

Our approach and philosophy of integrated reporting and assurance over the report is documented in about this report on page 1. Our report is purposefully structured around the strategy of the group in order to illustrate how we create value. Our material risks and opportunities on pages 21 to 23 and key relationships on pages 24 to 26 inform the strategy which is documented in our strategy in action on pages 39 to 61. Our strategy and performance highlights against the strategy are summarised on pages 6 to 8 and our business model on pages 10 to 20 provides the context and link between the capitals we utilise and the outcomes linked to our strategic priorities. Although elements of the report are assured internally and other information is provided by external sources assurance is an area that requires further formalisation.

Integrated governance continued

Board composition, structure and report back

Governance structure

The board maintains full and effective control over the company and is accountable and responsible for its performance and compliance. The board reviews the strategic priorities of the group, determines the investment policies and delegates to management the detailed planning and implementation of the objectives and policies in accordance with appropriate risk parameters. The board monitors compliance with policies and achievement against objectives by holding management accountable for its activities through quarterly performance reporting and budget updates.

The board charter codifies the board's composition, appointment, authorities, responsibilities and processes and sets out the fiduciary duties of the directors of the company. It provides the board with a mandate to exercise leadership, determine the group's vision and strategy and monitors operational performance.

The board governs through clearly mandated board committees. Each committee has specific written terms of reference approved by the board and adopted by the committee. All committee chairmen report orally on the proceedings of their committees at the board meetings. The board is satisfied that it has fulfilled its responsibilities in accordance with the board charter during the year.

Support from combined assurance providers, legal, risk, compliance and company secretarial functions

Board
Two executive directors and seven non-executive directors[(1)]

Responsibility for the overall conduct and control of the business and the strategic direction of the company

Audit and risk committee
Three independent non-executive directors[(2)]

Provides effective governance over reporting, the effectiveness of the internal financial controls and the external and internal audit functions and ensures that there is an effective risk management process that identifies and monitors the management of the key risks.

Remuneration committee
Five non-executive directors of whom three are independent[(2)]

Ensures the adoption of remuneration policies that attract and retain top talent, are aligned to the company's strategy, are market-related and drive performance in the short and long term.

Social and ethics committee
Four non-executive directors of whom three are independent[(2)]

Assists the board to ensure that the transformation strategy is appropriate and integrated into the business. It performs the social and ethics functions required by the Companies Act, 2008, as amended.

Chief Executive Officer
Jacques Booysen[(3)]

Responsible for the development and implementation of board strategy and policy and management of the business.

[(1)] In terms of the MOI the board consists of between four and 15 directors Three of the non-executive directors are independent
[(2)] The committee meetings are also attended voluntarily by other directors
[(3)] Post-year end Marcel von Aulock resigned and was succeeded by Jacques Booysen on 1 June 2017

Group executive committee
Fourteen members including the executive directors, divisional chief operating officers and financial directors and certain group function heads

Responsible for the day-to-day management of the operations of the group.

Pure risk committee
Chief Financial Officer, Director of Risk, risk managers, divisional finance, security and development directors

Responsible for the identification and management of insurable risks.

Compliance committee
Executive directors and gaming Chief Operating Officer, finance, operations, human resources, security, legal and compliance directors

Responsible for compliance, mainly in gaming division.

IT steering committee
Chief Information Officer and management committees for the gaming and hotel divisions

Responsible for the technology roadmap and IT project portfolio for the divisions.

Management committee
Chief Operating Officer and divisional function heads for gaming division

Responsible for the day-to-day management of the operations of the divisions.

Ethical conduct | **Corporate governance** | **Risk governance** | **Fair remuneration**

During the year there were five board meetings. The divisional chief operating officers and the group Human Resources Director attend board meetings, enabling the board to explore specific issues and developments in greater detail. Individual directors' attendance at the board and board committee meetings and at the AGM is set out in the table below:

	Board	Audit and risk committee	Remuneration committee	Social and ethics committee	AGM
Executive directors					
Marcel von Aulock	5/5				✔
Rob Huddy	5/5				✔
Non-executive directors					
Chairman					
John Copelyn	5/5		2/2		✔
Lead independent					
Busi Mabuza	4/4	2/2	1/1	1/1	
Rex Tomlinson	1/1	1/1	1/1	1/1	
Independent					
Mac Gani	4/4	2/2	1/1	1/1	✔
Busi Mabuza	1/1	1/1			
Jabu Ngcobo	5/5	3/3	2/2	2/2	
Non-independent					
Marcel Golding	3/5				
Elias Mphande	5/5				✔
Yunis Shaik	5/5		2/2	2/2	

Board composition

The composition of the board and of the audit and risk, remuneration and the social and ethics committees is determined by the major shareholder. The board exercised its prerogative to appoint John Copelyn as the Chairman. As a compensating control, a lead independent director was appointed. The lead independent director is Busi Mabuza who serves on all of the committees of the board, and is therefore well placed to influence the governance of the company and meet her obligations. No independent director has served for more than nine years and the average length of service of independent directors is less than four years. One-third of the non-executive directors retire by rotation each year in line with the MOI. Evaluation of the board is entrenched in the board charter and terms of reference and is carried out annually. Refer to board effectiveness on page 69.

The remuneration committee reviews and assesses board composition on behalf of the board and recommends the appointment of new directors. The committee adopted a board diversity policy during the year. All board appointments are made on merit, in the context of the skills, experience, independence and knowledge, which the board as a whole requires to be effective. Factors that are taken into consideration are differences in the skills, regional and industry experience, background, race and gender. The board considers that there is an appropriate balance of skills, experience, independence and knowledge among the independent directors. No specific targets have been set in relation to the board diversity policy but while 67% of the board members are black the board recognises that it does not have an adequate representation of female members at 11%.

The roles of the Chairman and the Chief Executive Officer are separate, with responsibilities divided between them to ensure a balance of power and authority. The Chairman is responsible for providing overall leadership of the board and ensuring that the board performs effectively. The Chief Executive Officer is responsible for the execution of the strategic direction, which is approved by the board, through the delegation of authority.

The Chief Executive Officer's employment contract includes a three-month notice period unless varied by agreement and there are no specific contractual conditions related to termination. The Chief Executive Officer has no other external professional commitments. On the resignation of Marcel von Aulock post-year end on 1 June 2017 he was succeeded by Jacques Booysen who had been with the group for a period of 10 years. Succession planning is not formalised but executive director appointments have historically been internal.

Integrated governance continued

Board composition, structure and report back continued

Board profile

Executive directors

1. J BOOYSEN (57)

CA(SA)

Executive Director – Chief Executive Officer

Date appointed: 1 June 2017

Jacques was a partner at PricewaterhouseCoopers Inc. prior to working at the Gauteng Gambling Board for 12 years, where he held the position of Chief Executive Officer. He Joined Tsogo Sun in 2007 and served in the roles of Director – New Business Development, Director – Gaming Operations, Financial Director – Gaming and Managing Director – Gaming prior to his appointment as the Chief Executive Officer on 1 July 2017.

2. RB HUDDY (48)

CA(SA)

Executive Director – Chief Financial Officer

Date appointed: 31 October 2011

Rob Huddy served his articles at PwC and joined Tsogo Sun in 1997. He held various management positions prior to being appointed Financial Director – Hotels Offshore in 2006 and Financial Director – Hotels South Africa in 2009. On 30 September 2011 he assumed the role of Chief Financial Officer.

Non-executive directors

3. JA COPELYN (67)

BA (Hons), BProc

Non-executive Chairman and member of the remuneration committee

Date appointed: 13 August 2003[(1)]

John Copelyn joined HCI as Chief Executive Officer in 1997. He was previously General Secretary of the Southern African Clothing and Textile Workers Union from 1974 before becoming a member of parliament in 1994. He currently holds various directorships and is Non-executive Chairman of e.tv.

4. MA GOLDING (57)

BA (Hons)

Non-executive Director

Date appointed: 30 April 2004[(1)]

Marcel Golding runs a family investment office. Prior to this he was Chairman of HCI and Chief Executive Officer of e.tv. He was a member of parliament and Deputy General Secretary of the National Union of Mineworkers. He is Chairman of KWV Holdings.

[(1)] *Date appointed to the holding company board pre-reverse listing into Gold Reef on 14 February 2011*

Independent non-executive directors

5. VE MPHANDE (59)

Elec Eng (Dip)

Non-executive Director

Date appointed: 3 February 2005[(1)]

Elias Mphande has served as the National Organising Secretary of the Southern African Clothing and Textile Workers Union, Marketing Director of Viamax Fleet Solutions, Chief Executive Officer of AUTA and the Vukani Group and Chairman of Golden Arrow Bus Services. He was appointed to the HCI board in 2010 as a non-executive director and as non-executive Chairman in 2015 and serves on the board of Vukani Gaming Corporation and e.tv.

6. Y SHAIK (59)

BA (Law), BProc

Non-executive Director, member of the social and ethics committee and Chairman of the remuneration committee

Date appointed: 15 June 2011

Yunis Shaik is an admitted attorney of the High Court of South Africa. He is a former Deputy General Secretary of the Southern African Clothing and Textile Workers Union and a director of Workers' College. He has served as a Senior Commissioner to the KwaZulu-Natal CCMA. He was appointed to the board of HCI in 2005 as lead independent non-executive director of HCI in 2010 and as an executive director of HCI in 2014.

7. BA MABUZA (53)

BA (MBA)

Lead Independent Non-executive Director, member of the audit and risk committee, the social and ethics committee and remuneration committee

Date appointed: 1 June 2014

Busi Mabuza has held various positions in the financial services and energy sectors and is currently a non-executive director at Development Bank of Southern Africa, Industrial Development Corporation and Nehawu Investment Holdings.

8. MSI GANI (64)

CA(SA)

Independent Non-executive Director, Chairman of the audit and risk committee and the social and ethics committee and member of the remuneration committee

Date appointed: 11 August 2016

Mac Gani is a Chartered Accountant with over 30 years' experience in the accounting and audit profession. He was a founding partner of MSGM Masuku Jeena Inc., a partner of Saboor Gani & Co and a partner of PwC until 2013. He is a non-executive director on a number of boards including HCI and Basil Read Holdings Limited and is on the investigating committee of the Independent Regulatory Board of Auditors.

9. JG NGCOBO (66)

Independent Non-executive Director, member of the audit and risk committee, the social and ethics committee and remuneration committee

Date appointed: 24 February 2011

Jabu Ngcobo held the positions of General Secretary of the Southern African Clothing and Textile Workers Union from 1994 to 1999 and the Regional Secretary for Africa of the International Textile Garment and Leather Workers Federation from 1999 to 2006. He was appointed to the board of HCI in 2004 and serves as a director of HCI Coal and Niveus.

5 6 7 8 9

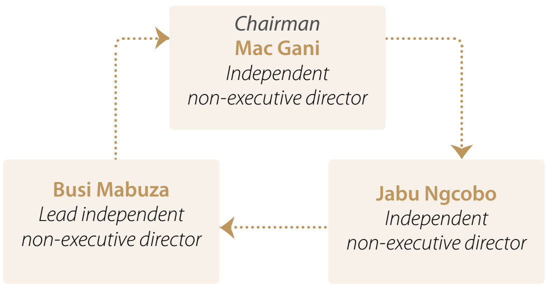
Integrated governance continued

Board composition, structure and report back continued

Sub-committee structure and report back

The board remains accountable for all matters where it has delegated responsibility to its sub-committees. All committees are satisfied that they fulfilled their responsibilities in accordance with their terms of reference during the year.

Audit and risk committee



Key objective:

The provision of effective governance over the appropriateness of the group's financial and integrated reporting including the adequacy of related disclosures, the performance of both the internal audit function and the external auditor, and the management of the group's systems of internal control, business risks and related compliance activities.

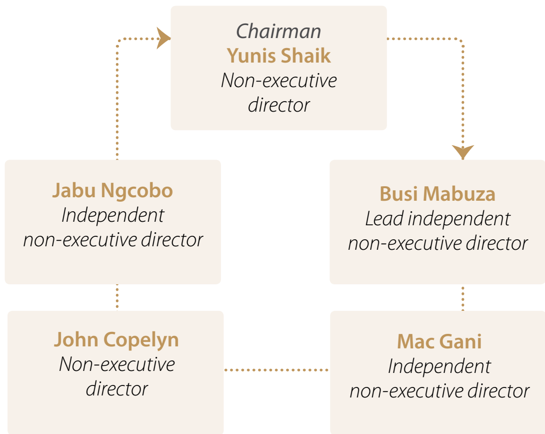
The committee met three times during the year. The Chief Executive Officer, the Chief Financial Officer, the group's Director of Risk, the Chief Information Officer and directors from the majority shareholder attend the meetings as permanent invitees, along with external audit and the outsourced internal audit. Other directors and members of management attend as required.

The work of the audit and risk committee during the year focused on:

- review of the risk landscapes to which the group is exposed in relation to the group's risk tolerance and risk appetite levels and evaluation of the appropriateness of management's responses to the risks;
- review of insurance, treasury and taxation matters;
- review of operational risk management including fraud and theft, whistle-blowing systems and organisational resilience;
- oversight of the implementation of the combined assurance framework and plan;
- review of IT risks in relation to core operational systems, systems projects and security initiatives;
- review of material legal, legislation and regulatory developments;
- review of prospective accounting standard changes;
- review of the impact of the adoption of King IV;
- evaluation of the financial reporting procedures;
- review of and recommendation to the board for approval of the preliminary and annual results announcements and the annual financial statements and integrated annual report;
- approval of the external audit and internal audit plans;
- evaluation of the independence and effectiveness of, and the fees and terms of engagement of the external auditors;
- evaluation of the effectiveness of the chief audit executive and the outsourced internal audit function; and
- assessment of the internal control environment, particularly in relation to the group's system on internal financial controls.

Refer to the report of the audit and risk committee on page 3 of the consolidated financial statements for the year ended 31 March 2017.

Remuneration committee



Key objective:

The committee is empowered by the board to assess and approve the broad remuneration strategy for the group, the operation of the company's short-term and long-term incentives for executives and senior management across the group, and sets short-term and long-term remuneration for the executive directors and members of the executive committee.

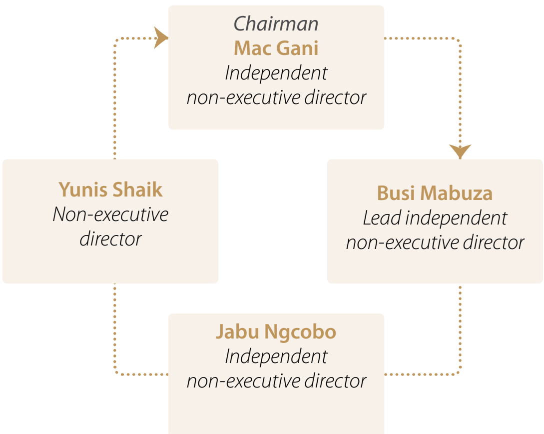
The committee met twice during the year. The Chief Executive Officer and the group's Human Resources Director attend the meetings as permanent invitees, except when issues relating to their own compensation are discussed.

The scope of the remuneration committee's work during the year included the following matters:

- monitoring executive appointments, terminations and retirements;
- determining the general policy on remuneration to ensure fair, competitive and responsible reward;
- determining the specific remuneration packages for the executive directors and other senior executives and management;
- approving the rules, criteria, targets and allocations for performance-related pay schemes; and
- proposing non-executive director remuneration.

Further details of the group's remuneration policy and the work of the remuneration committee can be found in the remuneration section on pages 73 to 78.

Social and ethics committee



Key objective:

The purpose of the committee is to regularly monitor the company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice and, in particular, to monitor the group's compliance with the applicable requirements of Regulation 43 of the South African Companies Act in relation to matters pertaining to social and economic development, good corporate citizenship, environment, occupational health and public safety, labour and employment and the group's code of ethics and sustainable business practice.

The committee met twice during the year. The Chief Executive Officer, the Chief Financial Officer, the group's Director of Risk, the group's Human Resources Director and directors from the majority shareholders attend the meetings as permanent invitees, along with other directors and members of management who attend as required.

The work of the social and ethics committee during the year focused on:

- progress in the alignment of the group's practices to the requirements of the revised BBBEE codes;
- disputes with government or regulators;
- compliance with regulations;
- preferential procurement, socio-economic development and enterprise development;
- environmental management and certification;
- customer satisfaction, loyalty and health and safety and consumer protection; and
- job creation, employee health and safety, employee development and management diversity and employment equity.

The matters considered during the year are included in the deliver to our beneficiaries section on pages 39 to 47, the product relevance to customer experience section on pages 49 to 51, the regulatory compliance section on page 52 and the human resources section on pages 53 to 55.

The main area of focus during the year was on the group's achievement of a level 2 BBBEE contributor status against the revised codes for 2016 and continued efforts to improve on this result for 2017. The committee also discussed matters of dispute with various regulatory bodies. The committee is satisfied with the group's progress in the different areas and there were no significant matters of concern raised during the year.

Board effectiveness

A self-evaluation by the board was carried out during the year through an externally facilitated formal process. No significant matters were noted apart from the lack of female representation noted above.

The board is satisfied with the competence of the Chief Financial Officer as set out in the report of the audit and risk committee on page 3 of the consolidated financial statements for the year ended 31 March 2017.

The Company Secretary ensures that board procedures and relevant regulations are fully adhered to. The Company Secretary is not a director of the company. The directors have unlimited access to the advice and services of the Company Secretary. The board is satisfied that the Company Secretary is competent and has the appropriate qualifications and experience required by the group. The Company Secretary also acts as secretary for the committees of the board.

Integrated governance continued

Board composition, structure and report back continued

Group executive committee

The board delegates responsibility for determining and implementing the group's strategy and managing the group to the Chief Executive Officer who is supported by the GEC. The committee meets monthly, participates in the determination of the strategy, coordinates operational execution of the strategy, ensures effective internal controls are functioning and that there is an effective risk management process in operation throughout the group. The members of the GEC at 19 September 2017 were:

Jacques Booysen(1)
Chief Executive Officer

Jaco Boshoff
Financial Director – hotels

Noeleen Bruton
Marketing Director

Vusi Dlamini
Group Human Resources Director

Laurelle McDonald
Corporate Finance and Treasury Manager

Rob Huddy
Chief Financial Officer

Glenn Joseph(2)
Chief Operating Officer – gaming

Zibusiso Kganyago
Director of Development

Greg Lunga
Financial Director – gaming

Ravi Nadasen(2)
Chief Operating Officer – hotels

Kevin Page
Director of Innovation

Henry Parrymore
Chief Information Officer

Graham Tyrrell
Group Legal Director and Company Secretary

Richard Weilers
Managing Director – hotels offshore

(1) *Appointed as a director 1 June 2017 and as Chief Executive Officer in 1 July 2017*
(2) *Appointed 1 July 2017*

Governance functional areas

Our philosophy of integrated governance is reflected in the extent to which the report back on our governance functional areas is integrated into the underlying elements of our integrated annual report. Oversight of these functional areas is maintained by the board and its sub-committees as follows:

Functional areas	Committee oversight	Report back
Risk	Audit and risk	Risk management and assurance process – page 71 Our materiality, material risks and opportunities – pages 21 to 23
Technology and information	Audit and risk	Technology and information governance – page 72 Product relevance to customer experience – page 50
Regulatory compliance	Audit and risk Social and ethics	Regulatory compliance – page 52
Assurance	Audit and risk	About this report – page 1 Risk management and assurance process – page 71
Stakeholder relationships	Social and ethics	Key relationships – pages 24 to 26
Remuneration	Remuneration	Remuneration – pages 73 to 78

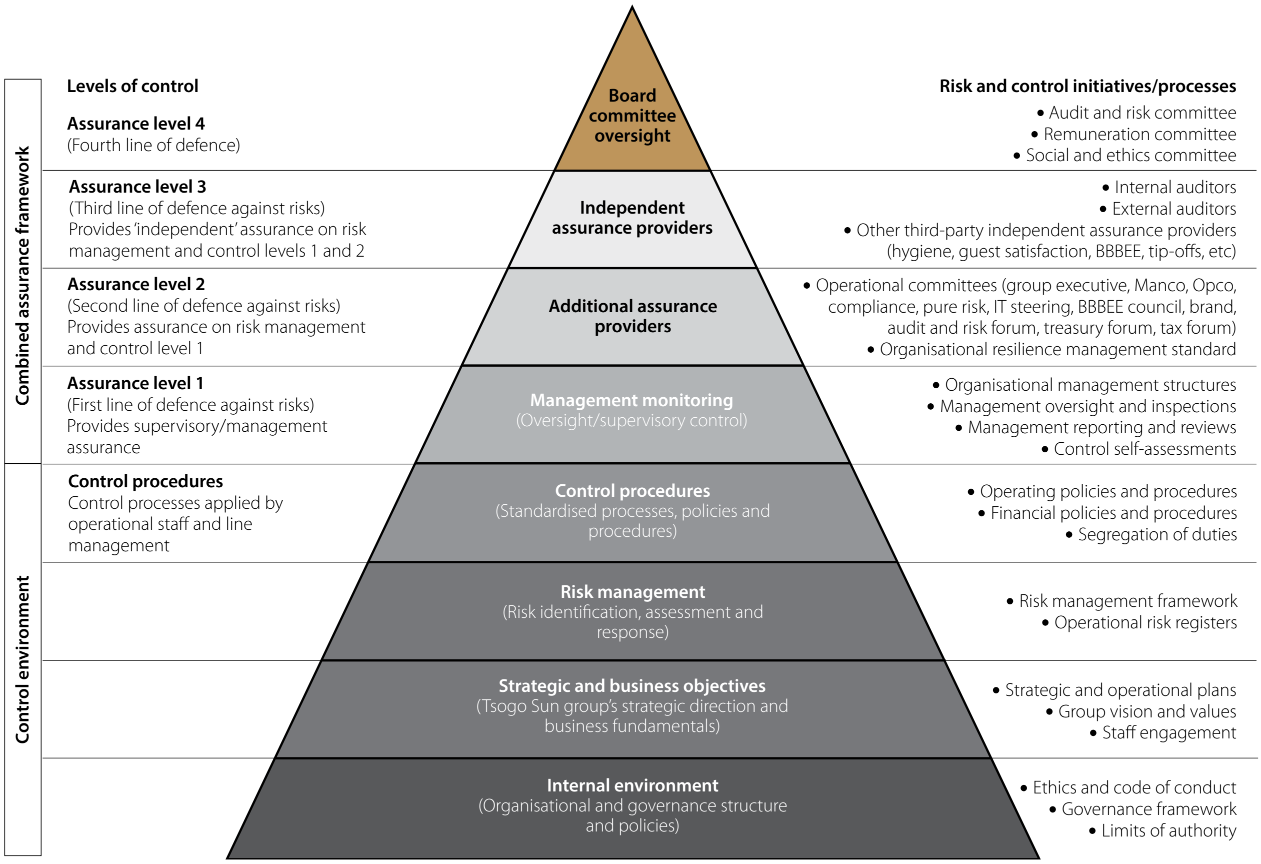
Risk management and assurance process

The Tsogo Sun board recognises that the management of business risk is crucial to our 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 and the combined assurance framework is as follows:

Tsogo Sun combined assurance framework



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

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

Integrated governance continued

For key areas of focus refer to our materiality, material risks and opportunities – pages 21 to 23. There were no unforeseen or unexpected risks outside the tolerance levels.

An independent assurance of the effectiveness of the risk management is carried out on a periodic basis and was last completed during the 2016 financial year. There were no significant matters noted.

Technology and information governance

The board is accountable for IT governance. An IT governance charter has been adopted and approved by the board and takes into account the requirements of King III, globally accepted standards and good practice, together with the performance and sustainability objectives of the group. This charter outlines the decision-making rights and accountability framework for IT. The Chief Information Officer reports directly to the Chief Executive Officer and has responsibility for the ownership and execution of IT governance.

The key IT risks are integrated into the enterprise-wide risk governance and management process. Independent IT assurance reviews are conducted to ensure governance and policies are adhered to, laws are complied with and data is secure and protected.

The IT governance charter will be updated during the year to meet the requirements of King IV.

Regulatory compliance

The group operates in a highly regulated industry in gaming and the regulatory environment in South Africa is complex. The group invests in a strict culture of compliance. Refer to regulatory compliance on page 52.

Assurance

The objectives of assurance are to assess whether the internal control environment is effective, there is sufficient integrity in the information used for internal decision making and to support the integrity of external reports.

Refer to risk management and assurance on page 71 for the group's combined assurance framework. The combined assurance framework has been applied to both internal and external reporting in the risk management, control environment, compliance and financial reporting functional areas. Although there is internal review of all external reporting, non-financial information contained in external reports is currently not independently assured. Based on the internal review process during the preparation and review of the integrated report the board is satisfied with the integrity of the information contained within the report.

The directors are responsible for the group's systems of internal control. 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 directors have satisfied themselves, based on the combined assurance framework, that adequate systems of internal control are in place to mitigate significant risks identified to an acceptable level.

Internal audit is outsourced and reports to the Chief Audit Executive and independently to the audit and risk committee. Internal audit forms part of the combined assurance framework. Internal audit is subject to internal quality reviews annually and independent quality reviews every five years. The last review was carried out during the 2014 financial year. They are also subject to professional ethics and independence standards. The audit and risk committee approves the approach, scope of the internal audit plan and scoring on an annual basis. The internal audit focus over the past two years has been on efficiencies and developing and rolling out the combined assurance framework and model. The audit and risk committee is satisfied with the effectiveness of the internal audit function.

Planned areas of future assurance focus include the continued development of the combined assurance process and assessment of the business case for the assurance of externally reported non-financial information.

Stakeholder relationships

Stakeholder relationships are monitored by the social and ethics committee where matters relating to regulators, customers, communities, employees and unions are reported on, on a bi-annual basis. There is no formal stakeholder relationship management programme but interactions with stakeholders are ongoing. Refer to the key relationships on pages 24 to 26.

Remuneration

Remuneration philosophy

Key tenets of our remuneration philosophy are that we act fairly and responsibly in our approach to employee remuneration and benefits at all times, ensuring our actions are sustainable, that they underscore our objective of being an employer of choice, and are aligned with the strategic and operational requirements of the business.

The objective of the group's remuneration policy is to ensure that we attract and retain employees of the right calibre and skills and motivate them to achieve exceptional performance aligned with our strategic priorities. We aim to reward employees fairly and equitably through both financial rewards and non-financial benefits such as performance recognition, development and career opportunities. We believe our employees and their representative trade unions, where relevant, value the consistency and predictability of how the terms and conditions of employment are determined, both in times of economic growth and in difficult economic conditions.

Remuneration policy

Total rewards are set at levels that are competitive within the gaming, entertainment and hospitality sectors and the group utilises market surveys to ensure that the components of the remuneration structure are appropriate. The fixed and variable element mix of the remuneration structure differ depending on the employee grade.

The remuneration committee considers each element of remuneration relative to the market and takes into account the performance of the group and the individual executive in determining both quantum and design. The remuneration committee also considers the total remuneration (fixed pay plus short-term and long-term incentives) that may be earned at various levels of performance.

Ensure employees are rewarded fairly and appropriately

Attract, retain and motivate individuals with the necessary skills and behaviours

Fixed pay	Short-term incentives	Long-term incentives
Median for the relevant market	*(One year) aligned with financial performance and strategic priorities*	*(Three years plus) aligned with shareholder returns*

High pay achieved only for high performance and high shareholder returns

The group seeks to ensure an appropriate balance between fixed and performance-related elements of remuneration, and those aspects of the package linked to short-term financial performance and to those linked to longer-term shareholder value creation. The combination of the components ensures that high pay is achieved only for high performance and high shareholder returns. Senior executives have a larger proportion of their potential total remuneration subject to the achievement of performance-based targets. For additional information on the key components of remuneration refer to pages 74 and 75.

Short-term incentives reflect a balance between annual financial performance and other specific strategic priorities over which the participant has influence in order to ensure that achievement of short-term financial performance is not at the expense of future opportunities. Performance is measured at Ebitda and adjusted earnings against budget to ensure that both trading and profit post the financing cost of capital allocation decisions are considered. Between 15% and 40% of the potential award is based on the achievement of non-financial strategic priorities dependent on the employee grade. Where relevant and if the information is publicly available, an additional 25% of the potential award is linked to the relative performance of a business unit against a regional or national market set.

Long-term incentives are either cash-settled, resulting in income statement volatility but no dilutionary impact to shareholders, or, in the case of nominated senior executives, structured as an interest-free facility for the purpose of acquiring shares in the company. The value for the executives arising from the facility is derived from the shares acquired in the market and there will not be a cash cost to the group, as per the existing share appreciation scheme, nor a dilutionary impact to shareholders.

There were no significant changes in the remuneration policy during the year. For the 2018 financial year divisional short-term incentive targets were set and measurement will be against Ebitdar rather than Ebitda due to the transfer of the majority of the hotel properties to HPF.

The results of the non-binding advisory endorsement of the company's remuneration policy at the annual general meeting on 19 October 2016 was 85.4% in favour of the policy. In the event that the remuneration policy or remuneration implementation report, or both are voted against by more than 25% of the votes at the annual general meeting of the company, the group will engage with dissenting shareholders within 30 days of the annual general meeting.

Integrated governance continued

KEY ELEMENTS OF REMUNERATION

	Fixed pay			
	Base salaries	**Non-executive directors' fees**	**Retirement benefits**	**Other benefits**
Purpose and link to strategy	Provides a fixed level of earnings appropriate to the requirements of the role	Remunerates non-executive directors for their responsibilities and time commitment	Provides the basis for retirement savings	Provides benefits appropriate to the market and the role
Application dependent on employee type and level	All employees	Non-executive directors	All employees entitled to benefits are required to belong to an approved pension/provident fund	All employees entitled to benefits are eligible for membership of an approved medical scheme and other benefits
Operation and performance measures	**Base salaries** Base salaries are subject to annual review. Tsogo Sun's policy is to be competitive at the median level with reference to market practice in companies comparable in terms of size, market sector, business complexity and international scope. However, base salaries of individuals and incumbents in key roles are aligned with the upper quartile level of the market. Group performance, individual performance and changes in responsibilities are also taken into consideration when determining increases to base salaries	**Non-executive directors' fees** The fees for the non-executive directors have been recommended by the remuneration committee to the board for its approval, taking into account fees payable to non-executive directors of comparable companies and the importance attached to the attraction and retention of high-calibre individuals as non-executive directors. Levels of fees are also set by reference to the responsibilities assumed by the non-executive directors in chairing the board and in chairing or participating in its committees and are approved by special resolution of the shareholders	**Retirement fund membership** Retirement funding for management, who are remunerated on a total package basis, is non-contributory and is included in their total cost of employment. For staff, retirement funding consists of employer and employee contributions dependent on fund membership. The group offers a pension fund (Tsogo Sun Group Pension Fund) and two provident funds (Alexander Forbes Retirement Fund (Provident Section) and Gold Reef Resorts Provident Fund). Other approved funds include union-negotiated funds and funds to which members have historically belonged	**Healthcare** The majority of employees with medical cover belong to the Tsogo Sun Group Medical Scheme, a restricted membership scheme administered by Discovery Health. The scheme offers hospital, chronic illness and day-to-day cover for 4 957 principal members (10 839 beneficiaries) *Risk and insured benefits* Arising through membership of the group's pension and provident funds, competitive death, disability and funeral benefits are made available to employees *Long-service awards* Full-time employees of the organisation receive long-service awards calculated based on the tenure of the employee linked to their guaranteed package. Employees receive an award for every 10 years of continued service with the group

	Short-term incentives	Long-term incentives	
	Annual bonus plan	**Executive facility and share appreciation plan**	
	Rewards the achievement of annual financial performance balanced with other specific strategic priorities and ensures that above-market pay cannot be achieved unless challenging performance targets are met. The non-financial element ensures that the achievement of short-term financial performance is not at the expense of future opportunities	Long-term incentives are utilised to reward long-term sustainable group performance improvement, retain senior management expertise and ensure that executives and key talent share a significant level of personal risk and reward with the company's shareholders to align executive pay and long-term value creation for shareholders	
	All executives and senior management and selected middle management	Senior executives	Executives and selected managers (252 participants)
	Annual cash incentive Potential bonus earnings are reviewed periodically by the remuneration committee with minimum and maximum bonus percentages of total package set for each broadband level for the achievement of 'threshold', 'on-target' and 'stretch target' performance. Financial 'threshold' target is set at 90% of target with a payout of 0%, 'stretch target' is set at 115% of target with a payout of 100%, with interpolation between the points. Targets are based on the annual budget approved by the board Bonus awards are based on individual ratings achieved against the targets set for financial performance, relative growth against the market, where relevant, and personal performance against non-financial strategic priorities. The remuneration committee approves the scheme's targets and hurdles annually	**Executive facility** A R200 million facility was made available in 2014 to senior executives for the sole purpose of acquiring shares in the company at R25.75 per share. The shares were acquired on 12 August 2014 The board determined the allocation of the facility as follows: MN von Aulock R86 million J Booysen R47 million RB Huddy R27 million FV Dlamini R20 million GD Tyrrell R20 million 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. It has been agreed with MN von Aulock that his shares be disposed of in an orderly manner and the loan repaid by December 2017 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	**Share appreciation plan** Tsogo Sun has in operation a phantom share scheme with cash settlement designed to align the interests of participants with those of the company's shareholders. The essential elements of the scheme are that the plan is essentially a 'phantom' version of a share scheme where each appreciation unit is in effect linked to an underlying share in Tsogo Sun Annual allocations of appreciation units at market price are made to executives and selected managers. They are available to be settled on the third anniversaries of their allocation, but must be exercised by the sixth anniversary, or they will lapse. On settlement, the value accruing to participants will be the full appreciation of Tsogo Sun's share price over the allocation price plus dividends declared and paid post-grant date, which value will be settled in cash Vesting and encashments during the 2017 financial year resulted in a charge of R63 million, as many appreciation units were encashed at higher share prices during the year, with a R1 change in the Tsogo Sun share price impacting the charge by R23 million

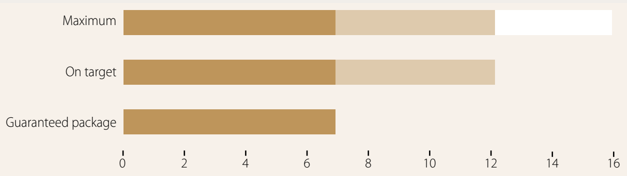
Integrated governance continued

Remuneration implementation report

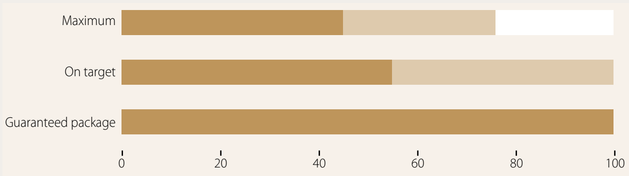
Composition of total remuneration package – executive directors and senior executives

The charts below provide an indication of the remuneration outcomes for the year ended 31 March 2017 for the executive directors and the GEC (excluding the executive directors) showing potential total remuneration of maximum, on target and minimum performance levels:

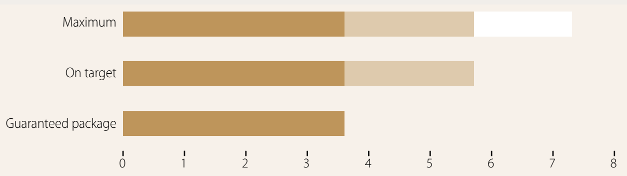
Chief Executive Officer – value of package (Rm)



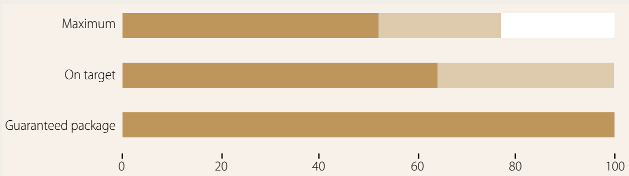
Chief Executive Officer – composition of package (%)



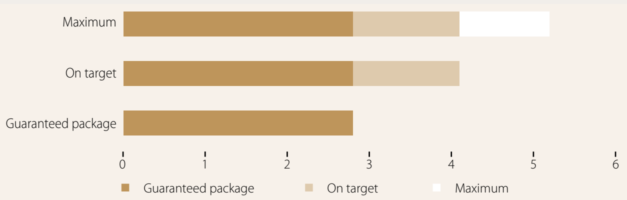
Chief Financial Officer – value of package (Rm)



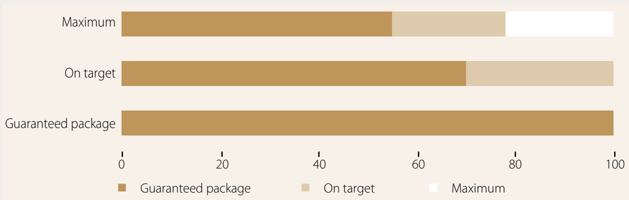
Chief Financial Officer – composition of package (%)



Group executive committee – value of package (Rm)



Group executive committee – composition of package (%)



The scenario charts assume:

- Guaranteed package – fixed pay and benefits for the year ended 31 March 2017
- Short-term incentives – based on scheme rules with maximum bonus paid at maximum performance and nil bonus below threshold performance
- Long-term incentives – excluded from the charts as issued at market price and participants rewarded through variable share price increases

Long-term incentive liability – cash-settled

The following table reflects the liability for long-term incentives and summarises details of the bonus units awarded to participants per financial year, the units vested at the end of the period and expiry dates of each allocation for the Tsogo Sun Share Appreciation Bonus Plan:

Grant date	**Appreciation units granted and still outstanding 2017**	Appreciation units granted and still outstanding 2016	Strike price R	**Appreciation units vested and still outstanding 2017**	Appreciation units vested and still outstanding 2016	Expiry date	**Liability[1] 2017 Rm**	Liability 2016 Rm
1 April 2011	**–**	2 838 644	15.06	**–**	2 838 644	31 March 2017	**–**	50
1 April 2012	**2 198 145**	5 445 352	17.66	**2 198 145**	5 445 352	31 March 2018	**32**	77
1 April 2013	**5 533 403**	7 324 946	24.56	**5 533 403**	7 324 946	31 March 2019	**39**	49
1 April 2014	**7 814 913**	8 203 713	25.72	**7 814 913**	–	31 March 2020	**40**	26
1 April 2015	**6 650 450**	7 112 025	26.54	**–**	–	31 March 2021	**15**	7
1 April 2016	**8 643 804**	–	22.82	**–**	–	31 March 2022	**18**	–
Other	**647 403**	2 313 767		**277 759**	–		**4**	25
Liability at 31 March							**148**	234
Gold Reef Share Appreciation Bonus Plan							**–**	3
Total long-term incentive liabilities as at 31 March							**148**	237
Share price utilised to value the liability at 31 March							**R28.00**	R28.60

[1] *Executive directors and senior executives have R38 million in vested and unvested appreciation units at 31 March 2017*

Short-term incentive

The following table reflects the achievement against the short-term incentive targets for the executive directors and the GEC (excluding the executive directors):

	Financial and relative performance %	**Non-financial strategic priorities %**	**Total 2017 achievement[(1)] %**
Executive directors	**24**	**87**	**35**
Group executive committee	**26**	**83**	**37**

	Financial and relative performance %	Non-financial strategic priorities %	Total 2016 achievement[(2)] %
Executive directors	51	83	56
Group executive committee	48	80	56

[(1)] *To be paid during the 2018 financial year*

[(2)] *Paid during the 2017 financial year. Refer to page 78*

Non-executive directors

Non-executive directors receive fees for services on board and board committees. Non-executive directors do not receive short-term incentives and do not participate in any long-term incentive scheme. Increases are presented to the shareholders at the company's annual general meeting and reflect the market dynamics and the increasingly heavy demands being made on the individuals. Proposed non-executive directors' fees, for shareholder approval, appear in the table below:

	Actual 2016/2017 R'000	**Proposed 2017/2018 R'000**
Chairman of the board	965	**1 028**
Lead independent non-executive director and member of all board committees	570	**607**
Chairman of the audit and risk and social and ethics committees	570	**607**
Chairman of the remuneration committee	426	**454**
Non-executive director and member of a board committee	351	**374**
Non-executive director	277	**295**

Director and senior management remuneration

Non-executive directors' fees

Fees and services	**2017 Directors' fees R'000**	2016 Directors' fees R'000
Paid by subsidiaries		
JA Copelyn	**920**	868
BA Mabuza	**390**	315
MSI Gani[(1)]	**276**	–
MJA Golding	**264**	310
VE Mphande	**264**	249
RG Tomlinson[(2)]	**401**	501
JG Ngcobo	**335**	315
Y Shaik	**407**	381
	3 257	2 939

[(1)] *Appointed 11 August 2016*

[(2)] *Resigned 11 August 2016*

Integrated governance continued

Director and senior management remuneration continued

Executive directors' remuneration for the year ended 31 March

	Basic remuneration R'000	Benefits R'000	Short-term incentives[1] R'000	Long-term incentives[4] R'000	2017 Total R'000
Paid by subsidiaries					
MN von Aulock[3]	**6 476**	**572**	**5 237**	**13 175**	**25 460**
RB Huddy	**3 213**	**500**	**2 277**	**8 202**	**14 192**
	9 689	**1 072**	**7 514**	**21 377**	**39 652**

	Basic remuneration R'000	Benefits R'000	Short-term incentives[2] R'000	Long-term incentives R'000	2016 Total R'000
Paid by subsidiaries					
MN von Aulock	5 497	1 120	2 253	6 179	15 049
RB Huddy	2 849	637	1 161	2 404	7 051
	8 346	1 757	3 414	8 583	22 100

(1) *Short-term incentives paid relate to the achievement against target for 2016. Refer to detail on page 77*
(2) *Short-term incentives paid relate to the achievement against target for 2015*
(3) *Resigned 1 June 2017*
(4) *The executive directors have R9 million in vested appreciation units at 31 March 2017. The appreciation units were allocated prior to 12 August 2014*

Other key management and prescribed officers

	Basic remuneration R'000	Benefits R'000	Short-term incentives[1] R'000	Long-term incentives[4] R'000	2017 Total R'000
Paid by subsidiaries					
J Booysen[3]	**3 849**	**711**	**2 509**	**15 479**	**22 548**
RF Weilers	**3 986**	**–**	**2 041**	**823**	**6 850**
	7 835	**711**	**4 550**	**16 302**	**29 398**

	Basic remuneration R'000	Benefits R'000	Short-term incentives[2] R'000	Long-term incentives R'000	2016 Total R'000
Paid by subsidiaries					
J Booysen	3 342	951	1 013	1 166	6 472
RF Weilers	3 720	–	718	5 150	9 588
	7 062	951	1 731	6 316	16 060

(1) *Short-term incentives paid relate to the achievement against target for 2016. Refer to detail on page 77. Included in group executive committee*
(2) *Short-term incentives paid relate to the achievement against target for 2015*
(3) *Appointed Chief Executive Officer 1 June 2017*
(4) *The key management and prescribed officers have R6 million in vested and unvested appreciation units at 31 March 2017. The appreciation units for J Booysen were allocated prior to 12 August 2014*

Glossary

Adjusted HEPS	Adjusted headline earnings per share
BBBEE	Broad-based black economic empowerment
the board	The board of directors of Tsogo Sun Holdings Limited
CAGR	Compound annual growth rate
CASA	Casino Association of South Africa
Companies Act	the Companies Act, No 71 of 2008, as amended or replaced from time to time
CPA	Consumer Protection Act
CSI	Corporate Social Investment
Cullinan	The Cullinan Hotel Proprietary Limited
dti	Department of Trade and Industry
Ebitda	Earnings before interest, tax, depreciation, amortisation and exceptional items
Ebitdar	Earnings before interest, tax, depreciation, amortisation, rentals and exceptional items
EBT	Electronic Bingo Terminal
EME	Emerging micro-enterprise
Fedhasa	Federated Hospitality Association of South Africa
FICA	Financial Intelligence Centre Act
Free cash flow	Cash generated from operations adjusted for net finance costs, taxation paid, operating equipment purchased and maintenance capital expenditure
Gambling board	Collectively, the Eastern Cape Gambling and Betting Board, the Free State Gambling and Liquor Authority Board, the Gauteng Gambling Board, the KwaZulu-Natal Gambling Board, the Western Cape Gambling and Racing Board and the Mpumalanga Gambling Board
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
IIRC	International Integrated Reporting Council
IFRS	International Financial Reporting Standards
IT	Information technology
JSE	JSE Limited
King III	The King Code of Governance Principles for South Africa 2009
Liberty	Liberty Group Limited
LPM	Limited Payout Machine
NPAT	Net profit after tax
OTA	Online travel agent
PDIs	Previously disadvantaged individuals
POPI	Protection of Personal Information Act
PP	Percentage points
REIT	Real Estate Investment Trust
Revpar	Revenue per available room
SACTWU	South African Clothing and Textile Workers Union
SATB	South African Tourism Board
SENS	Securities Exchange News Service of the JSE
SunWest and Worcester	SunWest International Proprietary Limited and Worcester Casino Proprietary Limited
Systemwide	Including both owned and managed businesses
SSHI	Southern Sun Hotel Interests Proprietary Limited
TBCSA	Tourism Business Council of South Africa
the group	Tsogo Sun Holdings Limited and its subsidiaries, associates and joint ventures
TIH	Tsogo Investment Holding Company Proprietary Limited
TSH	Tsogo Sun Hotels, Gaming and Entertainment Proprietary Limited (previously Tsogo Sun Holdings Proprietary Limited)
Tsogo Sun or the company	Tsogo Sun Holdings Limited
VAT	Value Added Tax

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
Deutsche Securities (SA) Proprietary Limited
(A non-bank member of the Deutsche Bank Group)
(Registration number: 1995/011798/07)
3 Exchange Square, 87 Maude Street
Sandton, 2196
(Private Bag X9933, Sandton, 2146)

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

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

Auditors
PricewaterhouseCoopers Inc.
Registered Accountants and Auditors
(Registration number: 1998/012055/21)
2 Eglin Road
Sunninghill, 2157
(Private Bag X36, Sunninghill, 2157)

Transfer secretaries
Link Market Services South Africa Proprietary Limited
(Registration number: 2000/007239/07)
13th Floor, Rennie House
19 Ameshoff Street
Braamfontein
Johannesburg, 2001
(PO Box 4844, Johannesburg, 2000)

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

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

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

Investor relations
Brunswick South Africa Limited
(Registration number: 1995/011507/10)
23 Fricker Road
Illovo Boulevard
Illovo, 2196

Shareholders' diary

Annual general meeting	19 October 2017
Next financial year end	31 March 2018

Reports

Announcements

Interim results for six months to September	November 2017
Preliminary announcement of annual results	May 2018
Annual financial statements published	July 2018

Dividends	**Declared**	**Paid**
Ordinary – interim	November	December
Ordinary – final	May	June

Six-year financial review

		2017	2016	2015	2014	2013	2012	CAGR
Trading								
Income		**13 222**	12 283	11 343	10 767	9 910	9 031	8
Gaming win	Rm	**7 483**	7 361	6 976	6 819	6 525	6 111	4
Rooms	Rm	**3 078**	2 784	2 453	2 221	1 914	1 615	14
Food and beverage	Rm	**1 434**	1 353	1 203	1 063	869	752	14
Property rental income	Rm	**445**	133	124	120	126	115	31
Other revenue	Rm	**782**	652	587	544	476	438	12
Ebitdar	Rm	**5 049**	4 543	4 223	4 214	3 886	3 501	8
Ebitdar margin	%	**38.2%**	37.0%	37.2%	39.1%	39.2%	38.8%	
Cash flow and borrowings								
Free cash flow	Rm	**2 217**	1 953	1 811	1 825	1 932	1 725	
Net debt	Rm	**12 113**	9 248	9 211	4 439	3 580	4 184	
Net debt:Ebitdar	times	**2.4**	2.0	2.2	1.1	0.9	1.2	
Investment								
Investment activities	Rm	**2 590**	962	2 045	1 643	639	1 031	
Share buy-back	Rm	**–**	–	3 019	–	–	–	
Maintenance capex	Rm	**925**	945	749	769	579	436	
Shareholders' ratios								
Adjusted headline earnings per share	cents	**207.6**	196.5	175.0	176.5	150.1	121.5	11
Dividends per share(2)	cents	**104.0**	98.0	89.0	89.0	75.0	60.0	12
Dividend payout ratio	%	**50**	50	51	50	50	49	
Stock exchange statistics								
Share price at 31 March	R	**27.64**	23.64	27.60	25.42	24.75	17.75	
Share price during period – highest	R	**32.18**	29.26	30.39	28.75	25.35	19.08	
Share price during period – lowest	R	**22.77**	19.85	25.00	23.75	17.40	15.20	
Shares traded as a percentage of shares in issue(1)	%	**28.0**	35.2	102.5	4.5	4.0	4.4	
Number of shares in issue(1)	million	**957**	957	957	1 098	1 098	1 097	
Market capitalisation	Rm	**26 463**	22 633	26 424	27 916	27 176	19 474	
Closing price/earnings ratio	times	**13.3**	12.0	15.8	14.4	16.5	14.6	
Closing earnings yield	%	**7.5**	8.3	6.3	6.9	6.1	6.8	
Closing dividend yield	%	**3.7**	4.1	3.2	3.5	3.0	3.4	

(1) *Excluding treasury shares*

(2) *Dividends per share declared in relation to the financial period it relates to*

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TSOGO SUBSIDIARIES OTHER THAN THE GAMECO GROUP

Company	Country	Reg No	Date of incorporation
Acquisitive Investments Proprietary Limited	RSA	1996/001699/07	15 February 1996
Adventure World Management Proprietary Limited	RSA	2000/014021/07	3 July 2000
Affirmed Investments Proprietary Limited	RSA	1996/016050/07	15 November 1996
Akani-Egoli Proprietary Limited	RSA	1996/006910/07	31 May 1996
Akani Egoli Management Proprietary Limited	RSA	1996/008456/07	2 July 1996
Akani Egoli Properties Proprietary Limited	RSA	2005/034937/07	29 September 2005
Akani Msunduzi Proprietary Limited	RSA	1997/021611/07	11 December 1997
Akani Msunduzi Management Proprietary Limited	RSA	1998/004328/07	6 March 1998
Aldiss Investments Proprietary Limited	RSA	2001/028431/07	23 November 2001
Bedrose Investments Proprietary Limited	RSA	1999/028504/07	23 December 1999
Blue Bells Country Club Proprietary Limited	RSA	2005/010491/07	8 April 2005
Blue Crane Signature Golf Estate Proprietary Limited	RSA	2005/008777/07	24 March 2005
Cape Hotels Bloemfontein Proprietary Limited	RSA	1970/006837/07	25 May 1970
Cape Hotels Properties (EP) Limited	RSA	1944/017596/06	10 July 1944
Cassava Investments Proprietary Limited	RSA	1997/020545/07	28 November 1997
Downtown Inn Proprietary Limited	RSA	1972/007415/07	18 July 1972
Drakensberg Sun Hotel Proprietary Limited	RSA	1987/003760/07	11 August 1987
Drakensberg Sun Hotel Share Block Proprietary Limited (E+F Shares)	RSA	1967/007156/07	3 July 1967
Durban Add-Ventures Limited	RSA	1997/013469/06	14 August 1997
Eglin Investments No 12 Proprietary Limited	RSA	2000/025294/07	5 October 2000
Elsivert Proprietary Limited	RSA	2016/082803/07	2 March 2016
Erf 151 Roggebaai Cape Town Proprietary Limited	RSA	1995/007317/07	19 July 1995
Fezisource Proprietary Limited	RSA	2015/305572/07	28 August 2015
Garden Route Casino Proprietary Limited	RSA	1998/000391/07	14 January 1998
Gold Reef City Theme Park Proprietary Limited	RSA	1998/022315/07	10 November 1998
Gold Reef Management Proprietary Limited	RSA	1998/024893/07	10 December 1998
Gold Reef Resorts Training Institute Proprietary Limited	RSA	2005/029913/07	24 August 2005
Goldfields Casino and Entertainment Centre Proprietary Limited	RSA	1997/021858/07	15 December 1997
Grabblebrook Proprietary Limited	RSA	2013/088934/07	30 May 2013
Hofman Property Development Company Share Block Limited	RSA	1968/002131/06	28 February 1968
Holiday Inns Hotel Corporation Proprietary Limited	RSA	1966/011866/07	9 December 1966
Holiday Inns Limited	RSA	1936/008506/06	31 August 1936
Hosbrook Ventures Proprietary Limited	RSA	2012/208817/07	26 November 2012
Hospitality Property Fund Limited	RSA	2005/014211/06	10 May 2005
Hospitality Property Fund Managers Proprietary Limited	RSA	2005/035257/07	3 October 2005
Hotel President Seepunt Eiendoms Beperk	RSA	1966/012176/07	19 December 1966
Hotel Seaside Share block Proprietary Limited	RSA	1958/004029/07	28 November 1958
HPF Management Proprietary Limited	RSA	2009/021472/07	9 November 2009
HPF Properties Proprietary Limited	RSA	2005/020743/07	17 June 2005
IKW Development Company Share Block Proprietary Limited	RSA	1966/008906/07	27 September 1966
Isando Commercial Centre Share Block Proprietary Limited	RSA	1951/003997/07	24 November 1951
Jeddler Investments Proprietary Limited	RSA	2000/019055/07	11 August 2000
Lexshell 94 General Trading Proprietary Limited	RSA	2007/035036/07	6 December 2007
Listed Investments Proprietary Limited	RSA	1997/003059/07	3 March 1997
Majormatic 194 Proprietary Limited	RSA	2005/041011/07	21 November 2005
Merway Fifth Investments Proprietary Limited	RSA	1991/006478/07	14 November 1991
Monte Cinemas Proprietary Limited	RSA	1990/003230/07	8 June 1990
Mthatha Hotel Proprietary Limited	RSA	1976/060876/07	5 March 1976
Mzamba Properties Proprietary Limited	RSA	1979.060127/07	25 September 1979
Newshelf 872 Proprietary Limited	RSA	1007/008030/07	13 March 2007
NIB 35 Share Block Proprietary Limited	RSA	1998/016260/07	19 August 1998
NIB 72 Share Bock Proprietary Limited	RSA	1999/013152/07	23 June 1999
North Coast Hotels Share Block Proprietary Limited	RSA	1961/002216/07	1 November 1961

Company	Country	Reg No	Date of incorporation
Novaya Investments Proprietary Limited	RSA	1997/012010/07	24 July 1997
PLI Developments Share Block Proprietary Limited	RSA	1956/002738/07	16 October 1956
Pocatello Investments Proprietary Limited	RSA	2002/021382/07	3 September 2002
Poplars Private Hotel Share Block Proprietary Limited	RSA	1951/002455/07	6 July 1951
Propalux 179 Proprietary Limited	RSA	1997/009138/07	12 June 1997
Property Investment Company No 1 Proprietary Limited	RSA	1993/003095/07	8 June 1993
Property Investment Company No 2 Proprietary Limited	RSA	1993/003096/07	8 June 1993
Property Investment Company No 3 Proprietary Limited	RSA	1993/003097/07	8 June 1993
Property Investment Company No 4 Proprietary Limited	RSA	1993/003098/07	8 June 1993
Property Investment Company No 5 Proprietary Limited	RSA	1993/003119/07	9 June 1993
Property Investment Company No 6 Proprietary Limited	RSA	1994/004850/07	7 July 1994
Property Investment Company No 7 Proprietary Limited	RSA	1994/005325/07	20 July 1994
Property Investment Company No 8 Proprietary Limited	RSA	1994/005417/07	21 July 1994
Property Investment Company No 9 Proprietary Limited	RSA	1994/005418/07	21 July 1994
Property Investment Company No 10 Proprietary Limited	RSA	1994/005424/07	21 July 1994
Remainder of Erf 7723 Parow Proprietary Limited	RSA	1995/006834/07	12 July 1995
ResHub Proprietary Limited	RSA	2002/002584/07	6 February 2002
Ripple Effect 31 Proprietary Limited	RSA	2001/020975/07	4 September 2001
Riverside Holiday Inn Share Block Proprietary Limited	RSA	1970/001009/07	29 January 1970
Sabie Golf Proprietary Limited	RSA	1989/005235/07	5 September 1989
Sabie River Share Block Proprietary Limited (B Class Shares)	RSA	1963/003920/07	24 July 1963
Senath Proprietary Limited	RSA	1973/000632/07	17 January 1973
Share Registry Management Services Proprietary Limited	RSA	1999/019361/07	3 September 1999
Sheerprops 116 Proprietary Limited	RSA	1997/019016/07	7 November 1997
Sheerprops 193 Proprietary Limited	RSA	1997/019998/07	24 November 1997
Sheerprops 194 Proprietary Limited	RSA	1997/019926/07	21 November 1997
Silverstar Casino Proprietary Limited	RSA	1995/000369/07	17 January 1995
Sofiline Proprietary Limited	RSA	2012/112763/07	29 June 2012
South African Hotels Share Block Proprietary Limited	RSA	1943/016425/07	20 September 1943
Southern Sun Hotel Interests Proprietary Limited	RSA	1969/001365/07	29 January 1969
Southern Sun Hotels Proprietary Limited	RSA	2002/006356/07	18 March 2002
Southern Sun Middle East Investment Holdings Proprietary Limited	RSA	2004/007525/07	18 March 2004
Southern Sun Offshore Proprietary Limited	RSA	2006/003973/07	9 February 2006
Southern Sun Secretarial Services Proprietary Limited	RSA	1969/001208/07	27 January 1969
Southern Sun Timesharing Proprietary Limited	RSA	1981/008379/07	28 August 1981
Southern Sun Timesharing Resales Proprietary Limited	RSA	1987/001418/07	2 April 1987
Southern Sun's Airport Inn Proprietary Limited	RSA	1972/000095/07	5 January 1972
Strandburg Developments Share Block Proprietary Limited	RSA	1963/001240/07	11 March 1963
Sun1 Hotels Proprietary Limited	RSA	1990/005841/07	28 September 1990
Sunnyside Park Proprietary Limited	RSA	1963/002706/07	30 May 1963
Sunnyside Park Hotel Share Block Proprietary Limited	RSA	1961/001208/07	7 April 1961
The Cullinan Hotel Proprietary Limited	RSA	1988/004685/07	18 August 1988
The Millennium Casino Limited	RSA	1970/000341/06	13 January 1970
Transito Hotels Proprietary Limited	RSA	1969/015914/07	3 November 1969
Tsogo Sun Proprietary Limited	RSA	2002/026000/07	21 October 2002
Tsogo Sun Caledon Proprietary Limited	RSA	1996/010708/07	14 August 1996
Tsogo Sun Casino Management Company Proprietary Limited	RSA	1996/007718/07	20 June 1996
Tsogo Sun Casinos Proprietary Limited	RSA	1995/012674/07	23 November 1995
Tsogo Sun Emonti Proprietary Limited	RSA	1998/017777/07	8 September 1998
Tsogo Sun Expansion No 1 Proprietary Limited	RSA	2007/017309/07	26 June 2007
Tsogo Sun Expansion No 2 Proprietary Limited	RSA	1996/010501/07	8 August 1996
Tsogo Sun Gaming Proprietary Limited	RSA	2002/006402/07	18 March 2002
Tsogo Sun Hotels Gaming and Entertainment Proprietary Limited	RSA	2002/006556/07	19 March 2002
Tsogo Sun KwaZulu-Natal Proprietary Limited	RSA	1997/014551/07	1 September 1997
Tsogo Sun Newcastle Proprietary Limited	RSA	1998/002723/07	16 February 1998
Tsogo Sun One Monte Proprietary Limited	RSA	1998/018155/07	11 September 1998
Tsogo Sun Supply and Distribution Proprietary Limited	RSA	2000/005833/07	27 March 2000
Two Rivers Investments Proprietary Limited	RSA	1996/006443/07	24 May 1996
Umhlanga Beach Investments Share Block Proprietary Limited	RSA	1964/001456/07	28 February 1964
Umhlanga Rocks Hotel Share Block Proprietary Limited	RSA	1938/010993/07	13 April 1938

Company	Country	Reg No	Date of incorporation
Vidual Investments Proprietary Limited	RSA	1996/011575/07	29 August 1996
Volnay Investments Proprietary Limited	RSA	1996/010385/07	6 August 1996
West Coast Leisure Proprietary Limited	RSA	1994/005194/07	15 July 1994
Whitehorse Investments Proprietary Limited	RSA	2002/021406/07	3 September 2002
Offshore companies			
Ikoyi Hotels Limited	Nigeria	442 162	7 February 2002
Isotel Aktiengeshellschaft	Liechtenstein	FL-0001.070.066-1	19 December 1978
Isoteltwo Aktiengeshellschaft	Liechtenstein	FL-0002.122.734-6	7 December 2004
Lavado Holdings BV	Netherlands	27114262	20 December 1985
PTD Limited	Seychelles	640559-1	19 October 1972
Ridgeway Hotel Limited	Zambia	LCO 358	15 August 1950
Southern Sun Africa	Mauritius	20273/4110	25 June 1998
Southern Sun Hotels Kenya Limited	Kenya	CPR/2010/22306	28 April 2010
Southern Sun Hotels (Tanzania) Limited	Tanzania	36138	22 April 1999
Southern Sun (Moçambique) Limitada	Maputo	11597	16 March 1999
Tsogosure Insurance Company Limited	Isle of Man	124526C	5 March 2010

ADDITIONAL INFORMATION RELATING TO THE TSOGO DIRECTORS

1. The term of office for which Directors have been appointed:

Directors are appointed until their services are terminated in terms of the MOI of Tsogo (as per **Annexure I** paragraph 22) or they are required to rotate in terms of the MOI of Tsogo (as per **Annexure I** paragraph 25).

2. Borrowing powers of Tsogo exercisable by the Directors

2.1 The provisions of the MOI of Tsogo regarding the borrowing powers exercisable by the Directors are set out in **Annexure I**. The borrowing powers exercisable by the directors of any subsidiary of Tsogo are substantially similar to the borrowing powers exercisable by the Directors as set out in **Annexure I**, save in respect of Hospitality Property Fund Limited (and its subsidiaries), which have the borrowing powers set out below:

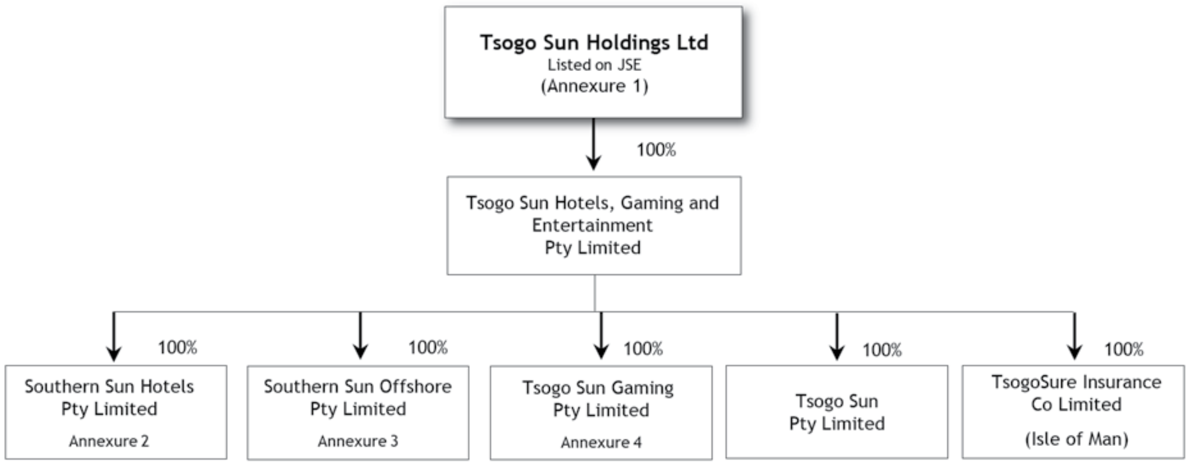
Name	Borrowing powers
Hospitality Property Fund Limited Registration No. 2005/014211/06	Unrestricted borrowing powers in terms of its MOI. The Company is, however, subject to the JSE's REIT requirements. According to Paragraph 13.46 of the JSE Listings Requirements, in order to remain classified as a REIT, the Company's total liabilities may not exceed 60% of its total consolidated assets.
HPF Properties Proprietary Limited Registration No. 2005/020743/07	Unrestricted borrowing powers, subject to such limitations as may be imposed from time to time by its holding company, being Hospitality Property Fund Limited.
HPF Management Proprietary Limited Registration No. 2009/021472/07	Unrestricted borrowing powers, subject to such limitations as may be imposed from time to time by its holding company, being Hospitality Property Fund Limited.
Hospitality Property Fund Managers Proprietary Limited Registration No. 2005/035257/07	Unrestricted borrowing powers, subject to such limitations as may be imposed from time to time by its holding company, being Hospitality Property Fund Limited.
NIB 35 Share Block Proprietary Limited Registration No. 1998/016260/07	Unrestricted borrowing powers, subject to such limitations as may be imposed from time to time by its holding company.
Hosbrook Ventures Proprietary Limited Registration No. 2012/208817/07	Unrestricted borrowing powers.
Fezisource Proprietary Limited Registration No. 2015/305572/07	Unrestricted borrowing powers.
The Cullinan Hotel Proprietary Limited Registration No. 1988/004685/07	Unrestricted borrowing powers.
Merway Fifth Investments Proprietary Limited Registration No. 1991/006478/07	Unrestricted borrowing powers.

2.2 The MOI of the companies in the Gameco Group will, following the implementation of the Offer, be amended to accord with the provisions of Tsogo's MOI.

3. Directors' declarations

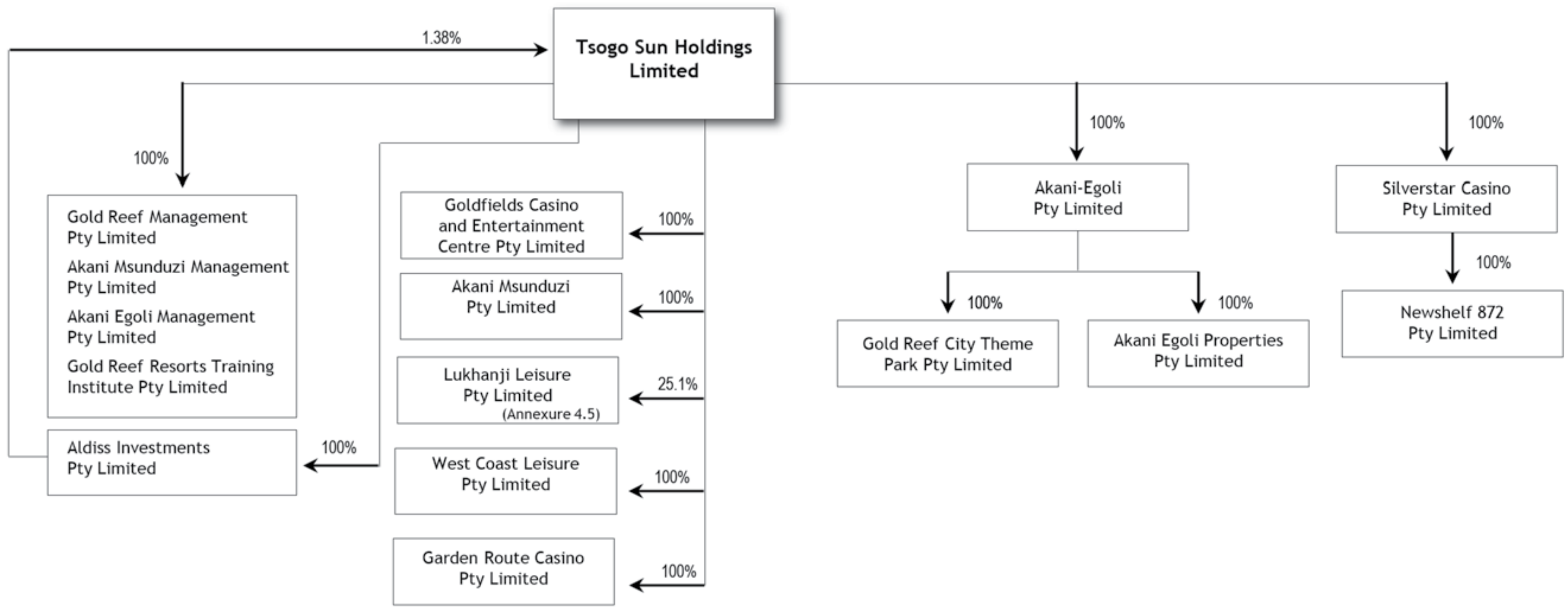
There are no declarations contemplated in Reg 64.

TSOGO GROUP STRUCTURE



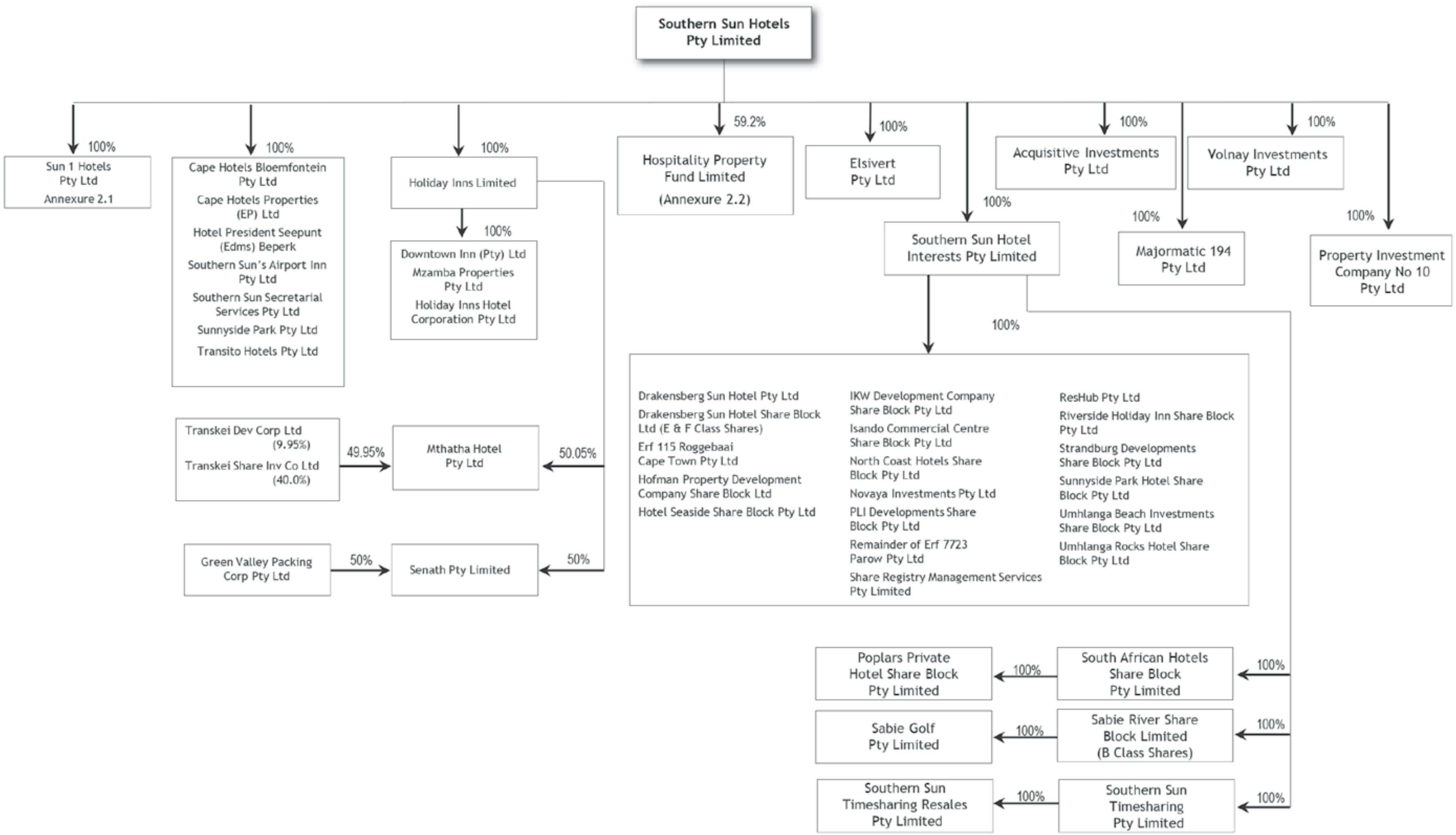
Annexure 1

Tsogo Sun Holdings Limited



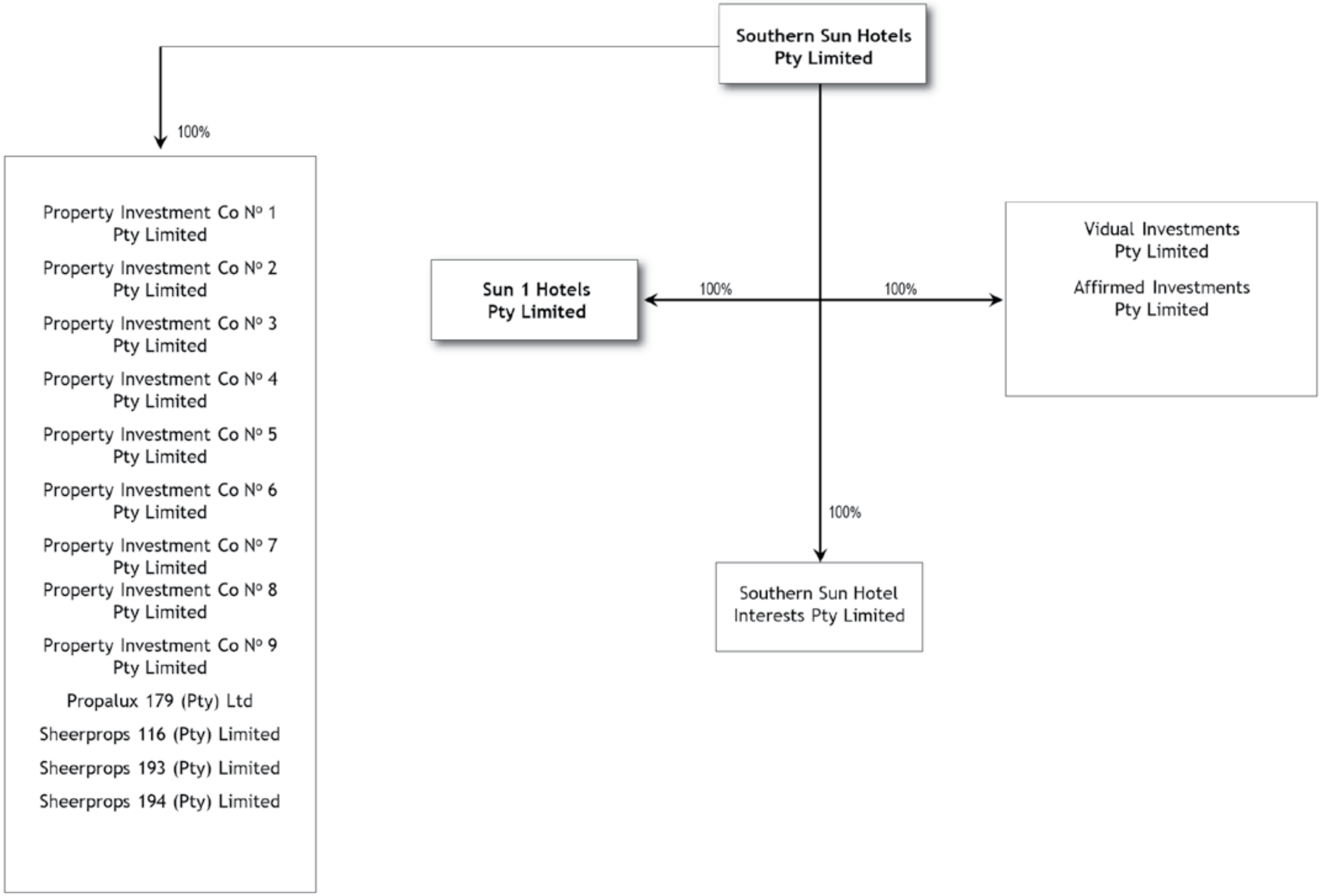
Annexure 2

Tsogo Sun Holdings Limited



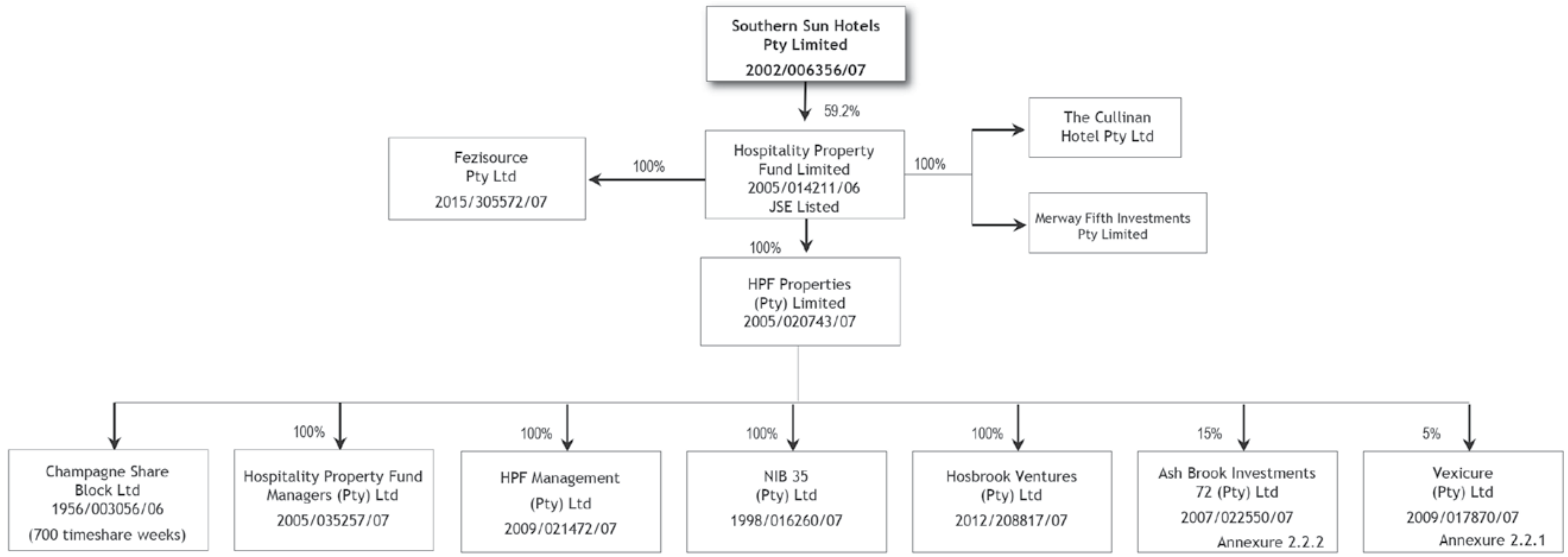
Annexure 2.1

Tsogo Sun Holdings Limited



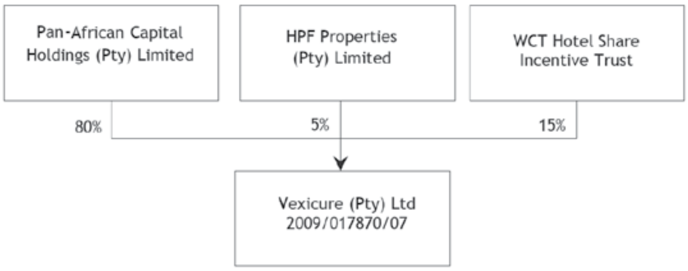
Annexure 2.2

Tsogo Sun Holdings Limited

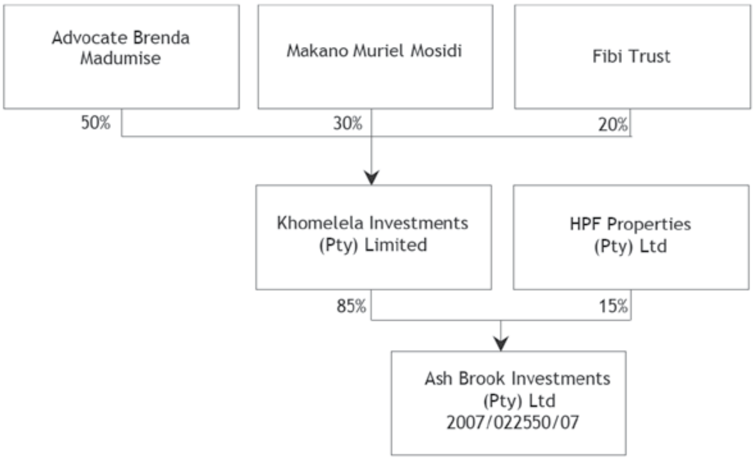


Annexure 2.2.1

Tsogo Sun Holdings Limited

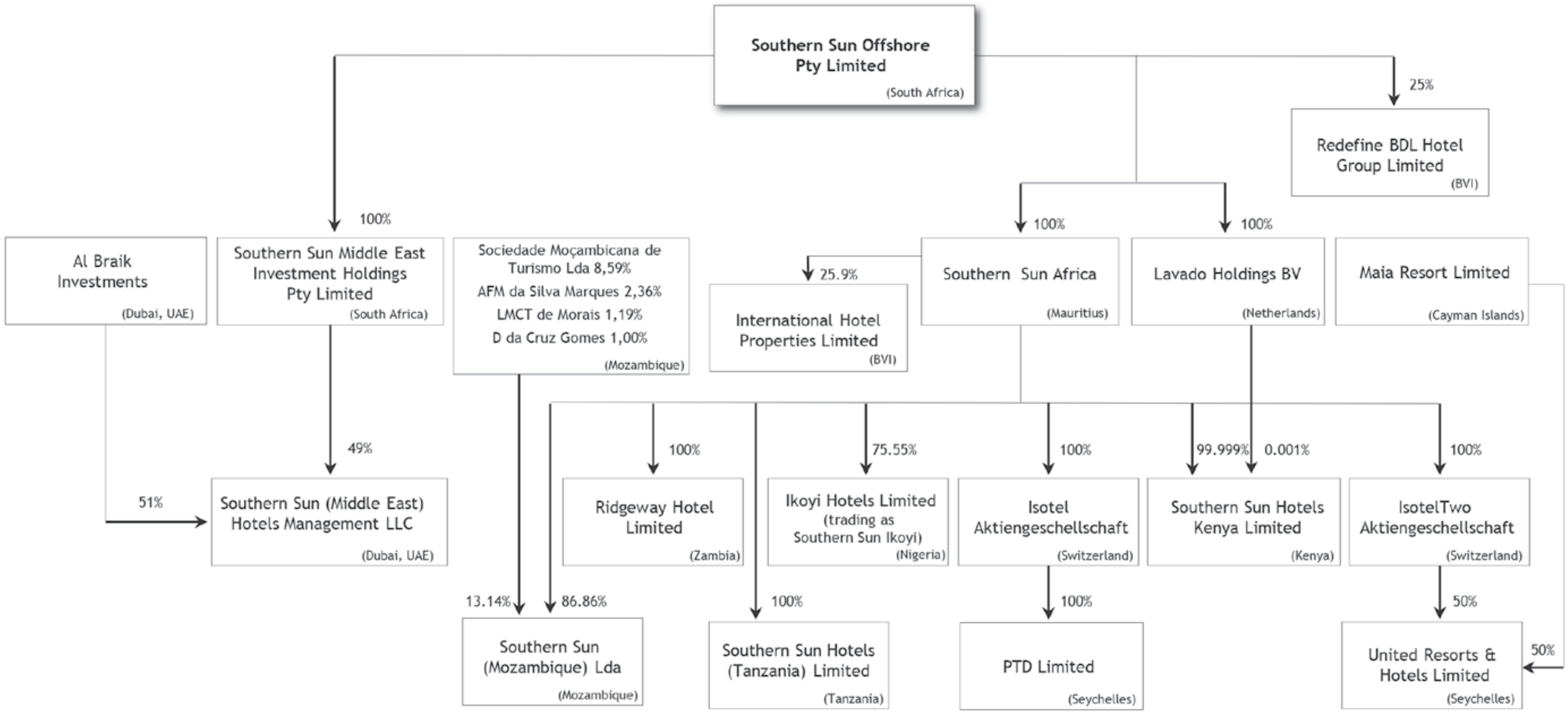


Tsogo Sun Holdings Limited



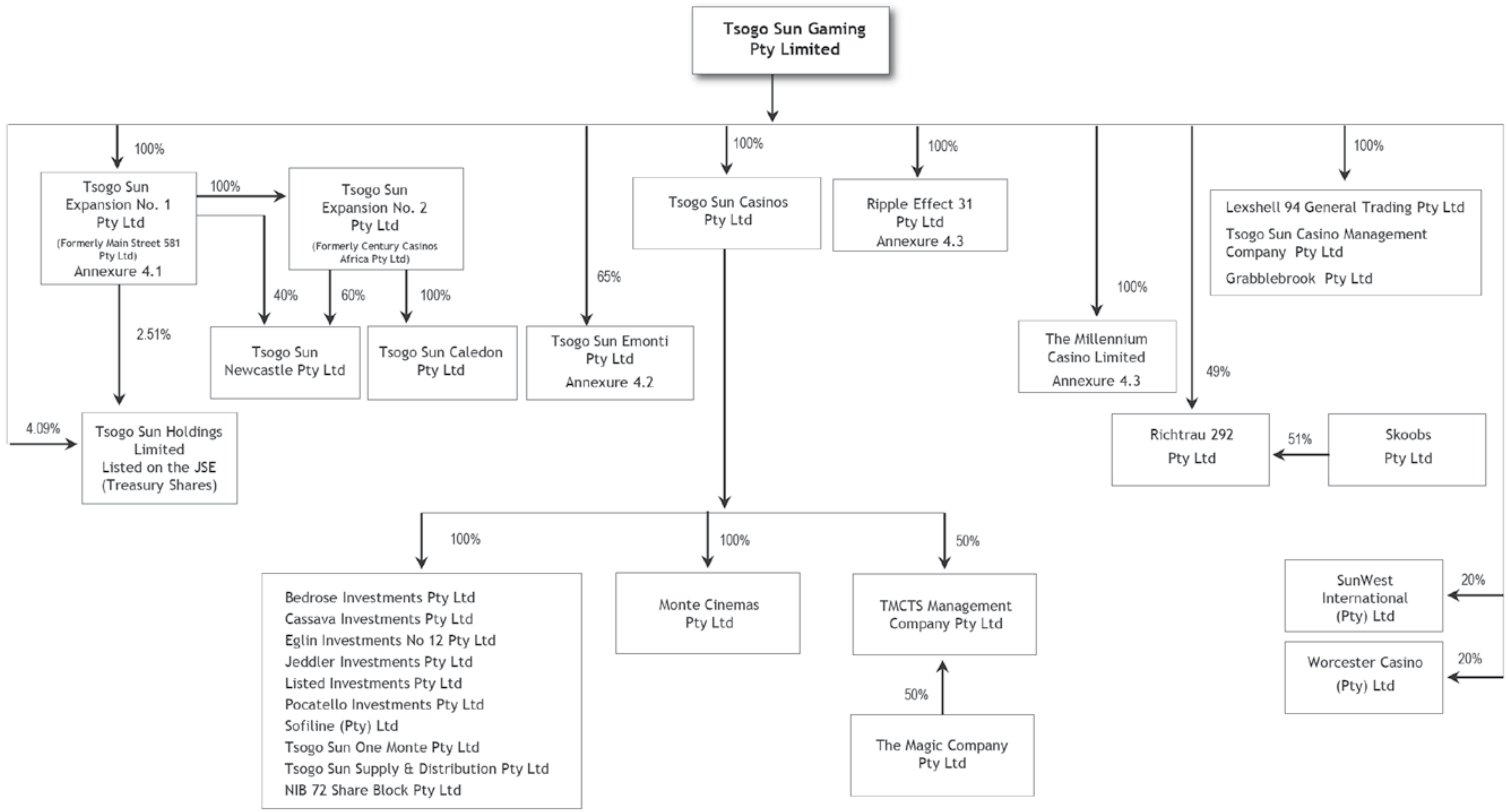
Annexure 3

Tsogo Sun Holdings Limited



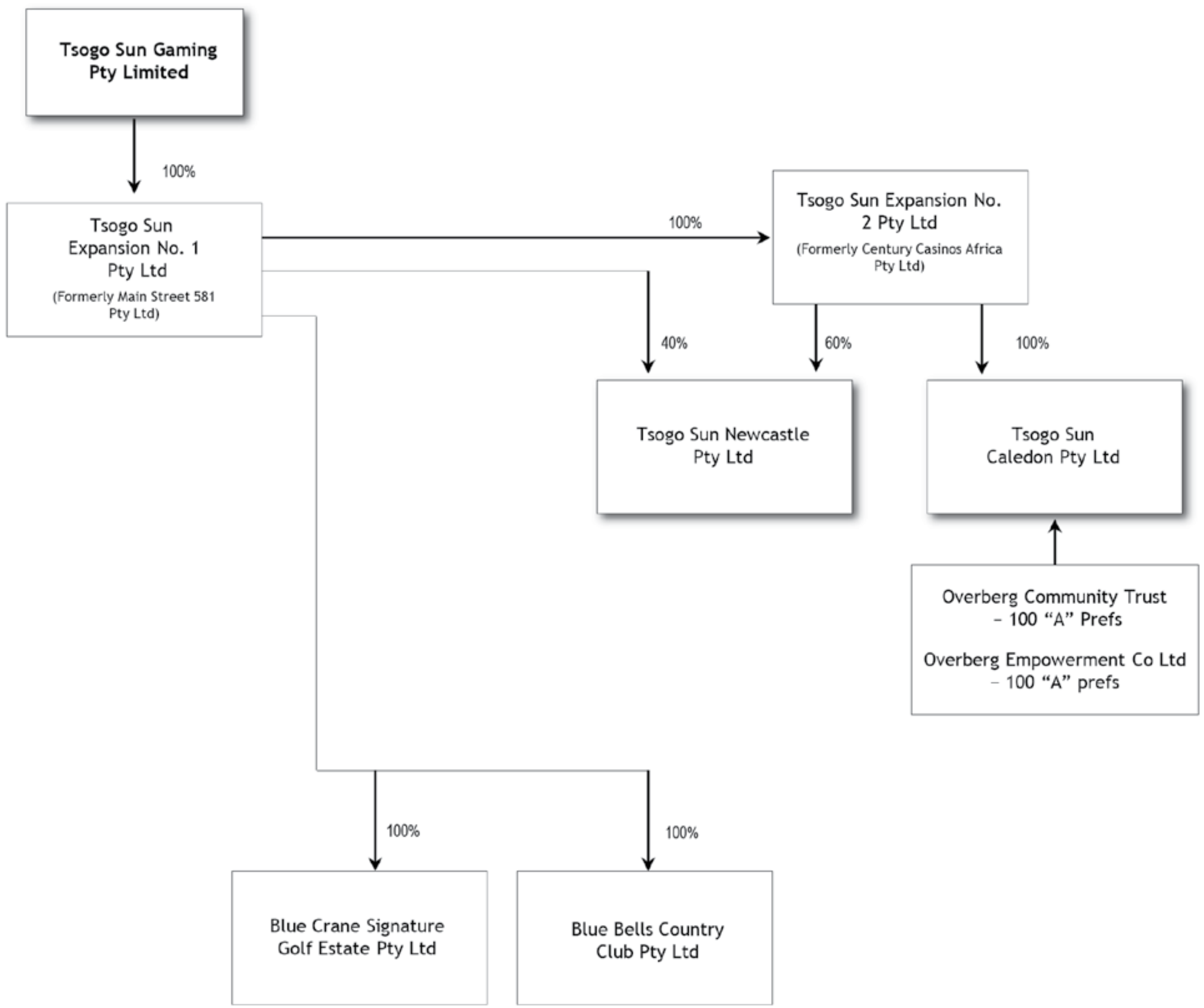
Annexure 4

Tsogo Sun Holdings Limited



Annexure 4.1

Tsogo Sun Holdings Limited



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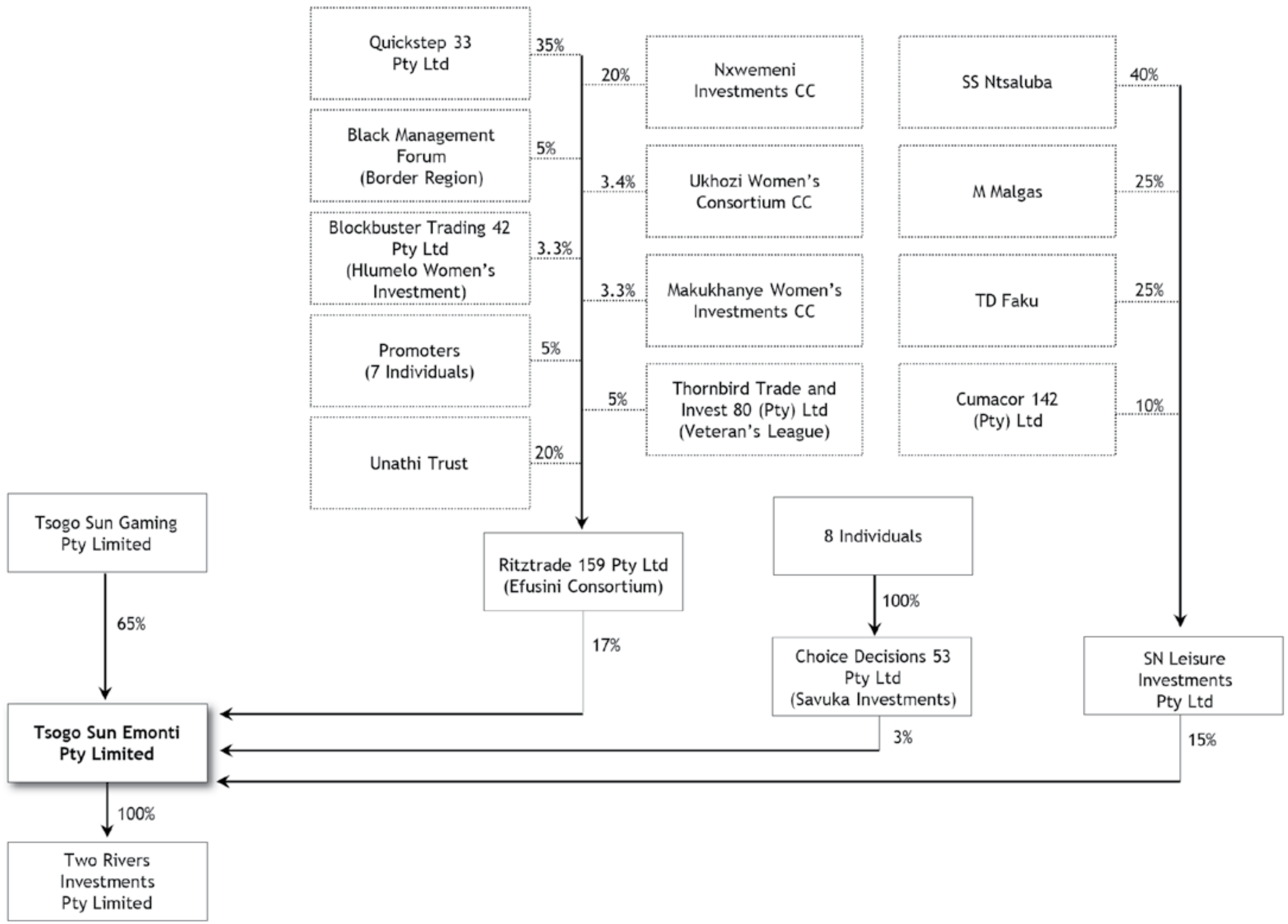
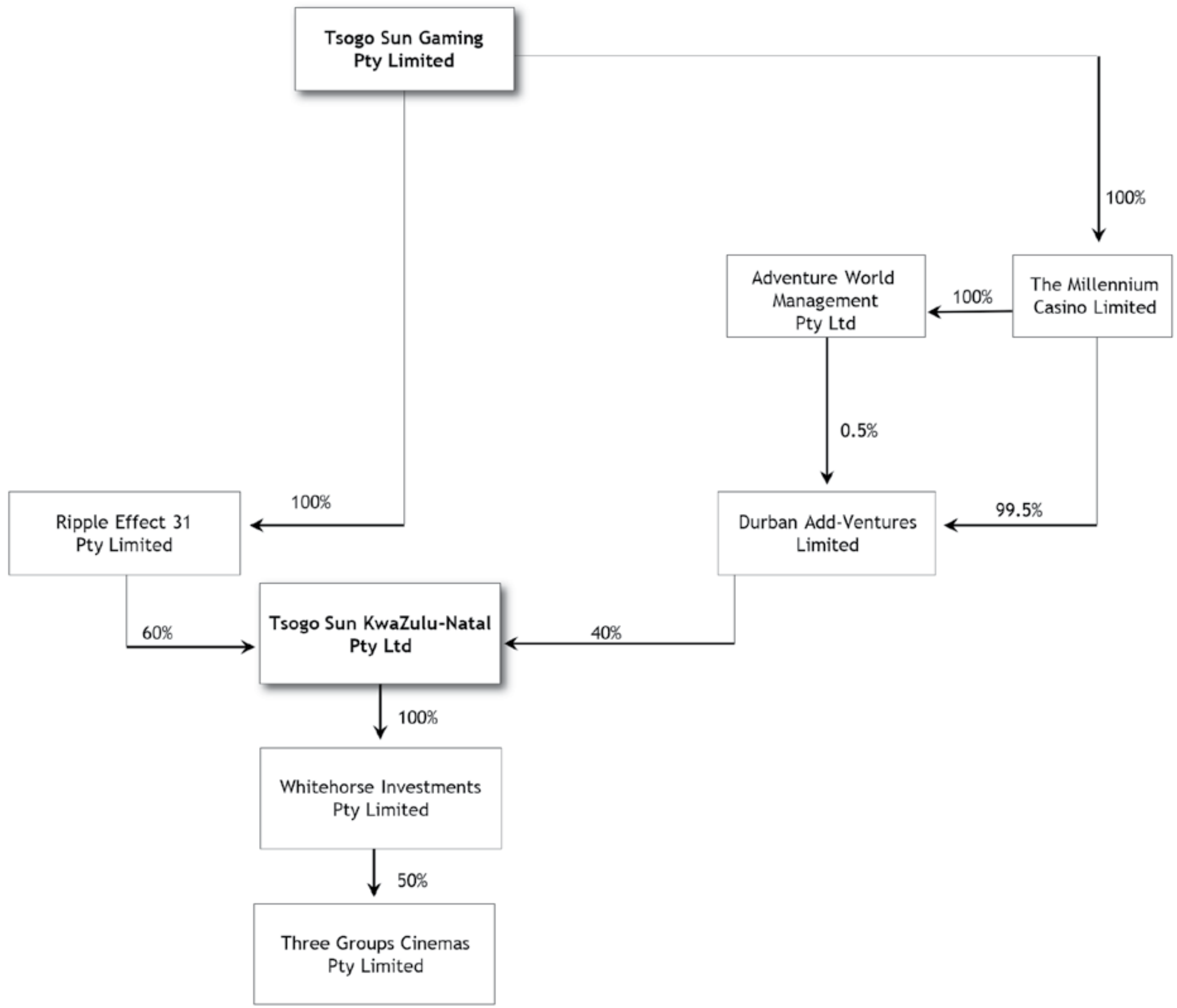
Tsogo Sun Holdings Limited



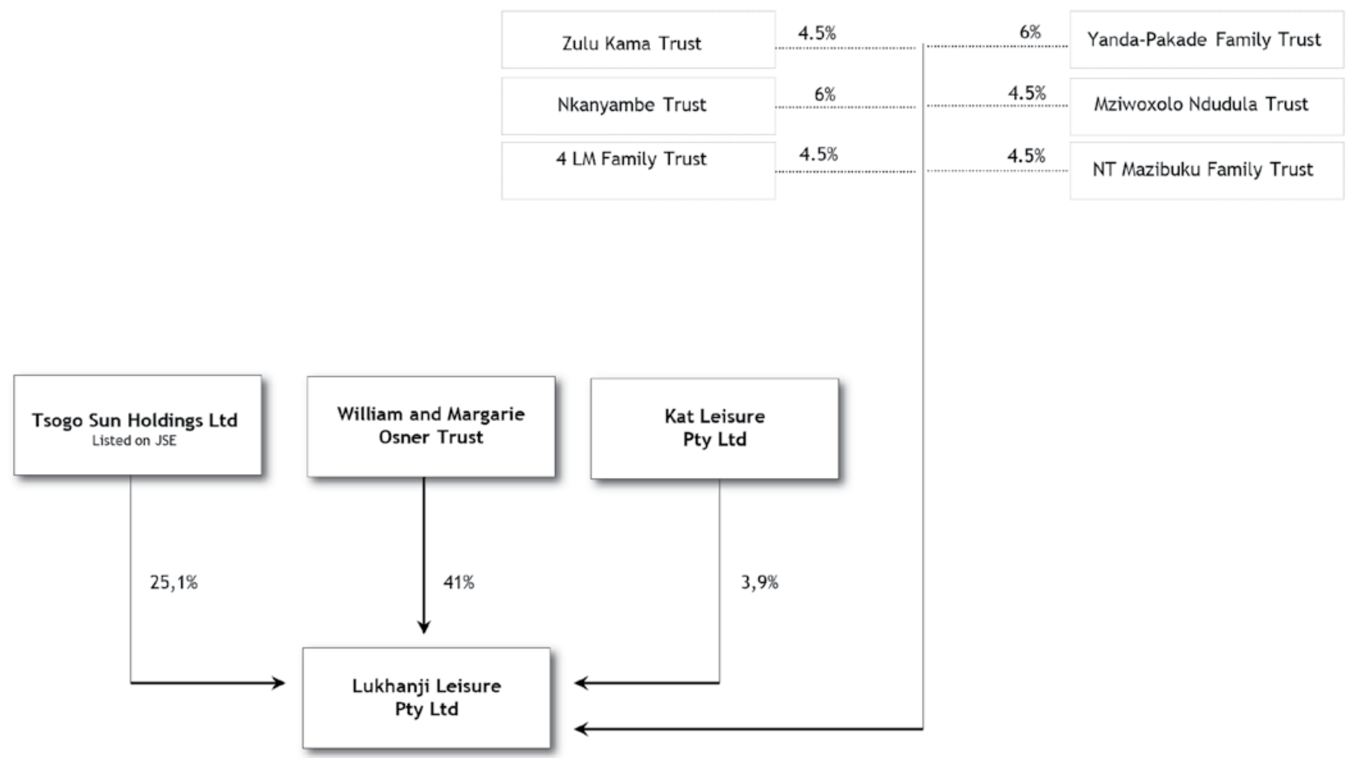
Annexure 4.3

Tsogo Sun Holdings Limited

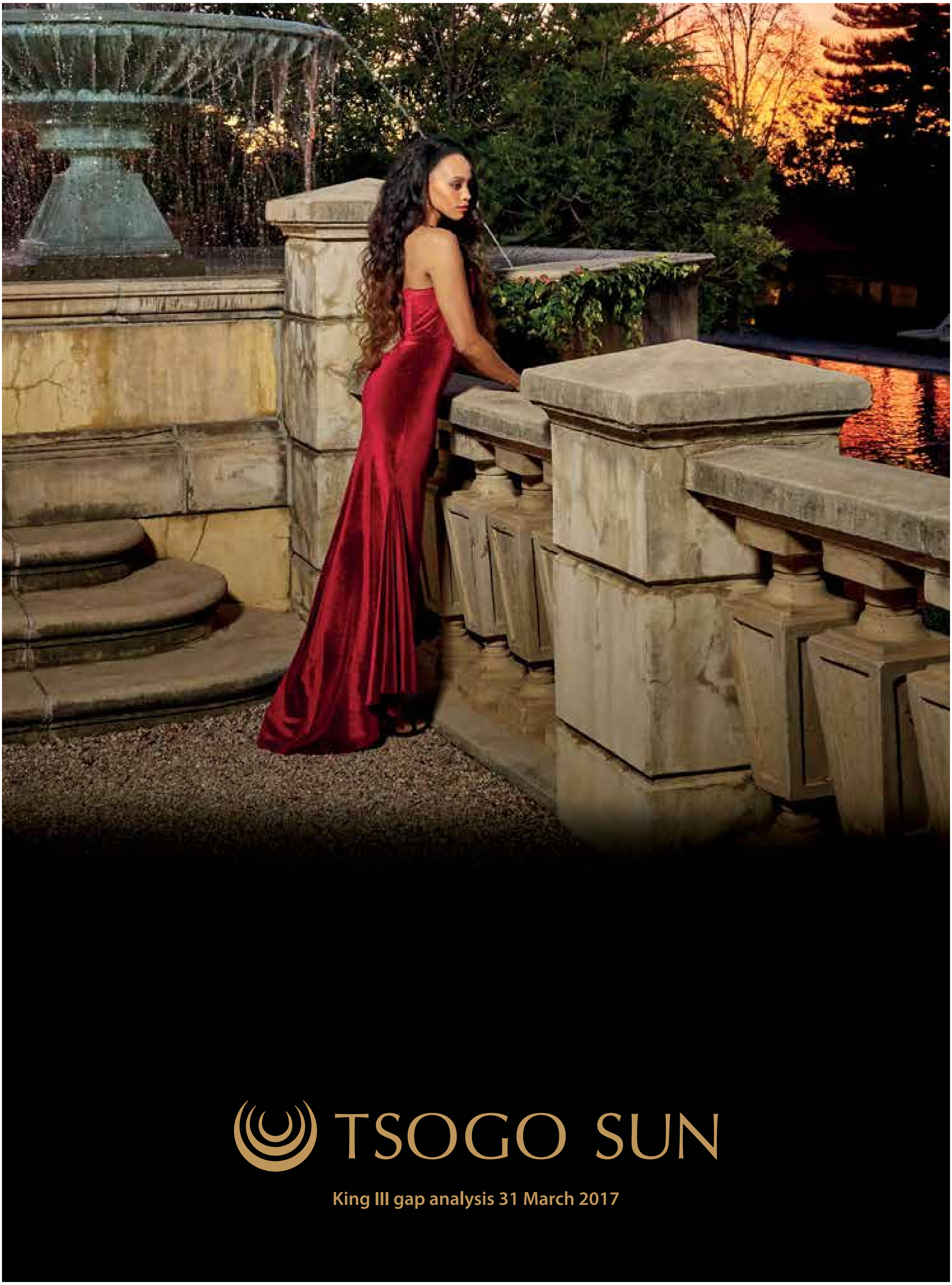


Annexure 4.4

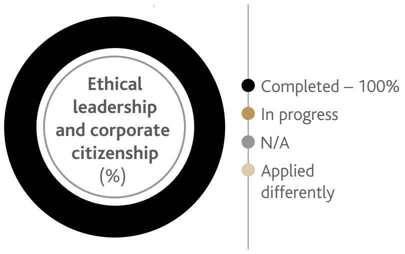
Tsogo Sun Holdings Limited

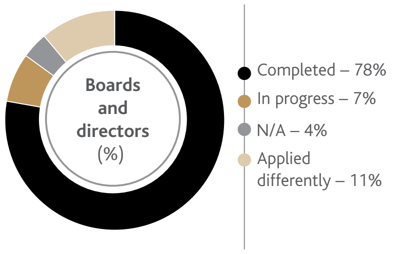


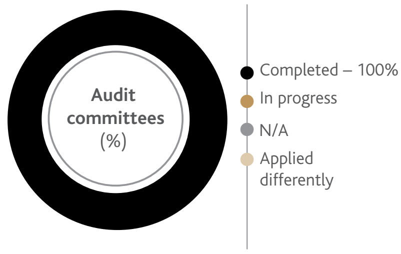
KING III GAP ANALYSIS REPORT

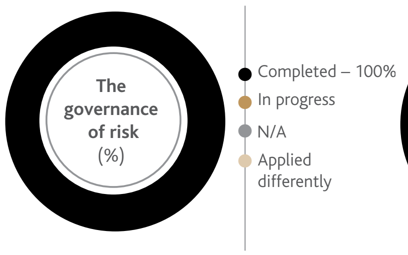


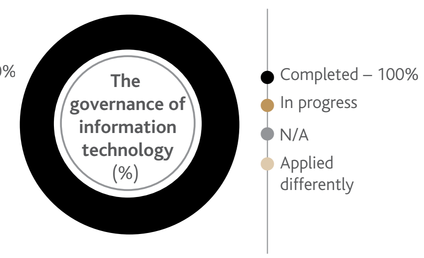
The following charts represent the high-level King III gap analysis results as at 31 March 2017:

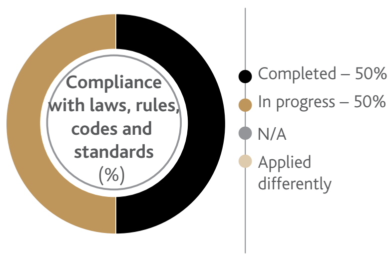


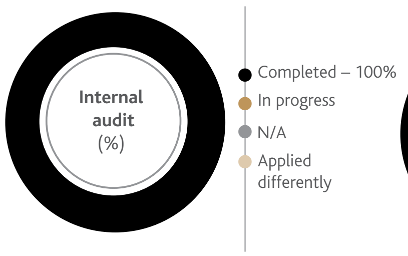


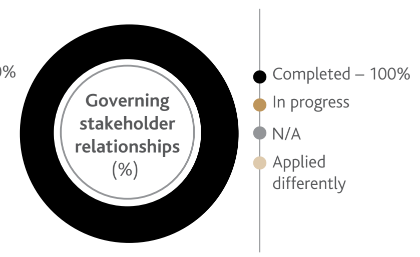


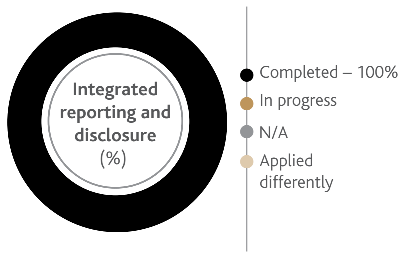












King III reference	Principle	Current status	Status indicator
1.	**Ethical leadership and corporate citizenship**		
1.1	The board should provide effective leadership based on an ethical foundation	The group has developed and implemented a code and the ethics policy. The code and policy create the foundation of how the group operates	Completed
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen	As summarised in the integrated annual report this is achieved through the Tsogo Sun Citizenship programme which has been established to ensure human and financial resources are deployed effectively to create a beneficial impact on communities	Completed

King III reference	Principle	Current status	Status indicator
1.3	The board should ensure that the company's ethics are managed effectively	Ethics are managed through the ethics policy. Every senior employee is required to sign an annual declaration confirming no conflict of interests and compliance with laws and regulations	Completed
2.	**Boards and directors**		
2.1	The board should act as the focal point for and custodian of corporate governance	The board is committed to the best practice corporate governance principles contained within King III	Completed
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable	The group's strategic priorities and risks are documented in the integrated annual report. Risks are assessed during the annual strategy planning and risk assessment workshops	Completed
2.3	The board should provide effective leadership based on an ethical foundation	The group has developed and implemented a code and the ethics policy. The code and policy create the foundation of how the group operates	Completed
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen	As summarised in the integrated annual report this is achieved through the Tsogo Sun Citizenship programme which has been established to ensure human and financial resources are deployed effectively to create a beneficial impact on communities	Completed
2.5	The board should ensure that the company's ethics are managed effectively	The group has developed and implemented a code and the ethics policy. The code and policy create the foundation of how the group operates	Completed
2.6	The board should ensure that the company has an effective and independent audit committee	An audit and risk committee has been established, the committee consists of three independent non-executive directors. The roles and responsibilities of the committee are documented in a charter that has been approved by the board	Completed
2.7	The board should be responsible for the governance of risk	The board has delegated the responsibility of monitoring the governance of risk to the audit and risk committee although the board maintains oversight. The board's responsibility for risk is documented in the board charter and the audit and risk committee's charter includes the roles performed relating to risk management	Completed
2.8	The board should be responsible for information technology (IT) governance	The board has delegated the responsibility of monitoring the governance of IT to the audit and risk committee although the board maintains oversight. The board's responsibility for IT is documented in the board charter and the audit and risk committee's charter includes the roles performed relating to IT governance	Completed
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	The group legal department identifies and monitors changes in legislation that may affect the company and reports to board and audit and risk committee on compliance matters. In addition, PricewaterhouseCoopers (PWC) reports on changes in the Companies Act, JSE Listings Requirements and accounting regulations that are relevant to the company at every audit and risk meeting. A regulatory universe has been defined and a compliance framework is in the process of being incorporated into the combined assurance plan to evaluate whether all applicable laws are applied and adhered to	In progress
2.10	The board should ensure that there is an effective risk-based internal audit	A risk-based internal audit function has been outsourced to KPMG. The function reports functionally to the Director of Risk and reports all significant findings to the audit and risk committee	Completed

King III reference	Principle	Current status	Status indicator
2.	**Boards and directors** (continued)		
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation	The group's stakeholder relationship framework is included in the integrated annual report. Many informal interactions take place with stakeholders. A formal stakeholder policy has not been developed	Completed
2.12	The board should ensure the integrity of the company's integrated annual report	The audit and risk committee evaluates the integrated annual report and recommends the adoption of the report by the board	Completed
2.13	The board should report on the effectiveness of the company's system of internal controls	The board reports on the effectiveness of the internal control systems in the audit and risk committee report in the annual financial statements	Completed
2.14	The board and its directors should act in the best interests of the company	The group has developed and implemented a code and the ethics policy. The code and policy create the foundation of how the group operates	Completed
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act	Not applicable	N/A
2.16	The board should elect a chairman of the board who is an independent non-executive director. The Chief Executive Officer (CEO) of the company should not also fulfil the role of Chairman of the board	The board exercised its prerogative to appoint Mr JA Copelyn as the non-executive Chairman. As a compensating control, a lead independent director was appointed, namely Mrs BA Mabuza	Applied differently
2.17	The board should appoint the Chief Executive Officer and establish a framework for the delegation of authority	Mr MN von Aulock appointed as CEO. A delegation of authority has been documented stipulating the duties and rights that should be performed within the organisation. Mr MN von Aulock resigned post-year end and was succeeded by Mr J Booysen as CEO on 1 July 2017	Completed
2.18	Composition of the board The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	The major shareholders exercised its prerogative to appoint the directors representing their interests. The majority of the directors are non-executive with three of the seven non-executive directors being independent	Applied differently
2.19	Board appointment processes Directors should be appointed through a formal process	Directors are nominated by the board and appointed at the Annual General Meeting. Formal letters of appointment including the required roles and responsibilities are however not issued	Applied differently
2.20	Director development The induction of and ongoing training and development of directors should be conducted through formal processes	The board has a stable and long-term membership. A formal directors toolkit is available to all directors. Training is facilitated as required. The majority of the directors have experience in serving on other JSE listed boards	Completed
2.21	Company Secretary The board should be assisted by a competent, suitably qualified and experienced Company Secretary	The board is assisted by a competent, suitably qualified and experienced Company Secretary. The Company Secretary acts as secretary to the board and all its committees. All directors have direct access to the Company Secretary	Completed

King III reference	Principle	Current status	Status indicator
2.	**Boards and directors** (continued)		
2.22	Performance assessment The evaluation of the board, its committees and the individual directors should be performed every year	Appraisal of the board was carried out during the year utilising external service providers.	Completed
2.23	Board Committees The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	The board delegates functions to committees without abdicating their own responsibilities. Functions are delegated to the audit and risk committee, social and ethics committee and the remuneration committee. All committees are governed by terms of reference that were approved by the board	Completed
2.24	Group boards A governance framework should be agreed between the group and its subsidiary boards	Adoption of the group governance framework will be minuted at subsidiary board meetings	In progress
2.25	Remuneration of directors and senior executives Companies should remunerate directors and executives fairly and responsibly	Directors' remuneration is benchmarked against remuneration scales	Completed
2.26	Companies should disclose the remuneration of each individual director and certain senior executives	The remuneration of directors' and senior management is disclosed in the integrated annual report and annual financial statements	Completed
2.27	Shareholders should approve the company's remuneration policy	The remuneration policy is approved by the shareholders at the annual general meeting	Completed
3.	**Audit committees**		
3.1	The board should ensure that the company has an effective and independent audit committee	An effective and independent audit and risk committee has been established. The committee consists of three independent non-executive directors	Completed
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors	All members of the audit and risk committee are independent non-executive directors and are appointed for their skill set which is documented in the audit and risk committee charter. Additional skills and experience is provided by permanent invitees to the meetings	Completed
3.3	The audit committee should be chaired by an independent non-executive director	The audit and risk committee chairman is MSI Gani who is an independent non-executive director	Completed
3.4	The audit committee should oversee integrated reporting	The audit and risk committee evaluates the integrated annual report and recommends the adoption of the report by the board	Completed
3.5	The audit committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities	A combined assurance framework is applied and a combined assurance plan is being continually updated	Completed
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	The Chief Financial Officer (CFO) and finance function is reviewed informally by the audit and risk committee although no formal key performance indicators are evaluated. The audit and risk committee is satisfied with the finance function and the CFO and it is documented in the integrated annual report	Completed

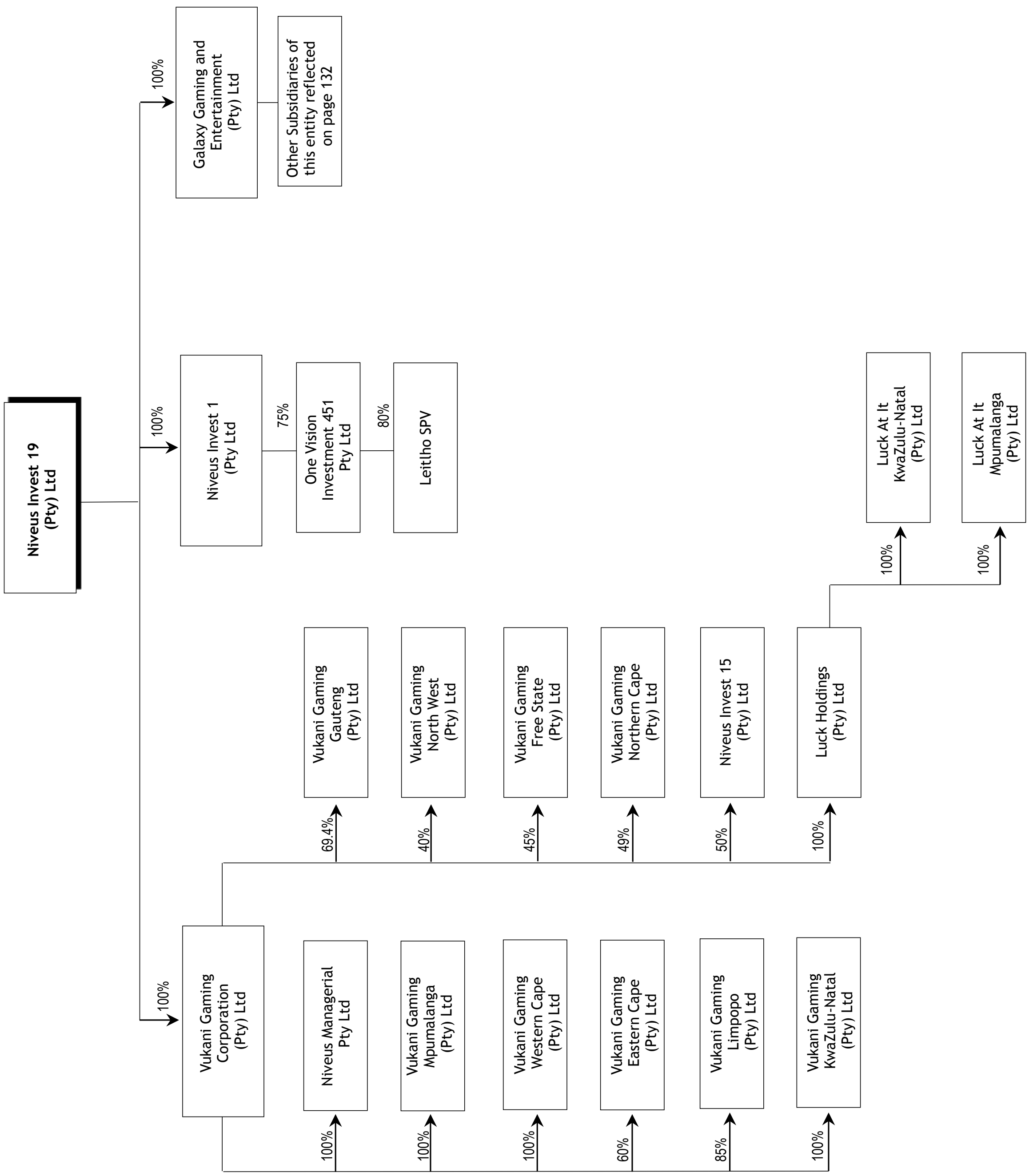
King III reference	Principle	Current status	Status indicator
3.	**Audit committees** (continued)		
3.7	The audit committee should be responsible for overseeing of internal audit	The audit and risk committee is responsible for overseeing internal audit. Internal audit reports functionally to the Director of Risk but reports at every audit and risk committee meeting. Overseeing of the internal audit function by the audit and risk committee is documented in the committee's terms of reference	Completed
3.8	The audit committee should be an integral component of the risk management process	The audit and risk committee is responsible for overseeing risk management. The risk department reports on risk matters and processes at every audit and risk committee meeting	Completed
3.9	External assurance providers The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	The audit and risk committee recommends the appointment of the external auditor and oversees the external audit process	Completed
3.10	Reporting The audit committee should report to the board and shareholders on how it has discharged its duties	The audit and risk committee reports on the duties that they performed throughout the year in the integrated annual report and annual financial statements	Completed
4.	**The governance of risk**		
4.1	The board should be responsible for the governance of risk	The board is responsible for the governance of risk in terms of the board charter. The audit and risk committee has been established for overseeing risk management on behalf of the board	Completed
4.2	The board should determine the levels of risk tolerance	The audit and risk committee recommends the levels of risk tolerance to the board for approval	Completed
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities	The audit and risk committee is responsible for overseeing risk management throughout the organisation. The duties are documented in the audit and risk committee charter	Completed
4.4	Management's responsibility for risk management The board should delegate to management the responsibility to design, implement and monitor the risk management plan	The audit and risk committee ensures that management is responsible for the design, implementation and monitoring of the risk management plan. The audit and risk committee charter indicates the delegation of risk management	Completed
4.5	Risk assessment The board should ensure that risk assessments are performed on a continual basis	Risk assessments are performed formally annually at the executive committee meetings	Completed
4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Frameworks and methodologies have been formally established to identify risks. However the identification of unpredictable risks is done informally	Completed

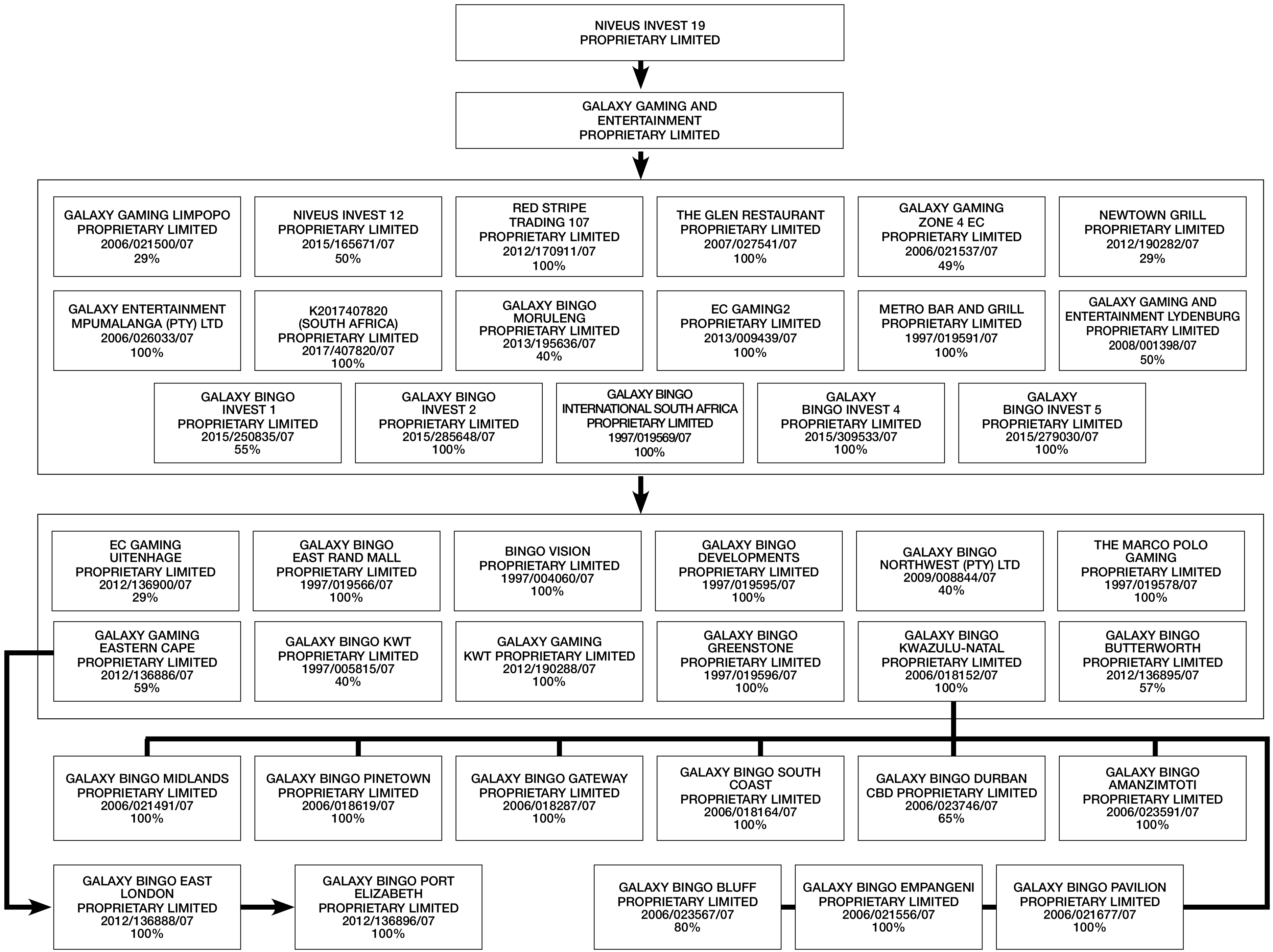
King III reference	Principle	Current status	Status indicator
4.	**The governance of risk** (continued)		
4.7	Risk response The board should ensure that management considers and implements appropriate risk responses	Risk management action sheets have been established which document risk responses and these are presented to the audit and risk committee	Completed
4.8	Risk monitoring The board should ensure continual risk monitoring by management	The board ensures that there is continual risk monitoring by management. This is done through management meetings, organisational resilience audits and the reporting to the audit and risk committee	Completed
4.9	Risk assurance The board should receive assurance regarding the effectiveness of the risk management process	The board receives assurance from the audit and risk committee. Reports are presented at the audit and risk committee on the effectiveness of the risk management process.	Completed
4.10	Risk disclosure The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	Risks are documented in the integrated annual report allowing the stakeholders to understand the risk management process within the organisation	Completed
5.	**The governance of IT**		
5.1	The board should be responsible for IT governance	The board responsibility for IT governance is included in the terms of reference. An IT governance charter has been approved by the audit and risk committee and the board. Certain functions relating to IT governance have been delegated to the audit and risk committee and are included in the charter	Completed
5.2	IT should be aligned with the performance and sustainability objectives of the company	A group chief information officer (CIO) oversees all IT functions, requirements and investments. The group CIO (and in some cases senior IT management) participate directly in strategic and operational planning	Completed
5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework	An IT governance charter has been approved by the audit and risk committee and the board. The framework is delegated to management to implement. Included in the framework is the management of IT assets and the expenditure incurred	Completed
5.4	The board should monitor and evaluate significant IT investments and expenditure	IT investments are motivated and evaluated through the relevant divisional Managing and Financial Directors, functional heads and CIO. Where appropriate, these are also evaluated by the CFO and CEO prior to being evaluated by the board	Completed
5.5	IT should form an integral part of the company's risk management	Regular audits of the IT control environment are conducted internally and by third parties.	Completed
5.6	The board should ensure that IT assets are managed effectively	An IT governance charter has been approved by the audit and risk committee and the board. The framework is delegated to management to implement. Included in the framework is the management of IT assets and the expenditure incurred	Completed
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities	The audit and risk committee assists the board in carrying out its IT responsibilities. Included in the audit and risk committee charter are the IT responsibilities delegated to the committee	Completed

King III reference	Principle	Current status	Status indicator
6.	**Compliance with laws, rules, codes and standards**		
6.1	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	The group legal department identifies and monitors changes in legislation that may affect the company and reports to board and audit and risk committee on compliance matters. In addition, PWC reports on changes in the Companies Act, JSE Listings Requirements and accounting regulations that are relevant to the company at every audit and risk meeting. A regulatory universe has been defined and a compliance framework is in the process of being incorporated into the combined assurance plan to evaluate whether all applicable laws are applied and adhered to	In progress
6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	The group legal department identifies and monitors changes in legislation that may affect the company and report to board and audit and risk committee on compliance matters. In addition, PWC reports on changes in the Companies Act, JSE Listings Requirements and accounting regulations that are relevant to the company at every audit and risk meeting	Completed
6.3	Compliance risk should form an integral part of the company's risk management process	Compliance risk forms part of the operational risks assessments and compliance assessments are performed throughout the group	Completed
6.4	The board should delegate to management the implementation of an effective compliance framework and processes	A regulatory universe has been defined and a compliance framework is in the process of being incorporated into the combined assurance plan to evaluate whether all applicable laws are applied and adhered to	In progress
7.	**Internal audit**		
7.1	The board should ensure that there is an effective risk-based internal audit	An internal audit function has been established and is outsourced to KPMG	Completed
7.2	Internal audit should follow a risk-based approach to its plan	Internal audit's plan is based on risk and compliance. The plan is approved by the audit and risk committee prior to implementation	Completed
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management	The internal audit function prepares formal reports for each audit and risk committee meeting. A formal assessment of the effectiveness of the company's system of internal control and risk management is carried out annually	Completed
7.4	The audit committee should be responsible for overseeing internal audit	The audit and risk committee are responsible for overseeing the internal audit function. Internal audit reports to the Director of Risk and formal reports are submitted at all audit and risk committee meetings	Completed
7.5	Internal audit's status in the company Internal audit should be strategically positioned to achieve its objectives	Internal audit reports to the Director of Risk and has a direct line of contact with the chairman of the audit and risk committee	Completed

King III reference	Principle	Current status	Status indicator
8.	**Governing stakeholder relationships**		
8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation	As summarised in the integrated annual report this is achieved through the Tsogo Sun Citizenship programme which has been established to ensure human and financial resources are deployed effectively to create a beneficial impact on communities	Completed
8.2	The board should delegate to management to proactively deal with stakeholder relationships	The group's stakeholder relationship framework is included in the integrated annual report. Many informal interactions take place with stakeholders. A formal stakeholder policy has not been developed	Completed
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	The group's stakeholder relationship framework is included in the integrated annual report. Many informal interactions take place with stakeholders. A formal stakeholder policy has not been developed	Completed
8.4	Companies should ensure the equitable treatment of shareholders	The group acts in strict accordance with the Companies Act and the JSE listings requirements regarding the treatment of all shareholders	Completed
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	The group's stakeholder relationship framework is included in the integrated annual report. Many informal interactions take place with stakeholders. A formal stakeholder policy has not been developed	Completed
8.6	Dispute resolution The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	The group's stakeholder relationship framework is included in the integrated annual report. Many informal interactions take place with stakeholders. A formal stakeholder policy has not been developed	Completed
9.	**Integrated reporting and disclosure**		
9.1	The board should ensure the integrity of the company's integrated annual report	The audit and risk committee evaluates the integrated annual report and recommends the adoption of the report by the board	Completed
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting	The integrated annual report provides a consolidated review of the group's financial, economic, social and environmental performance on matters material to the strategy and the key stakeholders	Completed

GAMECO GROUP




NIVEUS INVEST 19 PROPRIETARY LIMITED
GALAXY GAMING AND ENTERTAINMENT PROPRIETARY LIMITED
GALAXY GAMING LIMPOPO PROPRIETARY LIMITED 2006/021500/07 29%
NIVEUS INVEST 12 PROPRIETARY LIMITED 2015/165671/07 50%
RED STRIPE TRADING 107 PROPRIETARY LIMITED 2012/170911/07 100%
THE GLEN RESTAURANT PROPRIETARY LIMITED 2007/027541/07 100%
GALAXY GAMING ZONE 4 EC PROPRIETARY LIMITED 2006/021537/07 49%
NEWTOWN GRILL PROPRIETARY LIMITED 2012/190282/07 29%
GALAXY ENTERTAINMENT MPUMALANGA (PTY) LTD 2006/026033/07 100%
K2017407820 (SOUTH AFRICA) PROPRIETARY LIMITED 2017/407820/07 100%
GALAXY BINGO MORULENG PROPRIETARY LIMITED 2013/195636/07 40%
EC GAMING2 PROPRIETARY LIMITED 2013/009439/07 100%
METRO BAR AND GRILL PROPRIETARY LIMITED 1997/019591/07 100%
GALAXY GAMING AND ENTERTAINMENT LYDENBURG PROPRIETARY LIMITED 2008/001398/07 50%
GALAXY BINGO INVEST 1 PROPRIETARY LIMITED 2015/250835/07 55%
GALAXY BINGO INVEST 2 PROPRIETARY LIMITED 2015/285648/07 100%
GALAXY BINGO INTERNATIONAL SOUTH AFRICA PROPRIETARY LIMITED 1997/019569/07 100%
GALAXY BINGO INVEST 4 PROPRIETARY LIMITED 2015/309533/07 100%
GALAXY BINGO INVEST 5 PROPRIETARY LIMITED 2015/279030/07 100%
EC GAMING UITENHAGE PROPRIETARY LIMITED 2012/136900/07 29%
GALAXY BINGO EAST RAND MALL PROPRIETARY LIMITED 1997/019566/07 100%
BINGO VISION PROPRIETARY LIMITED 1997/004060/07 100%
GALAXY BINGO DEVELOPMENTS PROPRIETARY LIMITED 1997/019595/07 100%
GALAXY BINGO NORTHWEST (PTY) LTD 2009/008844/07 40%
THE MARCO POLO GAMING PROPRIETARY LIMITED 1997/019578/07 100%
GALAXY GAMING EASTERN CAPE PROPRIETARY LIMITED 2012/136886/07 59%
GALAXY BINGO KWT PROPRIETARY LIMITED 1997/005815/07 40%
GALAXY GAMING KWT PROPRIETARY LIMITED 2012/190288/07 100%
GALAXY BINGO GREENSTONE PROPRIETARY LIMITED 1997/019596/07 100%
GALAXY BINGO KWAZULU-NATAL PROPRIETARY LIMITED 2006/018152/07 100%
GALAXY BINGO BUTTERWORTH PROPRIETARY LIMITED 2012/136895/07 57%
GALAXY BINGO MIDLANDS PROPRIETARY LIMITED 2006/021491/07 100%
GALAXY BINGO PINETOWN PROPRIETARY LIMITED 2006/018619/07 100%
GALAXY BINGO GATEWAY PROPRIETARY LIMITED 2006/018287/07 100%
GALAXY BINGO SOUTH COAST PROPRIETARY LIMITED 2006/018164/07 100%
GALAXY BINGO DURBAN CBD PROPRIETARY LIMITED 2006/023746/07 65%
GALAXY BINGO AMANZIMTOTI PROPRIETARY LIMITED 2006/023591/07 100%
GALAXY BINGO EAST LONDON PROPRIETARY LIMITED 2012/136888/07 100%
GALAXY BINGO PORT ELIZABETH PROPRIETARY LIMITED 2012/136896/07 100%
GALAXY BINGO BLUFF PROPRIETARY LIMITED 2006/023567/07 80%
GALAXY BINGO EMPANGENI PROPRIETARY LIMITED 2006/021556/07 100%
GALAXY BINGO PAVILION PROPRIETARY LIMITED 2006/021677/07 100%

PRINCIPAL IMMOVABLE PROPERTIES OF THE TSOGO GROUP

Principal properties	Situated at	Area	Tenure
Montecasino	Montecasino Boulevard Cnr William Nicol and Witkoppen Fourways, Sandton Johannesburg	Fourways, Gauteng	Tsogo Sun Casinos Proprietary Limited
Suncoast	Suncoast Boulevard Marine Drive Durban KwaZulu-Natal	Durban, KwaZulu-Natal	Tsogo Sun KwaZulu-Natal Proprietary Limited
Silverstar	R28 Muldersdrift Mogale City Krugersdorp Gauteng	Krugersdorp, Gauteng	Silverstar Casino Proprietary Limited
Gold Reef City	Cnr Data Crescent and Northern Parkway Ormonde Gauteng	Ormonde, Gauteng	Akani Egoli Properties Proprietary Limited

SHARE CAPITAL OF TSOGO

1. AUTHORISED AND ISSUED SHARE CAPITAL

1.1 The authorised and issued share capital of Tsogo as at the date of issue of this Prospectus is as follows:

Authorised	Rm
1 200 000 000 ordinary shares of R0.02 each	24
20 000 000 preference shares of no par value	–
Issued	
1 049 181 389 ordinary shares of R0.02 each	4 784
91 808 300 ordinary shares of R0.02 each held in treasury	(208)
Total (net of treasury shares)	**4 576**

1.2 All the issued Tsogo Shares are listed in the main board of the JSE as a primary listing.

1.3 All the issued Tsogo Shares were fully paid up and freely transferable.

1.4 The authorised and issued share capital of Tsogo after the implementation of the Offer (on the assumption that all Gameco Shareholders accept the Cash-based Alternative) will be as follows:

Authorised	Rm
1 200 000 000 ordinary shares of R0.02 each	24
20 000 000 preference shares of no par value	–
Issued	
1 146 199 730 ordinary shares of R0.02 each (includes 81 272 918 shares issued to HCI for its Gameco Shares and 15 745 423 shares issued to Gameco minorities)	6 935
91 808 300 ordinary shares of R0.02 each held in treasury	(208)
Total (net of treasury shares)	**6 727**

2. RIGHTS ATTACHING TO THE TSOGO SHARES

2.1 The rights attaching to the Tsogo Shares and the class and rank of the authorised and issued Tsogo Shares in the rights to dividends, capital or profits and any other rights attached thereto, including redemption rights and rights on liquidation or distribution of capital assets and the variation of rights attaching to the Tsogo Shares are set out in **Annexure I**.

2.2 There are no preferential or conversion or exchange rights to Tsogo Shares.

2.3 Tsogo shareholders do not have any redemption rights or preferential rights to profits or capital.

2.4 Tsogo has not issued any founders or deferred shares. The Tsogo Group operates an equity-settled, share-based compensation plan ("**The Gold Reef Share Scheme**") established in September 1999 which arose on acquisition of subsidiaries:

2.4.1 options over the Company's shares were granted to permanent employees at the discretion of the Directors in terms of which shares in the Company were acquired based on prices prevailing at the dates of granting the options. The last grant of options in terms of the Gold Reef Share Scheme occurred during 2009 and no further options will be issued by the Company in terms of this scheme;

2.4.2 delivery of the shares so acquired was effected in three equal tranches vesting over four years; one-third after two years, one-third after three years and one-third after four years. Shares acquired through the Gold Reef Share Scheme had to be paid for by the employees at the subscription prices as determined in the option contracts. Upon vesting and exercise of the options the subscription value was credited to share capital (nominal value) and share premium and debited to a non-current asset. The non-current asset was considered payable when the employees exercised the options and the options vested. Any dividends paid on those shares are utilised to reduce the balance owing by the employees. Loans to participants incur fringe benefit tax on interest at the prevailing rate (being 7.75% with effect from 1 August 2017) as the loans are interest free;

2.4.3 share options that have been exercised by employees are not regarded as outstanding. There are no unexercised share options outstanding at 31 March 2017; and

2.4.4 the following shares have been issued to management in terms of the Gold Reef Share Scheme, which shares have been pledged by the participants as security for their interest-free loans with the Company:

Gold Reef Share Scheme participant	**Number of Tsogo Shares held**	**Gold Reef Share Scheme participant**	**Number of Tsogo Shares held**
A Gegenhuber	25 913	L McDonald	46 377
AJ Maasz	16 148	M Chochoe	15 380
AK Pather	22 781	M Suliman	25 429
AM Katane	11 475	MC Khumalo	13 619
CK van Groeningen	74 442	N Dasrath	230 087
CT van der Merwe	15 468	R Kemp	8 140
DN Stellenberg	15 774	SP Duma	5 797
H Smith	16 622	TF Thekiso	20 835
JH Papenfus-Swart	16 560	TP Tlabakwe	25 322
KI Johnstone	27 148	W Domingo	14 284

2.5 No options or preferential right of any kind was or is proposed to be given to any person to subscribe for any securities of Tsogo and/or any securities of its subsidiaries.

3. ALTERATIONS OF CAPITAL

3.1 There have been no share consolidations or sub-divisions in the three years prior to the date of issue of this Prospectus.

3.2 Tsogo has not repurchased any of its securities in the three years prior to the date of issue of this Prospectus.

4. OPTIONS OR PREFERENTIAL RIGHTS IN RESPECT OF SHARES

As at the date of this Prospectus, there is no agreement or proposed agreement whereby any option or preferential right of any kind was or is proposed to be given to any person to subscribe for any Tsogo Shares or shares of any of its subsidiaries.

5. OFFER OF SECURITIES

Tsogo has not offered any securities to the public for subscription or sale during the three years prior to the date of issue of this Prospectus.

SALIENT PROVISIONS OF THE MOI OF TSOGO

Salient provisions of Tsogo's memorandum of incorporation are set out below.

The numbering and wording corresponds to the numbering and wording of the memorandum of incorporation.

7. POWERS OF THE COMPANY

7.1 The Company has all the legal powers and capacity of a natural person, except to the extent that a juristic person is incapable of exercising any such powers or having such capacity, or this memorandum provides otherwise.

7.2 At the date of filing of this memorandum, the main business of the Company is to engage in all aspects of the business of, directly or indirectly, owning property and directly or indirectly owning and operating casinos, hotels and resorts and all matters ancillary or incidental thereto.

9. ISSUE OF SHARES AND OTHER SECURITIES AND VARIATION OF RIGHTS

9.1 Subject to any relevant provisions of the Companies Act, this memorandum and the Listings Requirements, and without prejudice to any rights previously conferred on the holders of any existing issued shares or class of issued shares, the Board, with the prior approval of an Ordinary Resolution (or, if so required by the Companies Act, with the prior approval of a Special Resolution) adopted at a General Meeting, may resolve to issue any authorised shares in the Company or other securities or grant options to subscribe for unissued securities, with such preferred, deferred or other preferences, rights, limitations or other terms, whether in regard to Distributions, voting, return of capital or otherwise and for such consideration, whether payable in cash or otherwise, as the resolution adopted at the General Meeting may from time to time determine. Without limiting the generality of the aforegoing, preference shares may be issued, and existing shares may be converted into preference shares, on the basis that they are, or at the option of the Company or the shareholder are, liable to be redeemed on such terms and in such manner as shall be prescribed in this memorandum.

9.2 Notwithstanding the provisions of Article 9.1, no shares may be authorised in respect of which the preferences, rights, limitations or any other terms of any class of shares may be varied in response to any objectively ascertainable external fact or facts, as provided for in sections 37(6) and 37(7) of the Companies Act.

9.3 Ordinary Shares which the Company wishes to issue shall first be offered for subscription to the existing Ordinary Shareholders pro rata to their holdings of Ordinary Shares, unless

9.3.1 otherwise determined by a General Meeting; or

9.3.2 they are issued for the acquisition of assets.

9.4 All or any rights, preferences, limitations and other terms for the time being attached to any class of shares of the Company may (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, be varied in any manner by –

9.4.1 a Special Resolution on which the holders of the class of shares concerned shall be entitled to vote; and

9.4.2 either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class, or with the sanction or ratification of a resolution passed in the same manner as a Special Resolution at a separate meeting of the holders of the shares of that class.

The provisions of this memorandum relating to a General Meeting shall, mutatis mutandis, apply to any such separate meeting except that:

9.4.3 the necessary quorum shall be a holder or holders of the class present in person or represented by proxy and holding at least 25% (twenty-five per cent) of the issued shares of that class;

9.4.4 if, at any adjourned meeting of such class of holders, a quorum as above defined is not present, those holders who are present shall constitute a quorum; and

9.4.5 any holder of shares of the class present in person or represented by proxy may demand a poll and, on a poll, shall have 1 (one) vote for each share of the class of which such person is the holder.

9.5 The Company may only issue shares which are:

9.5.1 fully paid up;

9.5.2 freely transferable; and

9.5.3 within the classes that have been authorised by or in terms of this memorandum.

9.6 All shares for which a listing on the JSE is sought and all shares of the same class as shares which are listed on the JSE must, notwithstanding the provisions of section 40(5) of the Companies Act, only be issued after the Company has received the consideration approved by the Board for the issuance of such shares.

9.7 No person shall be recognised by the Company as holding any share upon any trust, and no notice of any trust, expressed, implied or constructive, shall be entered in the securities register or be accepted by the Company. The Company shall not, except as otherwise provided by this memorandum or by the statutes or by any order of a Court of competent jurisdiction, be bound by or compelled in any way to recognise any equitable, contingent, future, partial or representative interest in any share or any right in or in respect of any share other than an absolute right to the entirety thereof in the registered holder and such other rights in case of transmission thereof as are hereinafter mentioned.

9.8 The Company may not create or issue any debt instruments which confer on the holder thereof any special privileges, such as attending and voting at a General Meeting and the appointment of any Directors.

9.9 Notwithstanding any provision of this memorandum to the contrary, the Board may not authorise any financial assistance by the Company in connection with the subscription for or purchase of any of its securities or those of a related or inter-related company without first complying with section 44(3) of the Companies Act.

9.10 Securities shall not be subject to any lien in favour of the Company.

13. TRANSFER OF SECURITIES

13.1 The transferor of any security shall be deemed to remain the holder of such security until the name of the transferee is entered in the securities register in respect thereof.

13.2 The transfer of any security shall be implemented in accordance with the then common form of transfer.

13.3 The Board may decline to register any transfer of certificated securities to a minor or to a person of unsound mind or to any trustee, curator, executor, administrator or other person in any representative capacity of any security.

13.4 All authorities to sign transfer deeds granted by securities holders for the purpose of transferring securities which may be lodged with or delivered to the Company at the Office shall, as between the Company and the grantor of such authorities, be taken and deemed to continue and remain in full force and effect, and the Company may allow the same to be acted upon, until such time as express notice in writing of the revocation of the same shall have been given and lodged at the Office. Even after the delivery and lodging of such notice, the Company shall be entitled to give effect to any instrument signed under the authority to sign, and certified by any officer of the Company as being in order, before the delivery and lodging of such notice.

13.5 The Company shall not be bound to allow the exercise of any act or matter by an agent for a security holder unless a duly certified copy of such agent's authority is produced and filed with the Company.

13.6 All instruments of transfer which are registered shall be retained by the Company at the Office or at such other place as the Directors may from time to time determine. Any instrument of transfer which the Board declines to register shall (except in the case of fraud), on demand, be returned to the person who lodged the same.

13.7 The instrument of transfer must be accompanied (unless the Directors either generally or in any particular case otherwise resolve) by:

13.7.1 the certificate evidencing the securities to be transferred; and

13.7.2 such other evidence (if any) as the Directors or other persons in charge of the securities register may require to prove the title or capacity of the intending transferor or transferee.

13.8 The Directors may decline to register any transfer of any security where:

13.8.1 the instrument of transfer has not been lodged with the Company;

13.8.2 the provisions of any law affecting transfer have not been complied with; or

13.8.3 the instrument of transfer is not in respect of only one class of security.

13.9 The transfer books and securities register may, upon notice having been given by advertisement in the Government Gazette and a newspaper circulating in the district in which the Office is situate, and, in the case of any branch register, be closed during such time as the Board thinks fit, but not exceeding, in aggregate, 60 (sixty) days in each year.

13.10 Should a Shareholder be required in terms of applicable Gambling legislation or regulations promulgated thereunder, to undergo probity or obtain regulatory approval as a result of his shareholding, he is required to do so in terms of this memorandum. Should the Shareholder fail to do so or fail to obtain the relevant approval he will be required to reduce his shareholding to a level where the approval is no longer required. If the Shareholder does not attend to such reduction, the Company may sell his shares on his behalf.

14. ALTERATION OF SHARE STRUCTURE

14.1 Subject to 14.2, the Company may from time to time by Special Resolution:

14.1.1 create any class of shares;

14.1.2 if it has authorised shares having no par value, increase the number of its authorised shares having no par value, as it thinks expedient;

14.1.3 if it has issued shares having no par value or having a par value, decrease the number of its issued no par value shares or par value shares, as the case may be;

14.1.4 subdivide or consolidate the authorised shares of any class;

14.1.5 vary the preferences, rights, limitations or other terms of any shares having no par value;

14.1.6 convert any class of its shares having a par value into shares having no par value, but not *vice versa*;

14.1.7 cancel shares which at the time of the passing of the resolution in that regard have not been subscribed for or agreed to be subscribed for by any person and reduce the number of its authorised shares by the number of the shares so cancelled; and

14.1.8 subject to the provisions of the statutes, convert any class of its shares having no par value or having a par value into shares of a different class having no par value, whether issued or not, and in particular (but without derogating from the generality of the foregoing), convert any class of shares having no par value or having a par value into redeemable shares having no par value; and

14.1.9 change the name of the Company,

provided that moneys, other than dividends, due to Shareholders or the amount payable on the redemption of any class of redeemable shares, shall be held in trust by the Company indefinitely (subject to the applicable laws relating to prescription) until lawfully claimed by the Shareholder concerned.

14.2 Save as otherwise expressly limited in this memorandum, the Board shall have the powers under section 36(3) of the Companies Act (whether in relation to a specific exercise of such power/s or generally), and otherwise such powers shall vest in the Shareholders in General Meeting.

17. VOTES OF SHAREHOLDERS

17.1 Subject to any rights or restrictions as to voting attaching to any class or classes of share:

17.1.1 on a show of hands, a Shareholder of the Company present in person or by proxy and entitled to exercise voting rights shall have only 1 (one) vote, irrespective of the number of voting rights that person would otherwise be entitled to exercise; provided that a proxy shall, irrespective of the number of shares he holds or represents, or the number of Shareholders he represents, have only 1 (one) vote;

17.1.2 on a poll, a Shareholder who is present in person or represented by proxy shall be entitled to the number of votes determined in accordance with the voting rights associated with the shares held by that Shareholder; and

17.1.3 the holders of securities, other than Ordinary Shares and any class of shares created for the purposes of black economic empowerment in terms of the Broad-Based Black Economic Empowerment Act, No 53 of 2003 and the Broad-Based Black Economic Empowerment Codes of Good Practice, shall not be entitled to vote on any resolution at a meeting of Shareholders, except as provided in paragraph 10.5(h) of *Schedule 10 of the Listings Requirements (read with paragraph 10.5(c) of Schedule 10 of the Listings Requirements*). In instances where such shareholders ("**Affected Shareholders**") are permitted to vote on any resolution at a meeting of Shareholders, the votes of Affected Shareholders shall not carry any special rights or privileges and each Affected Shareholder shall be entitled to one vote for each Share held; provided that the total number of voting rights of the Affected Shareholders may not exceed 24,99% (twenty-four comma nine nine percent) of the total number of voting rights of all Shareholders at such meeting.

17.2 No objection shall be raised to the admissibility of any vote except at the Meeting or adjourned Meeting at which the vote objected to is or may be exercised and every vote not disallowed at such Meeting shall be valid for all purposes. Any such objection shall be referred to the chairperson of the Meeting, whose decision shall be final and binding.

17.3 When there are joint registered holders of any shares, any one of such persons may vote at any Meeting in respect of such shares as if he were solely entitled thereto but if more than one of such joint holders is present or represented at any Meeting, that one of the said persons whose name stands first in the securities register in respect of such shares or his proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors of a deceased Shareholder in whose name shares are registered in the securities register shall, for the purposes of this Article, be deemed to be joint holders of those shares.

17.4 Any person entitled to a share in terms of Article 12.2 may vote at any Meeting in respect thereof in the same manner as if such person was the registered holder of that share; provided that (except where the Board has previously accepted his right to vote in respect of that share) 48 (forty-eight) hours at least (excluding Saturdays, Sundays and public holidays) before the time of holding the Meeting at which he proposes to vote, he shall have satisfied the Board that he is entitled to exercise the right referred to in Article 12.2.

19. RECORD DATE FOR EXERCISE OF SHAREHOLDER RIGHTS

The Board may set a record date, as contemplated in section 59(1) of the Companies Act; provided that, for as long as the Listings Requirements apply to the Company and prescribe a record date, such record date shall be:

19.1 the record date as prescribed by the Listings Requirements; and

19.2 published to Shareholders in a manner that satisfies the Listings Requirements and any other prescribed requirements.

20. BORROWING POWERS

20.1 The Board may exercise all the powers of the Company to borrow money and to mortgage or encumber its undertaking and property or any part thereof and to issue debentures, bonds (whether secured or unsecured) and other debt instruments (with such special privileges, if any, as may be sanctioned by a General Meeting and are permitted by the Companies Act and the Listings Requirements), whether outright or as security for any debt, liability or obligation of the Company or of any third party.

20.2 For the purposes of the provisions of Article 20.1, the borrowing powers of the Company shall be unlimited.

21. DIRECTORS

21.1 Subject to Article 21.6 and the provisions of the Companies Act, the number of Directors shall be a minimum of 4 (four) and a maximum of 15 (fifteen).

21.2 The Board or the Company in General Meeting shall have power at any time and from time to time to appoint any person as a Director (including an alternate Director), either to fill a casual vacancy or as an addition to the Board, but so that the total number of the Directors shall not at any time exceed 15 (fifteen); provided that:

21.2.1 subject to Article 1.26.3, any person appointed to fill a casual vacancy or as an addition to the Board shall retain office only until the next Annual General Meeting of the Company and shall then retire and be eligible for re-election;

21.2.2 subject to Article 21.7, not less than 50% (fifty per cent) in number of the Directors and 50% (fifty per cent) in number of any alternate Directors shall be elected by the Company in General Meeting; and

21.2.3 the appointment of all Directors shall be subject to the approval of the Shareholders at any Annual or General Meeting, provided that such meeting is not conducted in terms of section 60 of the Companies Act.

21.3 The appointment of a Director shall take effect upon compliance with section 66(7) of the Companies Act.

21.4 No appointment of a Director in accordance with a resolution passed in terms of section 60 of the Companies Act shall be competent.

21.5 The Directors' fees shall from time to time be paid only in accordance with a Special Resolution approved at a General Meeting within the previous 2 (two) years.

21.6 The Directors shall be paid all their travelling and other expenses properly and necessarily incurred by them in and about the business of the Company, and in attending meetings of the Board or of committees thereof. If any Director is required to perform extra services or to go or to reside outside South Africa for the purposes of the Company or otherwise performs or binds himself to perform services which, in the opinion of the Board, are outside the scope of the ordinary duties of a Director, such Director shall be entitled to receive a remuneration to be fixed by a disinterested quorum of the Board which may be either in addition to or in substitution for the remuneration provided for in Article 21.5.

21.7 The continuing Directors may act, notwithstanding any casual vacancy in their body, so long as there remain in office not less than the prescribed minimum number of Directors referred to in Article 21.1; provided that:

21.7.1 if, as a result of any such vacancy, less than half the total number of the continuing Directors were elected by the Company in General Meeting, such vacancy shall be filled by election at the earlier of the next General Meeting or Annual General Meeting;

21.7.2 if the number of continuing Directors is reduced below the minimum number of Directors required to act as such for the time being and such vacancy has not been filled within 3 (three) months from the time it arose, the continuing Directors may act only to:

21.7.2.1 increase the number of Directors to the required minimum; or

21.7.2.2 summon a General Meeting for that purpose;

provided that if there is no Director able or willing to act, then any Ordinary Shareholder may convene a General Meeting for that purpose.

21.8 If a vacancy arises on the Board, such vacancy shall be filled by a new election conducted at the next Annual General Meeting.

21.9 A Director may be employed in any other capacity by the Company or in conjunction with the office of Director, other than as the auditor of the Company, and may also be employed as a director or employee of any subsidiary of the Company, upon such terms as to appointment, remuneration and otherwise as the Board may determine, and any remuneration so paid may be in addition to the remuneration payable in terms of Article 21.5; provided that the appointment of a Director in any other capacity as aforesaid and his remuneration must be determined by a disinterested quorum of Directors.

21.10 The Company may by Ordinary Resolution remove any Director before the expiration of his period of office and by an Ordinary Resolution elect another person in his stead. The person so elected shall hold office until the next following Annual General Meeting of the Company and shall then retire and be eligible for re-election.

21.11 The Company may by Ordinary Resolution in General Meeting from time to time increase or reduce (but not above 15 (fifteen) or below 4 (four)) the number of Directors and may also determine in what manner or rotation such increased or reduced number is to retire from office. Whenever such increase is made, the Shareholders at the said Meeting or, failing them, the Board may fill the new vacancies so created.

21.12 The Board may remove any Director before the expiration of his period of office in accordance with the provisions of sections 71(3) and (4) of the Companies Act.

21.13 No Director shall be appointed for life or for an indefinite period.

22. TERMINATION OF OFFICE OF DIRECTORS

A Director shall cease to hold office as such:

22.1 if he becomes insolvent, or assigns his estate for the benefit of his creditors, or files an application for the liquidation of his affairs, or compounds generally with his creditors; or

22.2 if he becomes incapacitated to the extent that he is unable to perform the functions of a director, and is unlikely to regain that capacity within a reasonable time; or

22.3 if he is absent from meetings of the Board for 6 (six) consecutive months without leave of the Board and is not represented at any such meetings during such 6 (six) consecutive months by an alternate Director and the Board resolves that the office be vacated; provided that the Board shall have power to grant any Director leave of absence for an indefinite period; or

22.4 if he is removed under Article 21.10 or Article 21.12; or

22.5 1 (one) month or, with the permission of the Board, earlier, after he has given notice to the Board in writing of his intention to resign; or

22.6 if he is disqualified to be a director or ceases to hold office as a Director or is otherwise prohibited from acting as a director by the Companies Act or any other public regulation.

23. INTERESTS OF DIRECTORS

23.1 The Company and the Directors shall comply with the provisions of the Companies Act with regard to the disclosure of the personal financial interests of Directors in contracts or proposed contracts. Subject thereto, no Director or intending Director shall be disqualified by his office from contracting with the Company, either with regard to such office or as vendor, purchaser or otherwise, nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company, in which any Directors shall be in any way interested, be or be void or voidable, nor shall any Directors so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established.

23.2 A Director shall not vote in respect of any contract, arrangement or any other proposal whatsoever to be considered at a meeting of the Board in which such Director has or knows that a "related person" (as defined in the Companies Act) has any material interest (other than by virtue of his interest in shares or other securities issued by the Company or by virtue of his office as a Director). Such a Director shall absent himself from the meeting during the consideration of such resolution and shall not be regarded as Present at the Meeting for the purpose of determining whether such resolution has sufficient support to be adopted. Each Director shall, however, be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

23.3 For the purposes of this Article, an alternate Director shall not be deemed to be interested in any contract or arrangement merely because the Director for whom he is an alternate is so interested.

23.4 Nothing in this Article 23 shall be construed so as to prevent any Director, in his capacity as a Shareholder, from taking part in and voting upon all questions submitted to a General Meeting whether or not such Director is personally interested or concerned in such questions.

24. SECURITIES REGISTER

24.1 The Board shall cause a securities register to be maintained in accordance with the provisions of section 50 (securities register and numbering) of the Companies Act.

24.2 The Company shall comply with the provisions of sections 51 (Registration and transfer of certificated securities), 52 (Registration of uncertificated securities), 53 (Transfer of uncertificated securities) and 54 (Substitution of certificated or uncertificated securities) of the Companies Act.

25. ROTATION OF DIRECTORS

25.1 At the Annual General Meeting held in each year, 1/3 (one-third) of the Non-Executive Directors, or if their number is not a multiple of 3 (three), then the number nearest to, but not less than, 1/3 (one-third) shall retire from office. The Non-Executive Directors so to retire at each Annual General Meeting shall be, firstly, those retiring in terms of Article 21.2.1 and, secondly, those referred to in terms of Article 21.10 and, lastly, those who have been longest in office since their last election or appointment. As between Non-Executive Directors of equal seniority, the Non-Executive Directors to retire shall, in the absence of agreement, be selected from among them by lot; provided that, notwithstanding anything to the contrary herein contained, if, at the date of any Annual General Meeting, any Non-Executive Director will have held office for a period of 3 (three) years since his last election or appointment, he shall retire at such Meeting, either as one of the Non-Executive Directors to retire in pursuance of the foregoing or additionally thereto. A retiring Non-Executive Director shall act as a Director throughout the Meeting at which he retires. The length of time a Non-Executive Director has been in office shall, save in respect of Directors appointed or elected in terms of the provisions of Articles 21.2 and 21.10, be computed from the date of his last election or appointment.

25.2 Retiring Non-Executive Directors shall be eligible for re-election. No person (other than a Non-Executive Director retiring at the Annual General Meeting) shall, unless recommended by the Board for election, be eligible for election to the office of Director at any General Meeting unless, not less than 21 (twenty-one) Business Days before the day appointed for the General Meeting, there shall have been given to the Secretary notice in writing by a Shareholder who is duly qualified to be present and to vote at the Meeting for which such notice is given, of the intention of such Shareholder to propose such person for election together with a notice in writing, signed by the person to be proposed, of his willingness to be elected as a Director. Any Shareholder will have the right to nominate any eligible person for appointment as a Director.

25.3 Subject to Article 25.2, the Company in General Meeting may fill the vacated offices by electing a like number of persons to be Directors and may fill any other vacancies. In electing Directors, the provisions of the Companies Act shall be complied with.

25.4 If at any General Meeting at which an election of Directors ought to take place, the place of any retiring Director is not filled, such Director shall, if willing, continue in office until the dissolution of the Annual General Meeting in the next year, and so on from year to year until his place is filled, unless it shall be determined at such Meeting not to fill such vacancy.

25.5 The Board shall provide Shareholders with a recommendation in the notice of the Meeting at which the re-election of a retiring Director is proposed, as to which retiring Directors are eligible for re-election, taking into account that Director's past performance and contribution.

25.6 Unless otherwise agreed by the JSE, the proposal of any resolution to Shareholders in terms of sections 20(2) and 20(6) of the Companies Act shall be prohibited in the event that such a resolution would lead to the ratification of an act that is contrary to the Listings Requirements.

26. EXECUTIVE DIRECTORS AND CHAIRPERSON

26.1 The Board may from time to time appoint one or more of their number to be chief executive officer or joint chief executive officer of the Company or to be the holder of any other executive office in the Company and may, subject to any contract between him or them and the Company, from time to time terminate his or their appointment and appoint another or others in his or their place or places.

26.2 The Company in General Meeting, and on the recommendation of the Board, shall be entitled to appoint any Non-Executive Director to be the chairperson of the Company for such period as the Shareholders may deem fit.

26.3 An Executive Director may, subject to the provisions of the Companies Act and the Listings Requirements, be appointed as such by contract for such period as the Board may determine. An executive Director shall not be subject to retirement by rotation or be taken into account in determining the rotation by retirement of Directors during the period of any such contract; provided that the number of executive Directors so appointed shall at all times be less than one-half (½) of the total number of Directors in office. An executive Director shall be eligible for reappointment at the expiry of any period of his appointment. Subject to the terms of his employment contract, an executive Director shall be subject to the same provisions as to removal as the other Directors and if he ceases to hold the office of Director for any reason, he shall ipso facto cease to be an executive Director.

26.4 A Director appointed in terms of the provisions of Article 26.1 to the office of chief executive officer of the Company, or to any other executive office in the Company may, subject to the provisions of the Companies Act, be paid, in addition to the remuneration payable in terms of Article 21.5 and 21.6, such remuneration in respect of such office as may be determined by a disinterested quorum of the Board.

26.5 Without in any way derogating from the obligations of a Director in terms of section 72(3) of the Companies Act, the Board may from time to time entrust and confer upon a chief executive officer or other executive officer for the time being such of the powers and authorities vested in it as it thinks fit, and may confer such powers and authorities for such time and for such objects and purposes and upon such terms and conditions and with such restrictions as it may deem fit. The Board may confer such powers and authorities either collaterally with, or to the exclusion of, and in substitution for, all or any of the powers and authorities of the Board in that respect and may from time to time revoke, withdraw, alter or vary all or any of such powers and authorities. A chief executive officer appointed pursuant to the provisions hereof shall not be regarded as an agent or delegatee of the Board and, after the aforesaid powers and authorities have been conferred upon him by the Board, he shall be deemed to derive such powers directly from this Article.

27. PROCEEDINGS OF DIRECTORS

27.1 Subject to the succeeding provisions of this Article 27, the Board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit.

27.2 In addition to the provisions of section 73(1) of the Companies Act, any Director may at any time, and the Secretary upon the request of a Director shall, convene a meeting of the Board. The Board may determine what period of notice shall be given of meetings of the Board and may determine the medium of giving such notice, which may include telephone, other means of electronic communication or telefax; provided that at least 7 (seven) days' notice must be given.

27.3 A meeting of the Board may be conducted by electronic communication or one or more Directors may participate in a meeting by electronic communication.

27.4 Notwithstanding the provisions of Article 27.2, if all of the Directors -

27.4.1 acknowledge actual receipt of the notice;

27.4.2 are Present at a Meeting of the Board; or

27.4.3 waive notice of the meeting,

the meeting may proceed even if the Company failed to give the required notice of that meeting, or there was a defect in the giving of the notice.

27.5 The quorum for a meeting of the Board shall be a majority of the Directors for the time being in office, of whom at least half must be Non-Executive Directors and one of whom must be an executive Director. If, within 30 (thirty) minutes from the time appointed for the Meeting a quorum is not present, the meeting shall stand adjourned to the same day in the next week at the same time and place or, if that day is not a Business Day, to the next succeeding Business Day, and those present at such adjourned meeting will constitute a quorum.

27.6 The Board shall elect one of its number to act as chairperson of its meetings provided that:

27.6.1 if no chairperson is elected, or if elected, the chairperson is not present at the time appointed for holding any meeting of the Board, the lead independent Director, as contemplated in the King Report (if any) shall preside as chairperson of such meeting; and

27.6.2 if there is no lead independent Director or if the lead independent Director is not present at the time appointed for holding such meeting, the Board shall choose one of its number to be the chairperson of such meeting.

27.7 Each Director shall be entitled to exercise 1 (one) vote on any matter at a Board meeting. Questions arising at any meeting of the Board shall be decided by a majority of votes and in the case of an equality of votes, the chairperson shall not have a second or casting vote. In particular, the chairperson shall not have a casting vote where the quorum of Directors is 2 (two) and any 2 (two) Directors are present at the meeting.

27.8 A meeting of the Board at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions conferred by or under this memorandum for the time being that are vested in or exercisable by the Directors generally.

27.9 The Board shall have the power to:

27.9.1 consider any matter and/or adopt any resolution other than at a meeting of the Board, as contemplated in section 74 of the Companies Act. Accordingly, any decision that could be voted on at a meeting of the Board may instead be adopted by the written consent of 75% of the Directors, given in person or by electronic communication; provided that each Director has received notice of the matter to be decided and has acknowledged their receipt of such notice to the Secretary in writing. Such resolution, inserted in the minute book, shall be as valid and effective as if it had been passed at a meeting of Directors;

27.9.2 conduct a meeting of the Board entirely by electronic communication, or to provide for participation in a meeting by electronic communication, as set out in section 73(3) of the Companies Act; provided that, as required by such section, the electronic communication facility employed ordinarily enables all persons participating in the meeting to communicate concurrently with each other without an intermediary and to participate reasonably effectively in the meeting;

27.10 Any resolution referred to in Article 27.9.1 may consist of several documents, each signed by one or more Directors or their alternates in terms of this memorandum.

27.11 Any resolution referred to in Article 27.9.1 shall be deemed (unless the contrary is stated therein) to have been passed on the date upon which it was signed by the last Director or alternate required to sign it and, where it states a date as being the date of its signature by any Director or alternate, that document shall be prima facie evidence that it was signed by that Director or alternate on that date.

28. BOARD COMMITTEES

28.1 The Board may appoint any number of committees of Directors and may delegate any of its authority to an executive or other committee consisting of such Director or Directors or any other person or persons as it thinks fit. Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed on it by the Board. The Board may include in any such committee persons who are not Directors, as set out in section 72(2)(a) of the Companies Act.

28.2 Any Director who serves on an executive or other committee, or who devotes special attention to the business of the Company, or who otherwise performs services which, in the opinion of the Board, are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration (in addition to the remuneration he may be entitled to as a Director) by way of salary or otherwise as determined by a disinterested quorum of the Board, but subject to the applicable provisions of the Companies Act.

28.3 The meetings and proceedings of any such committee consisting of 2 (two) or more members shall be governed by the provisions contained herein for regulating the meetings and proceedings of the Board so far as the same are applicable thereto and are not superseded by any regulations made by the Board under this Article 27.

28.4 All acts done at any meeting of the Board or of any executive or other committee of the Board, or by any person acting as a Director shall, notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of the Board or persons acting as aforesaid, or that they or any of them were disqualified or had vacated office or were not qualified to vote, be as valid as if every such person had been duly appointed and was qualified to be and to act and vote as a Director or a member of such committee.

29. ALTERNATE DIRECTORS

29.1 Provided that the number of alternate Directors appointed by Directors does not, in the aggregate, exceed the number of alternate Directors elected by the Company in General Meeting, any Director shall have the power to nominate another person approved by the Board to act as alternate Director in his place during his absence or inability to act as such Director, and to remove such alternate Director from office. On such appointment being made, the alternate Director shall, in all respects, be subject to the terms and conditions existing with reference to the other Directors of the Company. A person may be appointed as alternate to more than one Director. Where a person is alternate to more than one Director or where an alternate Director is also a Director, he shall have a separate vote on behalf of each Director he is representing, in addition to his own vote, if any.

29.2 The alternate Directors, whilst acting in the place of the Directors to whom they are appointed as alternate Director, shall exercise and discharge all the duties and functions of the Directors to whom they are alternate Directors. The appointment of an alternate Director shall cease on the happening of any event which, if he were a Director, would cause him to cease to hold office in terms of this memorandum or if the Director to whom he is an alternate ceases to be a Director, or gives notice to the Secretary that the alternate Director representing him has ceased to do so. An alternate Director shall look to the Director to whom he is appointed as an alternate for his remuneration, and shall have no claim against the Company for any remuneration.

30. POWERS OF DIRECTORS

30.1 The business and affairs of the Company shall be managed by or under the direction of the Board which, in addition to the powers and authorities expressly conferred upon them by this memorandum, has the authority to exercise all of the powers and perform any of the functions of the Company except to the extent that the Companies Act or this memorandum provides otherwise. The general powers given to the Board by this Article 30.1 shall not be limited or restricted by any special authority or power given to the Board by any other Article.

30.2 The Board shall have power to delegate to any person or persons any of its powers and discretions and to give to any such person or persons power of subdelegation.

30.3 Without in any way limiting or restricting the general powers of the Board to grant pensions, allowances, gratuities and bonuses to officers or ex-officers, employees or ex-employees of the Company or the dependants of such persons, it is hereby expressly declared that the Board, after consulting the remuneration committee of the Company, may from time to time grant pensions, gratuities or other allowances to any person or to the widow or dependants of any deceased person in respect of services rendered by that person to the Company as executive Director, general manager, manager or in any other office or employment by the Company, notwithstanding that he may continue to be or be elected a Director or may have been a Director, of such amounts, for such period, whether for life or for a definite period or for a period terminable on the happening of any contingency or event, and generally upon such terms and conditions as the Board in its discretion may from time to time think fit. For the purpose of this Article, the expression "Executive Director" shall mean a Director appointed to an executive office in the Company and receiving, in addition to his fees as a Director, salary or remuneration for additional services whether under a service agreement or otherwise.

30.4 The Board may authorise the payment of such donations by the Company to such religious, charitable, public or other bodies, clubs, funds or associations or persons as it deems advisable or desirable in the interests of the Company.

45. ACQUISITION OF SHARES AND OTHER SECURITIES

45.1 Subject to the provisions of the Companies Act, the Listings Requirements from time to time and any other relevant authority, and notwithstanding anything to the contrary contained in this memorandum, the Company or any of its subsidiaries may from time to time by Special Resolution approve the acquisition of shares issued by the Company, either as a general approval or a specific approval for a particular acquisition.

45.2 Unless otherwise permitted in terms of the Companies Act, the Company may only with the sanction of a Special Resolution adopted by a General Meeting, acquire shares issued by the Company from a Director or Prescribed Officer of the Company and/or any related party of any such Director or Prescribed Officer.

46. ISSUE OF SHARES AND CONVERTIBLE SECURITIES AND GRANT OF OPTIONS, FOR CASH

The Company may issue, and/or grant options to acquire, Shares and/or other securities for cash, in accordance with the provisions of the Listings Requirements.

47. DISTRIBUTIONS TO SECURITIES HOLDERS

47.1 Subject to the provisions of section 46 of the Companies Act and the Listings Requirements, the Company may make distributions to its securities holders from time to time. The Company may transmit any payment to its securities holders by ordinary post to the address of the securities holder recorded in the securities register (or such other address as the securities holder may previously have given to the Company in writing) or by electronic funds transfer to such bank account as the securities holder may previously have given to the Company in writing.

47.2 Subject to the provisions of section 46 of the Companies Act, the Company in General Meeting or the Board may, from time to time, determine a dividend or other Distribution to be made to the Shareholders in such manner as the Company in General Meeting or the Board, as the case may be, may determine. Without limiting the foregoing, the Company in General Meeting or the Board, as the case may be, may direct at the time of such determination, that a payment shall be made by Distribution of specific assets or in a specific currency (and if the latter, the date of conversion of the currency in which the dividend or other payment is approved, into such other currencies). If any difficulty arises in regard to any payment, the Board may settle same as it considers appropriate, provided that capital repaid may not be called up again. A period of 14 (fourteen) days at least shall be allowed between the date of declaration or confirmation of any Distribution, whichever is the later, and the date of closing of the securities registers in respect of such distribution.

47.3 Dividends shall be payable to Shareholders registered as at a date subsequent to the date of declaration or date of confirmation of the dividend, whichever is the later, in accordance with the provisions of the Listings Requirements.

47.4 No notice of change of address or instructions as to payment given after the determination of a dividend or other Distribution by the Company in General Meeting or the Board, shall become effective until after the dividend or other Distribution has been made, unless the Company in General Meeting or the Board so determines at the time the dividend or other Distribution is approved.

47.5 All unclaimed dividends shall be held by the Company for a period of three years from the date that the Shareholders become entitled to such Distribution provided that other Distributions to Shareholders as contemplated in this Article may be held indefinitely by the Company and invested or otherwise be made use of by the Board for the benefit of the Company until claimed.

47.6 The Company shall be entitled at any time to delegate its obligations to any Shareholder in respect of unclaimed dividends or other unclaimed Distributions to any one of the Company's bankers from time to time.

47.7 Unless this memorandum and/or the Listings Requirements require a resolution to be passed by the Company in General Meeting to authorise the reduction by the Company of its Capital, any capital redemption reserve fund or any share premium account, the Board shall have the power, to the extent necessary, to resolve that the Company reduce its Capital, and any capital redemption reserve fund or any share premium account, whether accompanied by a Distribution to Shareholders as contemplated in this Article 47 or without any Distribution to Shareholders.

51. ALTERATIONS TO MEMORANDUM

51.1 Notwithstanding any contrary provision of the Companies Act (and to the extent not expressly thereby precluded), and subject further to the Listings Requirements, no provision of this memorandum or any Article hereof may be altered except as provided in Article 51.2 or if such amendment is in compliance with a court order as contemplated in sections 16(1)(a) and 16(4) of the Companies Act or as approved by a Special Resolution adopted by the Company in General Meeting, or unless such alteration is expressly permitted in terms of such provision or the Article in question.

51.2 The Board may from time to time alter this memorandum in any manner necessary to correct a patent error in spelling, punctuation, reference, grammar or similar defect on the face of the document in the manner contemplated in section 17(1) of the Companies Act.

52. MANDATORY SHAREHOLDER APPROVALS

Except as otherwise required in terms of the Companies Act or the Listings Requirements, and notwithstanding any contrary provision of this memorandum, the sanction of a Special Resolution adopted by the Company in General Meeting will be required in relation to or in respect of the following matters:

52.1 to ratify a consolidated revision of the Company's memorandum contemplated in section 18(1) of the Companies Act;

52.2 to ratify any action taken by the Company or Directors in excess of their authority, as contemplated in section 20(2) of the Companies Act;

52.3 to issue any shares or securities (including the grant of options for the allotment or subscription of any such shares or securities), as contemplated in sections 41(1) and 41(3) of the Companies Act;

52.4 to grant financial assistance to any person in the circumstances contemplated in sections 44(3)(ii) and 45(3)(a)(ii) of the Companies Act;

52.5 to approve a decision of the Board for the re-acquisition of any securities in the circumstances contemplated in section 48(8) of the Companies Act;

52.6 to authorise the basis for compensation to Directors, as required by section 66(9) of the Companies Act;

52.7 to approve the voluntary winding-up of the Company as contemplated in section 80(1) of the Companies Act;

52.8 to approve the winding-up the Company in the circumstances contemplated in section 81(1) of the Companies Act;

52.9 to approve an application to transfer the registration of the Company to a foreign jurisdiction as contemplated in section 82(5) of the Companies Act;

52.10 to approve any proposed fundamental transaction as contemplated in Part A of Chapter 5 of the Companies Act, to the extent required in terms of the provisions of that Part; and

52.11 to revoke any resolution contemplated in section 164(9) of the Companies Act.

MATERIAL CONTRACTS IN TERMS OF REG 63(1)(a)

The following contracts relating to the directors and managerial remuneration, royalties and secretarial and technical fees are payable by Tsogo or any subsidiary of Tsogo:

Name		Nature of contract	Tsogo Group company
Directors and company secretaries			
1.	J Booysen	Written letter of employment Directors' fees[(1)(2)]	Tsogo Sun Holdings Limited Hospitality Property Fund Limited
2.	RB Huddy	Written letter of employment	Tsogo Sun Holdings Limited
3.	R Weilers	Written letter of employment	Southern Sun Hotel Interests Proprietary Limited
4.	KG Randall	Written letter of employment	HPF Management Proprietary Limited
5.	MR de Lima	Written letter of employment	HPF Management Proprietary Limited
6.	L McDonald	Written letter of employment Directors' fees[(1)(2)]	Tsogo Sun Proprietary Limited Hospitality Property Fund Limited
7.	ZJ Kganyago	Written letter of employment Directors' fees[(1)(2)]	Tsogo Sun Proprietary Limited Hospitality Property Fund Limited
8.	GD Tyrrell	Written letter of employment	Tsogo Sun Proprietary Limited
9.	LR van Onselen	Written letter of employment	HPF Management Proprietary Limited
10.	JA Copelyn	Directors' fees[(2)(3)] Directors' fees[(1)(2)]	Tsogo Sun Holdings Limited Hospitality Property Fund Limited
11.	MJA Golding	Directors' fees[(2)]	Tsogo Sun Holdings Limited
12.	VE Mphande	Directors' fees[(2)]	Tsogo Sun Holdings Limited
13.	Y Shaik	Directors' fees[(2)(3)]	Tsogo Sun Holdings Limited
14.	BA Mabuza	Directors' fees[(2)]	Tsogo Sun Holdings Limited
15.	MSI Gani	Directors' fees[(2)]	Tsogo Sun Holdings Limited
16.	JG Ngcobo	Directors' fees[(2)]	Tsogo Sun Holdings Limited
17.	L de Beer	Directors' fees[(2)]	Hospitality Property Fund Limited
18.	DG Bowden	Directors' fees[(2)]	Hospitality Property Fund Limited
19.	ZN Malinga	Directors' fees[(2)]	Hospitality Property Fund Limited
2.	SA Halliday	Directors' fees[(2)]	Hospitality Property Fund Limited
21	GA Nelson	Directors' fees[(2)]	Hospitality Property Fund Limited
22.	ZN Kubukeli	Directors' fees[(2)]	Hospitality Property Fund Limited
23.	WC Ross	Directors' fees[(2)]	Hospitality Property Fund Limited
24.	JR Nicolella	Directors' fees[(1)(2)]	Hospitality Property Fund Limited

(1) As representatives of the controlling shareholder, Tsogo Sun Holdings Limited, on the board of subsidiary, Hospitality Property Fund Limited, fees are paid to the respective group companies and not the individuals.

(2) Directors' fees are not contractual but approved annually by shareholders at the Annual General Meetings of both Tsogo Sun Holdings Limited and Hospitality Property Fund Limited.

(3) As representatives of the ultimate controlling shareholder, Hosken Consolidated Investments Limited, on the board of subsidiary, Tsogo Sun Holdings Limited, fees are paid to the respective group companies and not the individual.

MATERIAL CONTRACTS IN TERMS OF REG 63(1)(b)

1. ASSET FOR SHARE AGREEMENT BETWEEN HOSPITALITY PROPERTY FUND LIMITED AND SOUTHERN SUN HOTELS PROPRIETARY LIMITED

Parties: Southern Sun Hotels Proprietary Limited ("**SSH**"), Southern Sun Hotel Interests Proprietary Limited ("**SSHI**"), Eglin Investments Proprietary Limited, Fezisource Proprietary Limited ("**Fezisource**") and Hospitality Property Fund Limited ("**HPF**")

Date: 14 December 2015

Nature: In terms of this agreement, HPF effectively acquired a portfolio of 10 hotel properties from SSH ("**SSH Portfolio**") (together with each of the property letting businesses conducted in respect of the SSH Portfolio), through the acquisition of 100% of the issued shares in Fezisource Proprietary Limited in exchange for the allotment and issue by HPF to SSH, of 145 000 000 HPF ordinary shares.

2. ACQUISITION BY TSOGO OF MINORITY INTEREST IN SUNWEST INTERNATIONAL PROPRIETARY LIMITED AND WORCESTER CASINO PROPRIETARY LIMITED

Parties: Tsogo Sun Gaming Proprietary limited ("**Gaming**"), Grand Parade Investments Limited ("**GPI**") and its subsidiaries, Sun International (South Africa) Limited, Afrisun Leisure Investments Proprietary Limited, Sunwest International Proprietary Limited, Worcester Casino Proprietary Limited and Sun International Limited

Date: 4 April 2016

Nature: In terms of this agreement, Gaming acquired a 20% voting and economic interest in Sun West International Proprietary limited ("**SunWest**") and a 20% voting and economic interest in Worcester Casino Proprietary Limited ("**Worcester**"), from GPI and its subsidiaries and the other selling parties for an aggregate consideration of R1 350 million, which was settled in cash funded from the resources of Tsogo.

3. CULLINAN SHARE PURCHASE AGREEMENT BETWEEN SSH AND LIBERTY GROUP LIMITED

Parties: SSH, Liberty Group Limited ("**Liberty**") and the Cullinan Hotel Proprietary Limited ("**Cullinan**")

Date: 2 December 2016

Nature: In terms of this agreement, SSH acquired the remaining 40% of the shares in and claims against Cullinan, from Liberty, for a total purchase consideration of R1 030 million, payable in cash.

4. GARDEN COURT AND STAYEASY ACQUISITION BY CULLINAN FROM LIBERTY

Parties: Cullinan, Liberty, Liberty Two Degrees Collective Investment Scheme in Property and SSHI

Date: 26 August 2016

Nature: In terms of this agreement, Cullinan acquired the Garden Court Umhlanga Hotel and the StayEasy Pietermaritzburg Hotel properties and businesses from Liberty for a total purchase consideration of R310 million, payable in cash.

5. CLUB MYKONOS REPURCHASE AGREEMENT BETWEEN CLUB MYKONOS LANGEBAAN PROPRIETARY LIMITED AND WEST COAST LEISURE PROPRIETARY LIMITED

Parties: Club Mykonos Langebaan Proprietary Limited ("**Mykonos**") and West Coast Leisure Proprietary Limited ("**WCL**")

Date: 9 December 2016

Nature: In terms of this agreement, Mykonos repurchased 29 637 ordinary shares of R0.01 each in its share capital, from WCL, for an aggregate consideration of R190 million, payable in cash.

6. DISPOSAL BY SSH TO HPF OF MERWAY FIFTH INVESTMENTS PROPRIETARY LIMITED AND CULLINAN

Parties: HPF, Cullinan, SSH and Merway Fifth Investments Proprietary Limited ("**Merway**")

Date: 16 May 2017

Nature: In terms of this agreement, HPF acquired 100% of the shares in and claims against Merway and Cullinan from SSH (effectively acquiring 29 Hotel Properties ("**Tsogo Portfolio**")) for an aggregate purchase price of R3 600 million. The purchase consideration was discharged by:

- The payment to SSH by HPF of R1 030 million in cash on 7 August 2017; and
- The issue to SSH by HPF of 174 064 861 HPF shares on 24 July 2017.

7. SANDTON EYE ACQUISITION

Parties: HPF Properties Limited ("**HPFP**"), Savana Property Proprietary Limited ("**Savana**") and Sandton Isle Investments Proprietary Limited ("**Sandton Isle**")

Date: 11 April 2017

Nature: In terms of this agreement, HPFP acquired various sections and exclusive use areas of the Sandton Eye sectional title scheme from Savana and an existing real right of extension in the said scheme from Sandton Isle, for an aggregate purchase consideration of R302 million, settled as follows:

- R271 million in cash on 21 August; and
- the issue of 2 150 856 ordinary shares at R14.02 each on 31 August 2017.

8. GAMECO ACQUISITION IMPLEMENTATION AGREEMENT (AS AMENDED)

Parties: Tsogo, HCI and Niveus

Date: 27 June 2017

Nature: This agreement sets out, among others, the terms and conditions upon which the Gameco Transaction will be implemented by the parties thereto.

MATERIAL LOANS TO THE TSOGO GROUP

INTRODUCTION

Below is a summary of material loan facilities as at the date of issue of this Prospectus for the Tsogo Group and its subsidiaries.

Facilities are raised for general corporate purposes or a portfolio of security rather than for specific purposes, and a portfolio view is therefore taken. Given that the Group facilities are treated as a pool of funding, it is appropriate to disclose the weighted average cost of funding.

The Tsogo Group's funding package, excluding Hospitality, is provided by a consortium of lenders and regulated by a common terms agreement to which all lenders are a party, and secured through a security package whereby the security is ceded or mortgage in favour of Micawber 636 Proprietary Limited ("**debt guarantor**"), a special purpose entity.

Given that Hospitality is separately listed, the details of its funding package has been separately disclosed in Tables 6 to 9 below. Unless otherwise indicated, Hospitality's funding package is secured through a security structure as set out in a security sharing agreement whereby the security is mortgaged in favour of Hospitality Guarantee SPV (RF) Proprietary Limited ("**Hospitality debt guarantor**"), a special purpose entity.

TABLE 1 – LENDERS

The below table presents the full names all lenders providing material loans to the Tsogo Group and/or Hospitality:

Lender	Lender full name
RMB	FirstRand Bank Limited
Absa	Absa Bank Limited
Ashburton	Ashburton SA Credit Co-Investment Fund 1 (RF) Limited
INguza	INguza Investments (RF) Limited
OMSFIN	Old Mutual Specialised Finance Proprietary Limited
OMLACSA	Old Mutual Life Assurance Company (South Africa) Limited
SCM	Sanlam Life Insurance Limited
SSS	Sanlam Life Insurance Limited
United Towers	United Towers Proprietary Limited
Depfin	Depfin Investments Proprietary Limited
Nedbank	Nedbank Limited
SBSA	Standard Bank South Africa Limited
DMTN	Domestic Medium Term Note Programme

TABLE 2 – TSOGO GROUP LOANS

The table below reflects the material loans of the Tsogo Group, excluding Hospitality, the details of which are separately disclosed separately in Table 2 below. The borrowings listed below are secured by Micawber 636 Proprietary Limited.

Subsidiary	Loan	Loan type	Lender(s)	Secured/unsecured	Maturity	Facility (Rm)	Facility utilised (Rm)
Tsogo Sun Proprietary Limited	Term A	Amortising	RMB/Absa/Ashburton/INguza/ OMSFIN/OMLACSA/SCM/SSS	Secured – refer Table 6	30 Jun 2020	720	720
Tsogo Sun Proprietary Limited	Term B	Bullet	RMB/Absa/Nedbank	Secured – refer Table 6	30 Jun 2020	4 000	4 000
Tsogo Sun Proprietary Limited	Term C1	Bullet	RMB/Absa	Secured – refer Table 6	30 Jun 2021	1 600	460
Tsogo Sun Proprietary Limited	Term C2	Bullet	Nedbank	Secured – refer Table 6	30 Jun 2021	1 150	250
Tsogo Sun Proprietary Limited	Term D1	Bullet	RMB/Absa/Ashburton/INguza/ OMSFIN/OMLACSA	Secured – refer Table 6	30 Jun 2021	1 200	1 200
Tsogo Sun Proprietary Limited	Term F	Bullet	RMB/Absa	Secured – refer Table 6	30 Jun 2020	1 000	–
Tsogo Sun Proprietary Limited	Term G	Bullet	RMB	Secured – refer Table 6	30 Jun 2019	1 000	–
Tsogo Sun Proprietary Limited	Term H	Bullet	Nedbank	Secured – refer Table 6	30 Jun 2021	250	250
Tsogo Sun Proprietary Limited	Revolving credit facility	RCF	Nedbank	Secured – refer Table 6	30 Jun 2020	1 500	1 500
Tsogo Sun Proprietary Limited	Revolving credit facility	RCF	RMB and Nedbank	Secured – refer Table 6	31 Mar 2018	1 200	730
Silverstar Casino Proprietary Limited	Amortising loan	Amortising	Nedbank	Secured – refer Table 6	30 Sep 2018	190	190
Southern Sun Africa	Term loan 1	Bullet	Absa (US Dollar-based loan)	Secured – refer Table 6	31 Mar 2022	391	391
Southern Sun Africa	Term loan 2	Bullet	Absa (US Dollar-based loan)	Secured – refer Table 6	31 Mar 2021	203	203
Southern Sun Africa	Revolving credit facility	RCF	Absa (US Dollar-based loan)	Secured – refer Table 6	31 Mar 2020	41	18
Southern Sun Mozambique	Term loan 3	Bullet	Absa (US Dollar-based loan)	Secured – refer Table 6	31 Mar 2021	203	196
Southern Sun Mozambique	Term loan 4	Bullet	Barclays Bank Mauritius Limited (US Dollar-based loan)	Secured – refer Table 6	31 Mar 2022	135	47
Southern Sun Mozambique	Term loan 5	Bullet	Barclays Bank Mozambique (Mozambican Metical-based loan)	Secured – refer Table 6	31 Mar 2022	95	15
Ikoyi Hotels Limited	Term loan 6	Bullet	Absa (US Dollar-based loan)	Secured – refer Table 6	31 Mar 2022	176	173
General Banking Facilities			Nedbank	Secured – refer Table 6	Annual renewal	189	–
Weighted average cost of debt							**9.52%**

TABLE 3 – TSOGO GROUP SECURITY

The following table reflects the security ceded and/or registered in favour of Micawber 636 Proprietary Limited, with a combined book value of R14.7 billion.

	Entity	Asset secured	Security type
1.	Novaya Investments Proprietary Limited	Vacant land	Property – mortgage bond registered
2.	Cassava Investments Proprietary Limited	The Ridge Casino	Property – mortgage bond registered
3.	Listed Investments Proprietary Limited	Emnotweni Casino	Property – mortgage bond registered
4.	Tsogo Sun Casinos Proprietary Limited	Montecasino	Property – mortgage bond registered
5.	Silverstar Casino Proprietary Limited	Silverstar Casino	Property – second mortgage bond registered
6.	The pledge of shares and loans claimed held by each guarantor		
7.	All bank accounts held in South Africa and rights to cash balances held by the guarantors		
8.	Cession of insurance policies and proceeds by the guarantors		
9.	General notarial bond over all the movables of the guarantors		
10.	All shares held in Tsogo Sun Holdings Limited with the exclusion of the 3 500 000 shares held by Tsogo Sun Expansion No.1 Proprietary Limited and any shares that are subject to voting pool arrangements		

TABLE 4 – TSOGO GROUP GUARANTORS

The list below reflects the entities that jointly and severally guarantee the loans of the Tsogo Group, excluding Hospitality:

Tsogo Sun Proprietary Limited	Cassava Investments Proprietary Limited
Tsogo Sun Casinos Proprietary Limited	Tsogo Sun Expansion No.1 Proprietary Limited
Tsogo Sun Casino Management Company Proprietary Limited	The Millennium Casino Proprietary Limited
Tsogo Sun Gaming Proprietary Limited	Tsogo Sun Expansion No.2 Proprietary Limited
Tsogo Sun Hotels, Gaming and Entertainment Proprietary Limited	Tsogo Sun Holdings Limited
Southern Sun Hotels Proprietary Limited	Akani-Egoli Proprietary Limited
Southern Sun Hotel Interest Proprietary Limited	Silverstar Casino Proprietary Limited
Novaya Investments Proprietary Limited	Tsogo Sun KwaZulu-Natal Proprietary Limited
Listed Investments Proprietary Limited	Micawber 636 Proprietary Limited (debt guarantor)

TABLE 5 – FINANCIAL COVENANTS OF THE TSOGO GROUP, INCLUDING HOSPITALITY

Interest cover ratio (EBITDA divided by net finance costs):	At least 3 (three) times
Net debt (financial indebtedness less cash and cash equivalents) to EBITDA ratio	Less than 3 (three) times

TABLE 6 – HOSPITALITY LOANS

The below table reflects the material loans of Hospitality which is secured as presented in Table 9:

Subsidiary of Hospitality	Loan	Loan type	Lender(s)	Secured/ unsecured	Maturity	Facility Rm	Facility utilised Rm
HPF Properties Proprietary Limited	Loan 1	Bullet	Nedbank	Secured – refer Table 9	1 Jun 2020	176	176
HPF Properties Proprietary Limited	Term A	Bullet	SBSA	Secured – refer Table 9	31 Aug 2020	550	550
HPF Properties Proprietary Limited	Term B	Bullet	SBSA	Secured – refer Table 9	31 Aug 2022	500	500
HPF Properties Proprietary Limited	Revolving credit facility	RCF	SBSA	Secured – refer Table 9	31 Aug 2020	500	–
Hospitality Property Fund Limited	Term HPF06	Bullet	Listed corporate bond	Secured – refer Table 9	20 Feb 2020	60	60
Hospitality Property Fund Limited	Term HPF08	Bullet	Listed corporate bond	Unsecured	15 Apr 2019	80	80
Hospitality Property Fund Limited	Term HPF09	Bullet	Listed corporate bond	Secured – refer Table 9	15 Apr 2019	150	150
Hospitality Property Fund Limited	Term HPF10	Bullet	Listed corporate bond	Secured – refer Table 9	20 Feb 2018	600	600
Weighted average cost of debt							**9.34%**

TABLE 7 – HOSPITALITY SECURITY

The Hospitality loans are secured by either the Hospitality debt guarantor or with a direct mortgage bond registered in favour of the lender.

The following table reflects the security over which a mortgage bond has been registered:

	Property	Security in favour of	Value as at 31 Mar 2017 Rm
1	The Westin Cape Town	Nedbank	1 851
2	Arabella Hotel and Spa	Nedbank	166
3	Radisson Blu Waterfront Hotel	Nedbank	519
4	Protea Hotel Victoria Junction	Hospitality debt guarantor	331
5	Southern Sun Newlands	Hospitality debt guarantor	141
6	StayEasy Century City	Hospitality debt guarantor	285
7	Sunsquare Cape Town	Hospitality debt guarantor	122
8	Mount Grace Country House and Spa	Hospitality debt guarantor	132
9	Crowne Plaza – Rosebank	Hospitality debt guarantor	309
10	Holiday Inn – Sandton	Hospitality debt guarantor	310
11	Radisson Blu Gautrain Hotel	Hospitality debt guarantor	472
12	Birchwood Executive Hotel and Conference Centre	Hospitality debt guarantor	587
13	Garden Court – OR Tambo	Hospitality debt guarantor	334
14	Garden Court – Milpark	Hospitality debt guarantor	324
15	Kopanong Hotel and Conference Centre	Hospitality debt guarantor	66
16	Champagne Sports Resort	Hospitality debt guarantor	348
17	Protea Hotel Edward	Nedbank	201
18	Protea Hotel Marine	HPF debt guarantor	134
19	Garden Court South Beach	HPF debt guarantor	729
20	Garden Court Polokwane	HPF debt guarantor	277
21	Garden Court Kimberley	HPF debt guarantor	128
22	StayEasy Rustenburg	HPF debt guarantor	133
23	Protea Hotel Hazyview	HPF debt guarantor	79
	Total		7 978

TABLE 8 – HPF GUARANTORS

The list below reflects the entities that jointly and severally guarantee the loans of Hospitality:

Hospitality Property Fund Limited	Fezisource Proprietary Limited
HPF Properties Proprietary Limited	Hospitality Guarantee SPV RF Proprietary Limited (the HPF debt guarantor)

TABLE 9 – FINANCIAL COVENANTS OF HOSPITALITY

Interest cover ratio (EBITDA divided by net finance costs):	At least 2 (two) times
Debt to EBITDA ratio	Less than 3.5 (three point five) times
Loan to value ratio (LTV)	40% (forty percent)

FINANCIAL INFORMATION IN RELATION TO TSOGO
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

TSOGO SUN

Consolidated financial statements
for the year ended 31 March 2017

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Consolidated financial statements for the year ended 31 March 2017

Statement of responsibility by the board of directors

for the year ended 31 March 2017

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 2018. 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 consolidated annual financial statements. The group's independent auditors, PricewaterhouseCoopers Inc., have audited the annual financial statements and their unqualified report appears on page 6. 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 2017

The preparation of the financial statements set out on page 4 to page 70 have been supervised by the Chief Financial Officer ('CFO'), RB Huddy CA(SA). These annual financial statements were approved by the board of directors on 18 August 2017 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 2017, 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

18 August 2017

Report of the audit and risk committee

for the year ended 31 March 2017

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. B Humphreys is the individual registered auditor and member of the aforegoing firm who undertakes the audit. PricewaterhouseCoopers has been the auditor of the group for 48 years, with the rotation of the designated audit partner during 2016 for the 2017 financial year end;
- 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;
- 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 annual financial statements of Tsogo Sun Holdings Limited for the year ended 31 March 2017 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

18 August 2017

Directors' report

for the year ended 31 March 2017

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.

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. 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. Dividends

A final dividend of 67.0 (sixty-seven) cents per share was paid to shareholders on 20 June 2016 in respect of the year ended 31 March 2016.

An interim dividend of 34.0 (thirty-four) cents per share was paid to shareholders on 19 December 2016 in respect of the year ended 31 March 2017.

Subsequent to year end, on 23 May 2017, the board of directors declared a final gross cash dividend from income reserves in respect of the year ended 31 March 2017 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 Thursday, 15 June 2017. The number of ordinary shares in issue at the date of this declaration was 957 373 089 (excluding treasury shares). 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:

	2017
Last date to trade *cum* dividend	Monday, 12 June
Shares trade *ex* dividend	Tuesday, 13 June
Record date	Thursday, 15 June
Payment date	Monday, 19 June

5. Share capital

There were no changes to the company's authorised and issued share capital during the year under review.

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).

6. 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 to the consolidated annual financial statements for details of subsidiaries.

7. Directorate

The directorate during the year under review was as follows:

Non-executive

JA Copelyn[1] (Chairman)
MJA Golding
VE Mphande
Y Shaik[1][3]

Independent non-executive

BA Mabuza[1][2][3] (Lead independent)	
MSI Gani[1][2][3]	Appointed 11 August 2016
JG Ngcobo[1][2][3]	
RG Tomlinson	Resigned 11 August 2016

Executive

J Booysen (CEO)	Appointed 1 June 2017
MN von Aulock (CEO)	Resigned 1 June 2017
RB Huddy (CFO)	

(1) *Remuneration committee*
(2) *Audit and risk committee*
(3) *Social and ethics committee*

8. Directors' and prescribed officers' emoluments

Refer note 46.2 of the consolidated annual financial statements for details of the group's key management compensation.

9. 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:	Postal address:
Palazzo Towers East	Private Bag X200
Montecasino Boulevard, Fourways, 2055	Bryanston, 2021

10. Auditors

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

11. Major shareholders and shareholder analysis

The company's majority shareholder is Tsogo Investment Holding Company Proprietary Limited which owns 48.0% of the company's issued shares (excluding treasury shares) and the ultimate shareholder is Hosken Consolidated Investments Limited ('HCI'). Refer note 46 *Related parties* of the consolidated annual financial statements and page 70 of this 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 2017, 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 2017;
- 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 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.

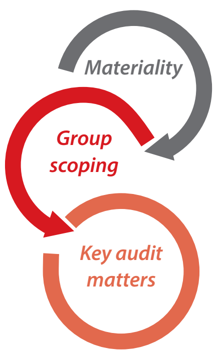
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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



Overall group materiality

- R185 million, which represents 5% of consolidated profit before tax.

Group audit scope

- 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 investment entities domiciled in South Africa and Mauritius.
- 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.

Key audit matters

- Goodwill and indefinite life intangible assets impairment assessment related to the gaming division.
- Fair valuation of the investment in Sunwest and Worcester Casino.
- Fair valuation and classification of investment property.

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

Materiality

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

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

Overall group materiality	R185 million
How we determined it	5% of consolidated profit before tax
Rationale for the materiality benchmark applied	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-orientated companies in the 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 2017 audit. Decisions regarding multi-location scoping require a significant degree of professional judgement based on the unique facts and circumstances of each company.

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.

An overview of the audit work performed in each of the categories identified is as follows:

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 investment entities domiciled in South Africa and Mauritius.

The group financial statements are a consolidation of the group's operating businesses, investment entities 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 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 the group level, provided us with sufficient evidence to express an opinion on the group financial statements as a whole.

Independent auditor's report

To the shareholders of Tsogo Sun Holdings Limited 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.

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td>

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

Due to the business combinations that the group entered into, the group's net assets include a significant amount of goodwill (R2.1 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 licenses of R4.4 billion.

To determine recoverable amounts of the casino cash-generating units ('CGUs'), management have used the value-in-use methodology. Management applied a discounted cash flow analysis for each of the individual CGUs, being the individual casino. 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 discount rate and the terminal growth rate.

Management concluded based on its assessment that 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 or the indefinite life intangible assets relating to casino licences at 31 March 2017.

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 discount rate, the terminal growth rates and other forecasts included in the analyses used to perform the impairment assessment.
- The magnitude of both of these balances, amounting to approximately 20% of the group's total assets.

Refer to 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*.

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We tested the mathematical accuracy of the valuation models and assessed the allocation of assets and liabilities to the CGUs, and are satisfied that the approach adopted by management in the valuation models is appropriate and in line with market practice as well as the applicable requirements of IAS 36 *Impairment of Assets*.

Management's cash flow forecasts were agreed to its 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 2017 financial year figures included in the prior year forecast. Based on the testing we performed we found management cash flow forecasts to be consistent with the historical actual results.

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.

Our valuation expertise independently recalculated 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. The discount rates of management were considered to be 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 and found that there was still sufficient headroom between the carrying amount and the recalculated recoverable amount.

</td></tr>
</table>

Key audit matters	How our audit addressed the key audit matters
Fair valuation of the investment in Sunwest and Worcester Casino 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'). As the group does not have the ability to exercise significant influence over the financial and operating policies of the entities the investments are accounted for as available-for-sale financial assets and remeasured at fair value, using a discounted cash flow model to estimate the fair value, at each reporting date. This measurement of fair value is considered to be a matter of most significance to the current year audit due to the significant judgements made by management regarding the discount rates, growth rates, expected gaming win growth rate and the terminal growth rate included in the analyses used to perform the valuation. Further details of the matter have been included in note 2 *Critical accounting estimates and judgements* and note 23 *Available-for-sale financial assets* to the group financial statements.	We have tested the mathematical accuracy of the valuation model and are satisfied that the approach adopted by management in the valuation model is in line with market practice and the applicable requirements of IAS 39 *Recognition and Measurement*. Our valuation expertise independently recalculated 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 reperformed the value-in-use calculation using the rates determined by them and the valuation of management was within the range of our independent calculation. We compared forecast results to the most recent actual published results for these entities and found these to be consistent. 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. We further performed a regression analysis and the trend forecast by management is in line with the trend identified.

Independent auditor's report

To the shareholders of Tsogo Sun Holdings Limited continued

Key audit matters	How our audit addressed the key audit matters
Fair valuation and classification of investment property 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. In determining the classification of the properties as investment properties, management had to consider whether the group was significantly exposed to the risks of running the hotel business and the associated exposure to the variability of the cash flows of the underlying hotel operations. The properties are measured at fair value in terms of its REIT status and the requirements of IAS 40 *Investment Property*. Management utilises an external valuer utilising a value-in-use methodology to estimate the fair value at reporting date. We considered the valuation of the portfolio and classification of the properties as investment properties as a matter of most significance to the current year audit due to: • the significant judgements made by management regarding the discount rates, the terminal growth rates and the occupancy rate for the individual hotel operations in the analyses used to perform the valuation; and • the significant amount of management judgement involved to distinguish between investment properties and owner-occupied properties in the specialised hospitality real estate investment trust industry. Further details of the matter have been included in note 2 *Critical accounting estimates and judgements* and note 18 *Investment properties* to the group financial statements.	We have tested the mathematical accuracy of the valuation model and are satisfied that the approach adopted by management in the valuation model is in line with market practice for hotel operations and the applicable requirements of IAS 40 *Investment Property*. This was also confirmed by our internal valuation expertise. We further tested the controls surrounding the valuation process which includes the budgeting process and the use of a sworn real estate appraiser. Our valuation expertise independently recalculated a discount rate for the investment properties 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. The discount rates of management were considered to be within an acceptable range of our independent calculation. We tested the reasonableness of the budgets included in the cash flow forecasts against actual results for the period and compared the terminal growth rate as well as the discount rate utilised to market-related data. We compared the forecast amounts to the budgets approved by management. To assess the classification of hotel properties as investment properties and not owner-occupied properties, we, with the assistance of our technical accounting specialists, considered the indicators that management had used in determining the classification against the guidance in the accounting standards and other industry guidance as disclosed in note 2 *Critical accounting estimates and judgements*. On a sample basis, we assessed the contractual arrangements between the group and the hotel operators against the indicators developed by management. While management's judgements remain subjective, we considered the criteria developed by them as acceptable within the hospitality industry.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report, the Report of the audit and risk committee and the Declaration by the Company Secretary as required by the Companies Act of South Africa and the Statement of responsibility by the board of directors, Directors' approval of the annual financial statements, the Analysis of shareholding, the BEE annual compliance report, the Glossary and the Corporate information, which we obtained prior to the date of this auditor's report, and the integrated report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's 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.
- 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 48 years.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: BS Humphreys
Registered auditor
Johannesburg

18 August 2017

Consolidated income statement

for the year ended 31 March

	Notes	2017 Rm	2016 Restated[1] Rm
Net gaming win		**7 483**	7 361
Rooms revenue		**3 078**	2 784
Food and beverage revenue		**1 434**	1 353
Property rental income		**445**	133
Other revenue	7	**782**	652
Income		**13 222**	12 283
Gaming levies and Value Added Tax	8	**(1 557)**	(1 531)
Property and equipment rentals	9	**(303)**	(287)
Amortisation and depreciation	10	**(846)**	(812)
Employee costs	11	**(3 044)**	(2 871)
Other operating expenses	12	**(3 530)**	(3 382)
Gain on fair value adjustment of investment properties	18	**757**	25
Operating profit		**4 699**	3 425
Interest income	13	**43**	35
Finance costs	14	**(1 066)**	(892)
Share of profit of associates and joint venture	21, 22	**38**	29
Profit before income tax		**3 714**	2 597
Income tax expense	15	**(665)**	(777)
Profit for the year		**3 049**	1 820
Profit attributable to:			
Equity holders of the company		**2 507**	1 802
Non-controlling interests		**542**	18
		3 049	1 820
Basic and diluted earnings per share (cents)	4	**262.0**	188.3

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

[1] *Restatement in respect of IAS 40* Investment Properties *– refer notes 1b and 45 for details*

Consolidated statement of comprehensive income

for the year ended 31 March

	2017 Rm	2016 Restated[1] Rm
Profit for the year	**3 049**	1 820
Other comprehensive income for the year, net of tax		
Items that may be reclassified subsequently to profit or loss:	**(194)**	332
Cash flow hedges	**(121)**	162
Currency translation adjustments	**(96)**	215
Income tax relating to available-for-sale investments (note 23)	**(11)**	–
Income tax relating to items that may subsequently be reclassified to profit or loss	**34**	(45)
Items that may not be reclassified subsequently to profit or loss:	**2**	3
Remeasurements of post-employment defined benefit liability (note 34)	**3**	4
Income tax relating to items that may not subsequently be reclassified to profit or loss	**(1)**	(1)
Total comprehensive income for the year	**2 857**	2 155
Total comprehensive income attributable to:		
Equity holders of the company	**2 315**	2 136
Non-controlling interests	**542**	19
	2 857	2 155

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

[1] *Restatement in respect of IAS 40* Investment Properties *– refer notes 1b and 45 for details*

Consolidated balance sheet

as at 31 March

	Notes	2017 Rm	2016 Restated[(1)] Rm	1 April 2015 Restated[(1)] Rm
ASSETS				
Non-current assets				
Property, plant and equipment	17	**15 556**	14 370	13 470
Investment properties	18	**4 969**	108	121
Goodwill	19	**2 106**	2 106	2 106
Other intangible assets	20	**4 461**	4 476	4 490
Investments in associates	21	**483**	491	180
Investment in joint venture	22	**126**	129	131
Available-for-sale financial assets	23	**1 272**	252	–
Non-current receivables	24	**60**	68	88
Derivative financial instruments	33	**–**	74	22
Deferred income tax assets	25	**121**	185	180
		29 154	22 259	20 788
Current assets				
Inventories	26	**115**	125	108
Trade and other receivables	28	**696**	669	601
Current income tax assets		**78**	122	99
Cash and cash equivalents	29	**2 424**	2 492	3 048
		3 313	3 408	3 856
Non-current assets held for sale	27	**66**	–	–
Total current assets		**3 379**	3 408	3 856
Total assets		**32 533**	25 667	24 644
EQUITY				
Capital and reserves attributable to equity holders of the company				
Ordinary share capital and premium	30	**4 576**	4 576	4 576
Other reserves	31	**874**	(232)	(442)
Retained earnings		**5 321**	3 974	2 926
Total shareholders' equity		**10 771**	8 318	7 060
Non-controlling interests		**2 685**	654	635
Total equity		**13 456**	8 972	7 695
LIABILITIES				
Non-current liabilities				
Interest-bearing borrowings	32	**9 439**	8 346	8 559
Derivative financial instruments	33	**37**	492	538
Deferred income tax liabilities	25	**2 029**	2 059	1 871
Post-employment benefit liability	34	**4**	6	10
Deferred revenue and income	35	**29**	24	21
Long-term incentive liabilities	36.3	**19**	34	36
Provisions	37	**210**	173	159
Other non-current liabilities	38	**249**	272	275
		12 016	11 406	11 469
Current liabilities				
Interest-bearing borrowings	32	**5 098**	3 394	3 700
Trade and other payables	39	**1 867**	1 767	1 659
Current income tax liabilities		**96**	128	121
		7 061	5 289	5 480
Total liabilities		**19 077**	16 695	16 949
Total equity and liabilities		**32 533**	25 667	24 644

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

(1) *Restatement in respect of IAS 40* Investment Properties *– refer notes 1b and 45 for details*

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 Rm**	**Other reserves[1] Rm**	**Retained earnings Rm**	**Total Rm**	**Non-controlling interests Rm**	**Total equity Rm**
Balance at 1 April 2015 as previously reported		4 576	(442)	2 917	7 051	635	7 686
Recognition of fair value of investment properties net of deferred tax	45	–	–	9	9	–	9
Balance at 1 April 2015 restated[2]		4 576	(442)	2 926	7 060	635	7 695
Total comprehensive income		–	331	1 805	2 136	19	2 155
Profit for the year		–	–	1 802	1 802	18	1 820
Cash flow hedges net of tax		–	117	–	117	–	117
Currency translation adjustments		–	214	–	214	1	215
Remeasurements of post-employment defined benefit liability net of tax		–	–	3	3	–	3
Transfer from share-based payment reserve to retained earnings		–	(121)	121	–	–	–
Ordinary dividends	16	–	–	(878)	(878)	–	(878)
Balance at 31 March 2016 restated[2]		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	23	**–**	**(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	44.1	**–**	**493**	**(187)**	**306**	**(306)**	**–**
Consideration to HPF non-controlling interests in hotels assets	43.1	**–**	**968**	**–**	**968**	**353**	**1 321**
Acquisition of non-controlling interests from HPF	43.1	**–**	**–**	**–**	**–**	**1 592**	**1 592**
Acquisition of Mykonos and Blackrock casinos' non-controlling interests	44.2	**–**	**(161)**	**–**	**(161)**	**(37)**	**(198)**
Ordinary dividends	16	**–**	**–**	**(975)**	**(975)**	**(113)**	**(1 088)**
Balance at 31 March 2017		**4 576**	**874**	**5 321**	**10 771**	**2 685**	**13 456**

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

[1] *Refer note 31 for details of other reserves*

[2] *Restatement in respect of IAS 40* Investment Properties *– refer notes 1b and 45 for details*

Consolidated cash flow statement

for the year ended 31 March

	Notes	2017 Rm	2016 Rm
Cash flows from operating activities			
Cash generated from operations	40	**4 776**	4 376
Interest received		**43**	31
Finance costs paid		**(1 119)**	(832)
Income tax paid	41	**(627)**	(657)
Dividends paid to shareholders	42	**(975)**	(878)
Dividends paid to non-controlling interests		**(113)**	–
Pre-acquisition dividend paid	43.1	**(133)**	–
Dividends received		**134**	51
Net cash generated from operating activities		**1 986**	2 091
Cash flows from investment activities			
Purchase of property, plant and equipment		**(1 238)**	(1 377)
Proceeds from disposals of property, plant and equipment		**1**	9
Acquisition, maintenance and development of investment properties	18	**(92)**	(27)
Proceeds from disposal of investment property		**144**	19
Purchase of intangible assets		**(14)**	(10)
Purchase of available-for-sale financial assets	23	**(1 272)**	(252)
Acquisition of subsidiary, net of cash acquired	43.1	**189**	(12)
Acquisition of businesses	43.2	**(310)**	–
Acquisition of interest in associate		**–**	(315)
Loans repaid by associates		**3**	1
Other loans and investments repaid		**–**	17
Other loans granted		**(2)**	–
Net cash utilised for investment activities		**(2 591)**	(1 947)
Cash flows from financing activities			
Borrowings raised		**4 156**	485
Borrowings repaid		**(2 651)**	(1 044)
Repayments of finance leases		**–**	(17)
Acquisition of non-controlling interests	44	**(655)**	–
Decrease in amounts due by share scheme participants		**6**	9
Net cash generated from/(utilised for) financing activities		**856**	(567)
Net increase/(decrease) in cash and cash equivalents		**251**	(423)
Cash and cash equivalents at beginning of the year, net of bank overdrafts		**479**	883
Foreign currency translation		**(5)**	19
Cash and cash equivalents at end of the year, net of bank overdrafts	29	**725**	479

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) Changes in accounting policies and adoption of annual improvements

Prior to the acquisition of Hospitality Property Fund ('HPF') (refer note 43.1), the group accounted for its investment properties at cost. HPF's investment properties are accounted for at fair value, and therefore, on acquisition the group changed its policy to comply with that of HPF for uniformity. The 31 March 2016 numbers in the income statement, statement of other comprehensive income, cash flow statement, balance sheet and statement of changes in equity have accordingly been restated. This change in accounting policy has been applied retrospectively and has increased earnings per share by 1.5 cents from 186.8 cents to 188.3 cents for the year ended 31 March 2016. This change in accounting policy had no effect on headline or adjusted headline earnings.

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 2016, 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 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.

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.

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

Once-off items in the income and cash flow statements of foreign subsidiaries, associates and joint ventures expressed in currencies other than the SA Rand are translated to SA Rand at the rates of exchange prevailing on the day of the transaction. All other items are translated at weighted average rates of exchange for the relevant reporting period. 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.

1. Summary of significant accounting policies continued

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.

(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 net of any impairment losses. 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.

1. Summary of significant accounting policies continued

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.

(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 loss, loans and receivables and available-for-sale investments. Management determines the classification of its financial assets at initial recognition and determines subsequent measurement.

1. Summary of significant accounting policies continued

i) Financial assets and financial liabilities continued

(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 or 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.

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 in this 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.

1. Summary of significant accounting policies continued

l) Impairment of financial assets continued

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.

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 re-performed 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, re-issued or disposed of. Where such shares are subsequently sold or re-issued, 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 entertainment 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.

(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.

1. Summary of significant accounting policies continued

t) Revenue recognition continued

(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 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 casino operations. Due to the short-term nature of the group's casino operations, all income is recognised in profit or loss immediately, at fair value.

In the casino industry, the nature of betting transactions makes it difficult to separate bets placed by customers and winnings paid to customers. It therefore follows that casinos experience practical difficulties reflecting output tax separately from input tax. Accordingly, South African Revenue Service ('SARS') allows casinos 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 casino winnings as direct costs as these are borne by the group and not customers, and have no effect on casino 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.

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 and 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.

1. Summary of significant accounting policies continued

w) Employee benefits continued

(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. These 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 assumption 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.

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.

1. Summary of significant accounting policies continued

x) Income tax continued

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.

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 performed on an annual basis on the entire portfolio of investment properties. 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, over-the-counter derivatives) 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) Business combinations

On the acquisition of a business, a determination of the fair value and the useful life of assets acquired is performed, which requires the application of management judgement. The fair value is obtained by applying a valuation technique performed on a discounted cash flow basis. Future events could cause the assumptions used by the group to change which could have a significant impact on the results and net position.

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 2017 or later periods, which the group has not early adopted. The group is yet to conclude on the impact of these new standards, interpretations and amendments.

- **IFRS 9 *Financial Instruments* (2014)**

  A finalised version of IFRS 9 has been issued which replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition. The group is in the process of assessing the possible impact of IFRS 9 and has identified the accounting mostly affected as shown below:

  – IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. The group currently classifies its financial assets under three categories: fair value through profit or loss, loans and receivables and available-for-sale investments. The financial instruments held by the group mainly include the following:
    - Equity instruments currently measured at fair value through other comprehensive income which will likely continue to be measured on the same basis under IFRS 9;
    - Loans and trade and other receivables measured at amortised cost which appear to meet the conditions of classification at amortised cost under IFRS 9; and
    - The group does not anticipate any material changes to the group's accounting for financial liabilities currently carried at amortised cost.

  – IFRS 9 introduces a single impairment model being applied to all financial instruments, as well as an 'expected credit loss' model for the measurement of financial assets. The impairment requirement may result in earlier recognition of credit losses.

  – IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition, enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements.

  – IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.

  The financial impact of the adoption of IFRS 9 will be provided closer to the date of application.

  The effective date of the standard is for years beginning on or after 1 January 2018 and the group will apply IFRS 9 from the annual period beginning 1 April 2018.

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

  This standard requires entities to recognise revenue to depict the transfer of goods or services to customers that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

  The group is in the process of finalising the impact of IFRS 15 and has identified its customer loyalty programme mostly impacted. The group will provide the financial impact of IFRS 15 closer to the date of application.

  The effective date of the standard is for years beginning on or after 1 January 2018 and the group will apply IFRS 15 from the annual period beginning 1 April 2018.

3. New standards, interpretations and amendments to existing standards issued that are not yet effective continued

- **IFRS 16 *Leases***

  A new standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 *Statement of Cash Flows*. IFRS 16 contains expanded disclosure requirements for lessees and lessors. IFRS 16 also substantially carries forward the lessor accounting requirements in IAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

  The group is in the process of assessing the impact of IFRS 16 and has identified its Sandton Convention Centre and some hotel property leases, where the group is the lessee, mostly impacted.

  The effective date of the standard is for years beginning on or after 1 January 2019 and the group will apply IFRS 16 from the annual period beginning 1 April 2019.

- **IAS 7 *Statement of Cash Flows* (Amendment)**

  Amendments to IAS 7 require entities to disclose information about changes in their financing liabilities. The additional disclosures will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses).

  The effective date of the amendment is for years beginning on or after 1 January 2017. The group will apply IAS 7 amended from the annual period beginning 1 April 2017.

b) No other standards or interpretations issued and not effective have a significant impact on the group.

4. Reconciliation of earnings attributable to equity holders of the company to headline earnings and adjusted headline earnings

		2017		2016 Restated[1]	
	Notes	**Gross** **Rm**	**Net[2]** **Rm**	Gross Rm	Net[2] Rm
Profit attributable to equity holders of the company			**2 507**		1 802
Loss on disposal of property, plant and equipment	12	**12**	**9**	5	4
Impairment of property, plant and equipment	12	**77**	**45**	7	5
Gain on disposal of investment property	12	**(36)**	**(18)**	–	–
Gain on fair value adjustment of investment properties	18	**(757)**	**(385)**	(25)	(21)
Impairment of intangibles	12	**1**	**1**	10	10
Gain on deemed disposal of financial asset classified as available-for-sale	12	**(46)**	**(46)**	–	–
Gain on bargain purchases	12	**(82)**	**(82)**	–	–
Share of associates' headline earnings adjustments (net)			**2**		–
Headline earnings			**2 033**		1 800
Transaction costs	12	**27**	**26**	26	26
Impairment of financial instruments, net of recoveries	12	**4**	**4**	4	4
Fair value loss on interest rate swaps	12	**6**	**3**	–	–
Restructuring costs (including termination benefits)	11, 12	**7**	**4**	2	1
Pre-opening expenses	12	**–**	**–**	12	9
(Gain)/loss on remeasurement of put liability	14	**(35)**	**(35)**	7	5
Deferred tax liability derecognised on plant, property and equipment on sale to the group's REIT subsidiary	15	**(56)**	**(56)**	–	–
Deferred tax asset derecognised on foreign subsidiary assessed losses	15	**19**	**19**	–	–
Change in capital gains tax inclusion rate on at acquisition assets of subsidiaries	15	**–**	**–**	54	36
Share of associates' exceptional items (net)			**(11)**		–
Adjusted headline earnings[3]			**1 987**		1 881
Number of shares in issue (million)			**957**		957
Weighted average number of shares in issue (million)			**957**		957
Basic and diluted earnings per share (cents)			**262.0**		188.3
Basic and diluted headline earnings per share (cents)			**212.4**		188.1
Basic and diluted adjusted headline earnings per share (cents)			**207.6**		196.5

(1) *Restatement in respect of IAS 40* Investment Properties *– refer notes 1b and 45 for details*
(2) *Net of tax and non-controlling interests*
(3) *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

	Notes	2017 Rm	2016 Restated[1] Rm
Ebitdar pre-exceptional items is made up as follows:			
Operating profit		**4 699**	3 425
Add:			
Property rentals	9	**242**	219
Amortisation and depreciation	10	**846**	812
Long-term incentive expense	11	**49**	46
		5 836	4 502
(*Less*)/*add*: Exceptional (gains)/losses		**(787)**	41
Loss on disposal of property, plant and equipment	12	**12**	5
Impairment of property, plant and equipment	12	**77**	7
Gain on disposal of investment property	12	**(36)**	–
Gain on fair value adjustment of investment properties	18	**(757)**	(25)
Impairment of intangibles	12	**1**	10
Gain on deemed disposal of financial asset classified as available-for-sale	12	**(46)**	–
Gain on bargain purchases	12	**(82)**	–
Transaction costs	12	**27**	26
Pre-opening expenses	12	**–**	12
Impairment of financial instruments, net of recoveries	12	**4**	4
Fair value loss on interest rate swaps	12	**6**	–
Restructuring costs (including termination benefits)	11, 12	**7**	2
Ebitdar		**5 049**	4 543

[1] *Restatement in respect of IAS 40* Investment Properties *– refer notes 1b and 45 for details*

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 HPF in the South African hotels division with effect from the acquisition date 1 September 2016 (refer note 43.1). 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. 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 hotel division which owns, operates and manages hotels in South Africa;
- Offshore hotels division consists of the group's non-South African hotel 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.

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.

6. Segmental analysis continued

	Income		Ebitdar[(1)(2)]		Ebitdar margin		Amortisation and depreciation	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm	**2017 %**	2016 %	**2017 Rm**	2016 Rm
Montecasino	**2 694**	2 674	**1 196**	1 194	**44.4**	44.7	**111**	95
Suncoast	**1 732**	1 701	**810**	791	**46.8**	46.5	**88**	91
Gold Reef City	**1 450**	1 380	**549**	525	**37.9**	38.1	**109**	96
Silverstar	**735**	735	**248**	254	**33.7**	34.6	**82**	86
Golden Horse	**392**	369	**176**	163	**44.8**	44.2	**34**	33
Emnotweni	**383**	384	**145**	152	**37.9**	39.5	**29**	27
The Ridge	**382**	391	**147**	160	**38.6**	40.9	**29**	26
Hemingways	**306**	318	**95**	113	**31.2**	35.4	**40**	42
Garden Route	**225**	218	**96**	92	**42.8**	42.3	**15**	14
The Caledon	**175**	163	**54**	43	**30.6**	26.2	**10**	8
Blackrock	**170**	168	**65**	63	**37.9**	37.7	**12**	11
Mykonos	**162**	156	**72**	68	**44.5**	44.0	**11**	9
Goldfields	**133**	134	**41**	44	**31.0**	32.4	**10**	10
Other gaming operations	**195**	109	**(154)**	(233)			**14**	15
Total gaming operations	**9 134**	8 900	**3 540**	3 429	**38.8**	38.5	**594**	563
South African hotels division[(3)(4)]	**3 509**	2 744	**1 359**	920	**38.7**	33.5	**213**	193
Offshore hotels division	**635**	691	**108**	169	**17.0**	24.5	**35**	50
Pre-foreign exchange losses			***146***	*192*	***23.0***	*27.8*		
Foreign exchange losses			***(38)***	*(23)*				
Corporate[(3)]	**(56)**	(52)	**42**	25			**4**	6
Group	**13 222**	12 283	**5 049**	4 543	**38.2**	37.0	**846**	812

[(1)] *Refer note 5* Reconciliation of operating profit to Ebitdar
[(2)] *All casino units are reported pre-internal gaming management fees*
[(3)] *Includes R55 million (2016: R53 million) intergroup management fees*
[(4)] *South African hotels division includes HPF with effect from 1 September 2016 – refer note 43.1*

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

	Associates and joint venture		Capital expenditure	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Gaming operations	**37**	34	**805**	958
South African hotels division	**–**	–	**456**	375
Offshore hotels division	**572**	586	**59**	47
Corporate	**–**	–	**1**	2
Group	**609**	620	**1 321**	1 382

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

	2017 Rm	2016 Rm
South Africa	**25 062**	18 790
Nigeria	**1 134**	1 218
Mozambique	**422**	555
Seychelles	**248**	276
United Kingdom	**445**	457
Zambia	**145**	159
Tanzania	**193**	177
Kenya	**51**	51
Other	**7**	7
	27 707	21 690

7. Other revenue

	2017 Rm	2016 Rm
Management fees earned	**78**	53
Theme Park revenue	**118**	123
Sandton Convention Centre revenue	**112**	100
Cinema revenue	**67**	65
Parking revenue	**44**	47
Venue hire revenue	**73**	62
Dividends – listed	**14**	16
Dividends – unlisted	**70**	–
Other revenue	**206**	186
	782	652

8. Gaming levies and VAT

	2017 Rm	2016 Rm
Gaming levies	**718**	704
VAT	**839**	827
	1 557	1 531

9. Property and equipment rentals

	2017 Rm	2016 Rm
Properties	**242**	219
Plant, vehicles and equipment	**61**	68
	303	287

10. Amortisation and depreciation

	2017 Rm	2016 Rm
Amortisation of intangible assets (note 20)	**28**	32
Depreciation of property, plant and equipment (note 17)	**818**	780
	846	812

11. Employee costs

	2017 Rm	2016 Rm
Employee costs (including executive directors' remuneration):		
Salaries and wages	**2 814**	2 661
Termination benefits	**6**	–
Pension – defined contribution plans	**174**	163
Other post-retirement benefits – medical aid	**1**	1
Long-term incentive expense – cash-settled (note 36.2)	**49**	46
	3 044	2 871

12. Other operating expenses

	2017 Rm	2016 Restated[1] Rm
Auditors' remuneration	**39**	34
Audit fees – current year	**33**	29
Tax services	**3**	3
Other services and expenses	**3**	2
Administration fees	**2**	1
Advertising, marketing and promotional costs	**516**	445
External consultants	**40**	36
Food and beverage costs and operating equipment usage	**605**	544
Impairment charge for bad and doubtful debts, net of reversals (note 28)	**11**	15
Information technology-related costs	**143**	133
Net foreign exchange losses	**37**	21
Property costs – rates, water and electricity	**573**	529
Repairs and maintenance expenditure on property, plant and equipment	**277**	260
Rooms departmental expenses	**374**	338
Security and surveillance costs	**182**	170
Other operating expenses	**767**	790
Loss on disposal of property, plant and equipment	**12**	5
Impairment of property, plant and equipment (note 17)	**77**	7
Gain on disposal of investment property	**(36)**	–
Impairment of intangibles (note 20)	**1**	10
Gain on deemed disposal of financial asset classified as available-for-sale (note 23)	**(46)**	–
Gain on bargain purchases (note 43)	**(82)**	–
Fair value loss on interest rate swaps (note 33.2)	**6**	–
Transaction costs	**27**	26
Impairment of financial instruments	**7**	4
Reversal of impairment of financial instruments	**(3)**	–
Restructuring costs	**1**	2
Pre-opening expenses	**–**	12
	3 530	3 382

[1] *Restatement in respect of IAS 40* Investment Properties *– refer notes 1b and 45 for details*

13. Interest income

	2017 Rm	2016 Rm
Interest received from banks and collective investment institutions	**27**	27
Interest income – other	**16**	8
	43	35

14. Finance costs

	2017 Rm	2016 Rm
Finance costs in respect of interest-bearing debt	**1 009**	824
Interest on available-for-sale asset acquired (note 23)	**48**	–
Interest paid to non-controlling interests	**44**	58
Interest on finance leases	**–**	1
Finance cost in respect of (gain)/loss on remeasurement of put liability (note 33.1)	**(35)**	7
Change in cash flow	**(36)**	(45)
Change in interest rate	**1**	52
Finance costs – other	**–**	2
	1 066	892

15. Income tax expense

	2017 Rm	2016 Restated[1] Rm
Current tax – current year charge	**648**	666
Current tax – over provision prior year	**(11)**	(27)
Deferred tax – current year charge[2]	**26**	44
Deferred tax – (over)/under provision prior year	**(4)**	35
Deferred tax – change in capital gains tax inclusion rate	**–**	54
Withholding taxes	**6**	5
	665	777
Other comprehensive income		
Tax (credit)/charge relating to components of other comprehensive income on items that may be reclassified subsequently to profit or loss:		
Cash flow hedges	**(34)**	45
Available-for-sale investment (note 23)	**11**	–
Tax charge relating to components of other comprehensive income on items that may not be reclassified subsequently to profit or loss:		
Remeasurements of post-employment defined benefit liability	**1**	1
	(22)	46

Income tax rate reconciliation	2017 Rm	2017 %	2016 Rm	2016 %
Profit before income tax and share of profit of associates and joint venture	**3 676**		2 568	
Income tax thereon at 28% (2016: 28%)	**1 029**	**28.0**	719	28.0
Exempt income/credits:				
Gain on fair value adjustment of investment properties[3]	**(211)**	**(5.7)**	–	–
Profits attributable to the HPF non-controlling interests[3]	**(47)**	**(1.3)**	–	–
Dividend income	**(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[3]	**(10)**	**(0.3)**	–	–
(Gain)/loss on remeasurement of put liability	**(10)**	**(0.3)**	2	0.1
Expenses/debits not deductible for tax purposes:				
Amortisation and depreciation	**21**	**0.6**	15	0.6
Effective interest on available-for-sale assets	**16**	**0.4**	–	–
Transaction costs	**8**	**0.2**	7	0.3
Deferred tax liability derecognised on property, plant and equipment on sale to the group's REIT subsidiary	**(56)**	**(1.5)**	–	–
Deferred tax asset derecognised on foreign subsidiary assessed losses	**19**	**0.5**	–	–
Other non-deductible items	**19**	**0.5**	14	0.5
Prior year (credits)/charges (net)	**(15)**	**(0.4)**	8	0.3
Deferred tax – change in capital gains tax inclusion rate	**–**	**–**	54	2.1
Withholding taxes	**6**	**0.2**	5	0.2
Foreign tax rate differential	**(44)**	**(1.2)**	(47)	(1.8)
	665	**18.1**	777	30.3

[1] *Restatement in respect of IAS 40* Investment Properties *– refer notes 1b and 45 for details*
[2] *Includes R37 million deferred tax liability derecognised on property, plant and equipment on sale to the group's REIT subsidiary of R56 million credit, offset by deferred tax asset derecognised on foreign subsidiary assessed losses of R19 million*
[3] *Non-taxable due to HPF's REIT tax status*

16. Dividends declared

	2017 Rm	2016 Rm
Final dividend	**647**	579
Interim dividend	**328**	299
	975	878
Final dividend declared on	**25 May 2016**	21 May 2015
Final dividend paid on	**20 June 2016**	15 June 2015
Final dividend cents per share	**67 cents**	60 cents
Interim dividend declared on	**23 November 2016**	19 November 2015
Interim dividend paid on	**19 December 2016**	14 December 2015
Interim dividend cents per share	**34 cents**	31 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
Year ended 31 March 2017						
Opening net carrying amount	**10 714**	**622**	**88**	**2 741**	**205**	**14 370**
Additions	**218**	**51**	**223**	**648**	**75**	**1 215**
Acquisition of subsidiary (note 43.1)	**742**	**–**	**–**	**–**	**–**	**742**
Acquisition of businesses (note 43.2)	**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)**
Closing net carrying amount	**11 715**	**644**	**210**	**2 771**	**216**	**15 556**
At 31 March 2017						
Cost	**13 091**	**908**	**210**	**6 143**	**216**	**20 568**
Accumulated depreciation	**(1 376)**	**(264)**	**–**	**(3 372)**	**–**	**(5 012)**
Net carrying amount	**11 715**	**644**	**210**	**2 771**	**216**	**15 556**
Year ended 31 March 2016						
Opening net carrying amount	9 957	635	196	2 503	179	13 470
Additions	193	61	420	622	47	1 343
Disposals and operating equipment usage	(3)	–	–	(10)	(31)	(44)
Depreciation charge	(149)	(22)	–	(609)	–	(780)
Impairments	–	–	–	(4)	(3)	(7)
Transfers	439	(52)	(528)	187	5	51
Currency translation	277	–	–	52	8	337
Closing net carrying amount	10 714	622	88	2 741	205	14 370
At 31 March 2016						
Cost	11 968	857	88	5 757	205	18 875
Accumulated depreciation	(1 254)	(235)	–	(3 016)	–	(4 505)
Net carrying amount	10 714	622	88	2 741	205	14 370
At 31 March 2015						
Cost	11 023	870	196	5 100	179	17 368
Accumulated depreciation	(1 066)	(235)	–	(2 597)	–	(3 898)
Net carrying amount	9 957	635	196	2 503	179	13 470

The group reassessed the useful lives of property, plant and equipment during the year. The impact on depreciation for the year was a credit of R28 million (2016: credit of R39 million). The group also reviewed the residual values during the year and the impact on depreciation was Rnil (2016: credit of R3 million). 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.

Buildings of R75 million impaired during the year under review related to the SS Ikoyi hotel property in Nigeria. The impairment was due to revised medium-term trading expectations due to tough local economic environments due mainly to the negative impact of the reduction in commodity prices. Plant and equipment at various casino and hotel properties with a book value of R2 million (2016: R7 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	2017 Rm	2016 Restated[(1)] Rm	1 April 2015 Restated[(1)] Rm
At fair value			
Opening net carrying amount	**108**	121	114
Acquisition, maintenance and development of investment properties	**92**	27	7
Acquisition of subsidiary (note 43.1)	**4 185**	–	–
Disposals	**(106)**	(15)	–
Transfers	**(67)**	(50)	–
Fair value adjustments recognised in profit or loss	**757**	25	–
Closing net carrying amount	**4 969**	108	121
Amounts recognised in profit or loss for investment properties:			
Rental income	**303**	3	1
Direct operating expenses from property that generated rental income	**26**	1	1

[(1)] *Restatement in respect of IAS 40* Investment Properties *– refer notes 1b and 45 for details*

There were no 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 is added premiums for market risk and equity and debt costs. The discount rate takes into account a risk premium associated with the local economy as well as that specific to the local property market and the hotel industry. At 31 March 2017, 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 performed on an annual basis on the entire portfolio of investment properties.

As at 31 March 2017, the significant unobservable inputs were as follows:

- A weighted average rental growth rate of 5.5%;
- A terminal capitalisation rate of 7.26%; and
- A risk-adjusted discount rate of 12.76%.

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

	Increase Rm	Decrease Rm
5% change in the net cash flows	**241**	(241)
25bps change in the terminal capitalisation rate	**(116)**	118
50bps change in the discount rate	**(85)**	134

19. Goodwill

	2017 Rm	2016 Rm
At 1 April and 31 March	**2 106**	2 106
Impairment test for goodwill		
Goodwill is allocated and monitored based on the group's CGUs identified according to business segments as referred to in the segment analysis in note 6. An operating segment-level summary of the goodwill allocation is as follows:		
Montecasino	**273**	273
Suncoast	**890**	890
Gold Reef City	**136**	136
Silverstar	**85**	85
Golden Horse	**43**	43
Garden Route	**19**	19
Goldfields	**20**	20
Blackrock	**94**	94
Mykonos	**17**	17
The Caledon	**175**	175
South African hotels	**347**	347
Offshore hotels	**7**	7
	2 106	2 106

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. This is then apportioned on a debt to equity ratio for each respective segment.

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

	2017			2016		
	Ebitdar margin %	**Long-term growth rate %**	**Discount rate pre-tax %**	Ebitdar margin %	Long-term growth rate %	Discount rate pre-tax %
Montecasino	**40.3**	**5.6**	**11.6**	40.2	5.7	11.4
Suncoast	**39.8**	**5.6**	**11.6**	42.0	5.7	11.4
Gold Reef City	**34.8**	**5.6**	**11.6**	32.9	5.7	11.4
Silverstar	**33.7**	**5.6**	**11.6**	35.0	5.7	11.4
Other gaming operations[1]	**33.6**	**5.6**	**11.6**	33.8	5.7	11.4
South African hotels	**38.7**	**5.7**	**12.4**	33.5	5.5	12.3
Offshore hotels	**23.0**	**5.8**	**12.4**	27.8	5.7	12.5

[1] *Includes the balance of the group's casino properties which have an allocation of goodwill*

Based on the above calculations, the group has not identified any 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
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**
Year ended 31 March 2016				
Opening net carrying amount	4 387	96	7	4 490
Additions	1	11	–	12
Acquisition of subsidiaries	–	–	17	17
Transfers	–	(1)	–	(1)
Amortisation charge	(5)	(27)	–	(32)
Impairment	(10)	–	–	(10)
Closing net carrying amount	4 373	79	24	4 476
At 31 March 2016				
Cost	4 518	211	29	4 758
Accumulated amortisation	(145)	(132)	(5)	(282)
Net carrying amount	4 373	79	24	4 476
At 1 April 2015				
Cost	4 535	309	12	4 856
Accumulated amortisation	(148)	(213)	(5)	(366)
Net carrying amount	4 387	96	7	4 490

There were no significant changes made to useful lives or residual values of other intangible assets during the year. During the year and prior year, bid costs of R1 million and R10 million respectively relating to the fourth casino licence in Mpumalanga were impaired due to uncertainty surrounding the allocation of the licence. Impairments are included under other operating costs (refer note 12).

	2017 Rm	2016 Rm
Casino licences and related bid costs are made up as follows:		
Indefinite lives:		
Gold Reef City[(1)]	**1 765**	1 765
Silverstar[(1)]	**1 112**	1 112
Golden Horse[(1)]	**554**	554
Garden Route[(1)]	**252**	252
Goldfields[(1)]	**258**	258
Mykonos[(1)]	**215**	215
Montecasino	**70**	70
Suncoast	**105**	105
Definite lives:		
Hemingways	**37**	42
	4 368	4 373

[(1)] *Relate to the casinos acquired on the reverse acquisition of Gold Reef during the year ended 31 March 2011*

21. Investments in associates

The group has the following interests in its principal associates:

Listed

- 25.9% in International Hotel Properties Limited ('IHPL') incorporated in the British Virgin Islands. During the prior year, the group acquired its interest in IHPL for R315 million. IHPL, which has a dual listing in Luxembourg and on the JSE, will pursue hotel opportunities in the United Kingdom and Europe, the hotels to be managed by RedefineBDL. The market value of IHPL was R227 million at 31 March 2017 (2016: R321 million) and although the carrying value exceeds the market value, the group did not perform an impairment test as this was not considered a significant or prolonged decline in the value of IHPL.

Unlisted

- 25% in RedefineBDL Hotel Group Limited ('RedefineBDL'), a leading independent hotel management company incorporated in the United Kingdom. This associate provides the group with access to additional management expertise, exposure to new markets and the potential for opportunities to deploy capital in attractive investments in the European hotel market in the future; and
- Other investments in various associate entities which are not material to the group and therefore no further information has been presented.

	2017 Rm	2016 Rm
Listed and unlisted		
At 1 April	**491**	180
Acquisition of investment in associates	**–**	315
Acquisition of subsidiary (note 43.1)	**1**	–
Share of profit after tax and other interests of associates	**41**	31
Dividends received	**(50)**	(35)
At 31 March	**483**	491
Made up as follows:		
Listed	**303**	315
Unlisted	**180**	176
	483	491

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

	RedefineBDL		**International Hotel Properties**	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm
Summarised balance sheets				
Total non-current assets	**126**	161	**1 788**	870
Total current assets	**96**	259	**88**	361
Total assets	**222**	420	**1 876**	1 231
Total non-current liabilities	**–**	16	**929**	117
Total current liabilities	**150**	368	**60**	102
Total liabilities	**150**	384	**989**	219
Net assets	**72**	36	**887**	1 012
Summarised statements of comprehensive income				
Revenue	**1 032**	343	**305**	8
Profit from operations	**126**	96	**14**	1
Profit for the year and total comprehensive income	**126**	96	**14**	1
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	**36**	135	**1 012**	–
Net asset value of associate acquired during the year	**–**	–	**–**	1 096
Profit for the year	**126**	96	**14**	1
Other comprehensive income – foreign currency translation	**38**	(67)	**(79)**	(85)
Total comprehensive income	**200**	164	**947**	1 012
Dividends paid	**(127)**	(128)	**(60)**	–
Closing net assets attributable to owners	**73**	36	**887**	1 012
Interest in associates (%)	**25.0**	25.0	**25.9**	25.9
Interest in associates	**18**	9	**230**	253
Goodwill and intangible asset	**118**	118	**41**	41
Translation	**5**	15	**32**	21
Carrying value of investments in associates	**141**	142	**303**	315

22. Investment in joint venture

	2017 Rm	2016 Rm
The group has a 50% interest in United Resorts and Hotels Limited, a hotel company established in the Seychelles.		
Unlisted		
At 1 April	**129**	131
Share of loss after tax and other interests of joint venture	**(3)**	(2)
At 31 March	**126**	129

The group has performed an impairment indicator test and although the joint venture is in a loss-making position, the group does not consider its investment in the joint venture material and therefore no further information has been presented in this regard.

The group has no share in the joint venture's contingent liabilities or capital commitments.

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

Summarised financial information

Summarised financial information for the joint venture on a 100% basis after adjustments to comply with the group's accounting policies, is as follows:

	2017 Rm	2016 Rm
Summarised balance sheet		
Assets		
Non-current assets	**403**	450
Inventory	**5**	7
Trade and other receivables	**10**	14
Cash and cash equivalents	**2**	26
Total assets	**420**	497
Liabilities		
Current financial liabilities (excluding trade payables)	**19**	5
Other current liabilities	**7**	6
Total liabilities	**26**	11
Net assets	**394**	486
Summarised statement of comprehensive income/(loss)		
Income	**117**	118
Depreciation and amortisation	**(6)**	(6)
Loss before income tax	**(8)**	(3)
Income tax credit	**2**	–
Loss for the year	**(6)**	(3)
Reconciliation of summarised financial information		
A reconciliation of the summarised financial information to the carrying amount of the group's interest in its joint venture is as follows:		
Opening net assets	**486**	380
Loss for the year	**(6)**	(3)
Other comprehensive income – foreign currency translation	**(18)**	109
Closing net assets attributable to owners	**462**	486
Interest in joint venture (%)	**50.0**	50.0
Interest in joint venture	**231**	243
Translation	**(105)**	(114)
Carrying value of investment in joint venture	**126**	129

23. Available-for-sale financial assets

	2017 Rm	2016 Rm
At fair value		
At 1 April	**252**	–
Additions	**1 272**	252
Gain on deemed disposal of financial asset classified as available-for-sale	**46**	–
Acquisition of subsidiary (note 43.1)	**(298)**	–
At 31 March	**1 272**	252

SunWest and Worcester casinos

During April 2016, 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 and Worcester for an aggregate R1.35 billion, payable in 18 monthly instalments of R75 million each, funded from available cash balances. Subsequently, the full amount of the liability was settled during the year under review and therefore the acquisition cost of R1.27 billion represents the discounted amount (the effective interest of R48 million included in finance costs – note 14). 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. A discounted cash flow valuation was used to estimate the fair value which equated to its cost of R1.27 billion. No adjustment to the carrying amount was required. The valuation model considers the present value of net cash flows to be generated from SunWest and Worcester, together with its 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 operate.

Deferred tax of R11 million at the capital gains tax rate of 22.4% has arisen on this investment due to the temporary differences between the tax value (R1.32 billion) and book value (R1.27 billion) – refer note 15.

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

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

	Increase Rm	Decrease Rm
Expected gaming win growth	**265**	(245)
Operating expenditure cost growth	**(203)**	188
Risk-adjusted discount rate	**(185)**	251
Long-term growth rate	**143**	(106)
Total	**20**	88

23. Available-for-sale financial assets continued

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 2017.

HPF

The group acquired 55% of the HPF B-linked units (27% of the voting interest) in August 2015. During the year under review, the group acquired a controlling stake through the injection of hotel assets such that the issue of shares to the group resulted in the group owning 50.6% of the shares following the reconstitution of HPF's capital into a single class of shares. The remaining administrative conditions precedent to the transaction were fulfilled in August 2016 and the effective date of the transaction was 1 September 2016. This investment was classified as a level 1 financial instrument. Refer note 43.1 *Business combinations* for further details.

24. Non-current receivables

	2017 Rm	2016 Rm
Financial instruments		
Prepayments – lease deposits	**43**	41
Other	**11**	17
	54	58
Non-financial instruments		
Prepayments	**6**	10
	60	68
Non-current receivables are denominated in the following currencies:		
SA Rand	**17**	27
US Dollar	**43**	41
	60	68

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[2] Rm	Provisions and accruals[3] Rm	Deferred revenue Rm	Tax losses Rm	Fair value gains Rm	Total Rm
Deferred tax liabilities							
Balance at 1 April 2015 as previously reported	2 015	22	(148)	(10)	(10)	(1)	1 868
Recognition of fair value of investment properties net of deferred tax	–	3	–	–	–	–	3
Balance at 1 April 2015 restated[1]	2 015	25	(148)	(10)	(10)	(1)	1 871
Acquisition of business	5	–	–	–	–	–	5
Income statement and currency translation expense	32	2	92	6	–	–	132
Deferred tax (credit)/expense relating to components of other comprehensive income	–	–	(4)	–	–	1	(3)
Change in capital gains tax inclusion rate	54	–	–	–	–	–	54
Balance at 31 March 2016 restated[1]	2 106	27	(60)	(4)	(10)	–	2 059
Income statement and currency translation expense/(credit)	**260**	**(8)**	**(197)**	**(13)**	**(84)**	**–**	**(42)**
Deferred tax expense relating to components of other comprehensive income	**–**	**11**	**1**	**–**	**–**	**–**	**12**
Deferred tax liability at 31 March 2017	**2 366**	**30**	**(256)**	**(17)**	**(94)**	**–**	**2 029**
Deferred tax assets							
Balance at 1 April 2015	(63)	3	188	9	18	25	180
Income statement and currency translation (credit)/expense	(105)	(3)	149	7	6	–	54
Deferred tax expense relating to components of other comprehensive income	–	–	(5)	–	–	(44)	(49)
Balance at 31 March 2016	(168)	–	332	16	24	(19)	185
Income statement and currency translation expense/(credit)	**155**	**(1)**	**(259)**	**(11)**	**18**	**–**	**(98)**
Deferred tax credit relating to components of other comprehensive income	**–**	**–**	**–**	**–**	**–**	**34**	**34**
Deferred tax asset at 31 March 2017	**(13)**	**(1)**	**73**	**5**	**42**	**15**	**121**
Total net deferred tax liability/(asset)	**2 379**	**31**	**(329)**	**(22)**	**(136)**	**(15)**	**1 908**

[1] *Restatement in respect of IAS 40* Investment Properties *– refer notes 1b and 45 for details*
[2] *Includes investment property, available-for-sale financial assets and prepaid expenditure*
[3] *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 is provided on the full estimated tax loss of the group of R486 million (2016: R121 million) mainly incurred by Ikoyi Hotels Limited, Southern Sun Hotels (Tanzania) Limited, Southern Sun (Mozambique) Limitada, Southern Sun Hotels Kenya Limited and various SUN1 brand entities.

26. Inventories

	2017 Rm	2016 Rm
Food and beverage	**45**	41
Operating equipment	**29**	44
Consumable stores	**41**	40
	115	125
The cost of inventories recognised as an expense and included in other operating expenses	**545**	510

There was no write-off of inventories during the year under review (2016: Rnil).

27. Non-current assets held for sale

	2017 Rm	2016 Rm
Opening net carrying amount	–	–
Transfers	67	–
Disposals	(1)	–
Closing net carrying amount	**66**	–

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. 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.

28. Trade and other receivables

	2017 Rm	2016 Rm
Financial instruments		
Trade receivables	389	345
Deposits	123	116
Derivative financial instruments current portion (note 33)	14	15
Other receivables	52	67
Trade and other receivables – net	578	543
Non-financial instruments		
Prepayments	107	116
Straight-lining of operating leases	11	10
	118	126
Total trade and other receivables	696	669

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 its fair value due to the short-term nature of trade and other receivables. The increase in trade receivables is mainly due the acquisition of HPF. 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 2017, trade receivables of R235 million (2016: R261 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:

	2017 Rm	2016 Rm
30 to 60 days	178	176
60 to 90 days	6	15
More than 90 days	51	70
	235	261

Impairment – trade receivables

At 31 March 2017, trade receivables of R35 million (2016: R27 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:

	2017 Rm	2016 Rm
At 1 April	27	20
Provision for receivables impairment	11	12
Receivables written off as uncollectible	(1)	(2)
Unused amounts reversed	(1)	(3)
Currency translation	(1)	–
At 31 March	35	27

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.

28. Trade and other receivables continued

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

	2017 Rm	2016 Rm
SA Rand	**620**	562
US Dollar	**21**	25
Tanzanian Shilling	**15**	13
Nigerian Naira	**13**	28
Mozambican Metical	**10**	12
Other	**17**	29
	696	669

29. Cash and cash equivalents

	2017 Rm	2016 Rm
Current accounts	**2 154**	2 272
Call and fixed deposit accounts	**134**	125
Cash	**136**	95
Gross cash and cash equivalents	**2 424**	2 492
Less: Bank overdrafts (note 32)	**(1 699)**	(2 013)
Net cash and cash equivalents per cash flow statement	**725**	479
Gross cash and cash equivalents are denominated in the following currencies:		
SA Rand	**2 348**	2 437
US Dollar	**24**	16
Nigerian Naira	**21**	11
Mozambican Metical	**13**	13
Euro	**11**	5
Other	**7**	10
	2 424	2 492

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 2015 and 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**

** Amount less than R1 million*

The total authorised number of ordinary shares is 1 200 000 000 (2016: 1 200 000 000) with a par value of 2 cents per share (2016: 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.

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

	Share-based payment reserve Rm	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	Total Rm
Balance at 1 April 2015	121	–	130	(940)	(65)	312	(442)
Cash flow hedges	–	–	–	–	117	–	117
Fair value gains during the year	–	–	–	–	162	–	162
Deferred tax on fair value gains	–	–	–	–	(45)	–	(45)
Currency translation adjustments	–	–	–	–	–	214	214
Transfer to retained earnings	(121)	–	–	–	–	–	(121)
Balance at 31 March 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 (note 23)	**–**	**(11)**	**–**	**–**	**–**	**–**	**(11)**
Settlement of Cullinan put liability with non-controlling interests (note 44.1)	**–**	**–**	**–**	**493**	**–**	**–**	**493**
Consideration to HPF non-controlling interests in hotels assets (note 43.1)	**–**	**–**	**–**	**968**	**–**	**–**	**968**
Acquisition of Mykonos and Blackrock casinos' non-controlling interests (note 44.2)	**–**	**–**	**–**	**(161)**	**–**	**–**	**(161)**
Balance at 31 March 2017	**–**	**(11)**	**130**	**360**	**(35)**	**430**	**874**

32. Interest-bearing borrowings

	2017 Rm	2016 Rm
Bank borrowings	**11 889**	9 211
Corporate bonds (domestic medium-term note programme)	**982**	–
Bank overdrafts	**1 699**	2 013
Loan from non-controlling interests	**–**	553
	14 570	11 777
Less: Facility raising fees	**(33)**	(37)
	14 537	11 740
Analysed as:		
Non-current portion	**9 439**	8 346
Current portion	**5 098**	3 394
	14 537	11 740
Secured	**14 490**	11 777
Unsecured	**80**	–
	14 570	11 777
The maturity of borrowings is as follows:		
Not later than 1 year	**5 098**	3 394
Later than 1 year and not later than 5 years	**9 439**	7 838
Later than 5 years	**–**	508
	14 537	11 740

32. Interest-bearing borrowings continued

	2017 Rm	2016 Rm
The following represents the book amount of the security for these borrowings:		
Property, plant and equipment (note 17)	**5 704**	4 964
Investment properties (note 18)	**4 843**	–
Intangible assets (note 20)	**48**	52
Available-for-sale financial assets (note 23)	**1 272**	–
Inventories (note 26)	**66**	75
Non-current investment property held for sale (note 27)	**66**	–
Pledge of cash in bank accounts (note 29)	**2 101**	1 790
Cession of Tsogo Sun shares (treasury shares)	**631**	540
	14 731	7 421
The carrying amounts of the group's borrowings are denominated in the following currencies:		
SA Rand	**13 555**	10 644
US Dollar	**982**	1 096
	14 537	11 740
The group has the following committed direct facilities (from banks and corporate bonds):		
Expiring within 1 year	**1 050**	1 830
Expiring beyond 1 year	**14 459**	12 462
	15 509	14 292
Undrawn facility of committed direct bank borrowings	**2 638**	4 528
Weighted average effective interest rates (excluding leases, including cash held in call accounts)	**9.37%**	9.08%

The increase in interest-bearing borrowings over the prior year is mainly due to the consolidation of the HPF debt of R1.7 billion (refer note 43.1), 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 SA Rand and US Dollar lenders of the above loans ranging between 3.45% and 9.84% (2016: 3.45% and 10.36%). 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)).

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

	Carrying amount		Fair value	
	2017 Rm	2016 Rm	2017 Rm	2016 Rm
Analysis of long and medium-term borrowings is as follows:				
Bank borrowings	**9 149**	7 793	**9 255**	8 073
Corporate bonds (domestic medium-term note programme)	**290**	–	**295**	–
Loan from non-controlling interests	**–**	553	**–**	508
	9 439	8 346	**9 550**	8 581

33. Derivative financial instruments

	2017 Rm	2016 Rm
Derivative financial instruments are made up as follows:		
Liberty Group Limited ('Liberty') put option (note 33.1)	–	492
Interest rate swaps – cash flow hedges (note 33.2)		
Tsogo Sun Proprietary Limited	**50**	(71)
Silverstar Casino Proprietary Limited	–	(1)
HPF	**1**	–
Net liabilities	**51**	420
Less: Current portion liability (net)	**(14)**	(2)
Non-current portion liability (net)	**37**	418
Non-current portion made up as follows:		
Asset	–	(74)
Liability	**37**	492
	37	418

33.1 Liberty put option

An agreement was concluded in December 2016 with Liberty for the acquisition by the group of the remaining 40% of the issued share capital of The Cullinan Hotel Proprietary Limited ('Cullinan'), a group subsidiary, held by Liberty, and all of Liberty's claims on loan accounts against Cullinan howsoever arising, with effect from 1 December 2016 for a consideration of R1.03 billion. A fair value gain was recognised on the settlement of the derivative of R35 million and has been included in finance costs – refer note 44.1.

33.2 Interest rate swaps

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 R6 million (2016: Rnil). Refer also notes 50.1(c) *Liquidity risk* and 52 *Fair value estimation*.

	2017 Rm	2016 Rm
The notional amounts of the outstanding effective interest rate swap contracts at 31 March were:		
Tsogo Sun Proprietary Limited linked to the three-month JIBAR		
With a fixed rate of 7.68% maturing 31 March 2018	**200**	400
With a fixed rate of 6.46% maturing 31 March 2018	**1 500**	1 500
With a fixed rate of 8.045% maturing 30 June 2021	**1 000**	1 000
With a fixed rate of 8.09% maturing 30 June 2021	**2 000**	2 000
With a fixed rate of 7.80% maturing 30 June 2021	**500**	–
With a fixed rate of 7.82% maturing 30 June 2021	**500**	–
Silverstar Casino Proprietary Limited linked to the one-month JIBAR		
With a fixed rate of 7.22%, excluding credit and liquidity margins, maturing 3 April 2018	**255**	405
	5 955	5 305
HPF		
With a fixed rate of 7.05% maturing 4 September 2017	**200**	–
With a fixed rate of 7.595% maturing 2 October 2017	**300**	–
With a fixed rate of 6.78% maturing 5 February 2018	**346**	–
With a fixed rate of 7.88% maturing 14 February 2019	**250**	–
	1 096	–
Total notional amounts of interest rate swaps	**7 051**	5 305

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 two provident funds: the Alexander Forbes Retirement Fund and the Gold Reef Provident 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.

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 R35 million (2016: R36 million) and the present value of the plan assets is R31 million (2016: R30 million).

	2017 **%**	2016 %
The principal actuarial assumptions used for the valuation were:		
Discount rate	**9.50**	9.80
Healthcare cost inflation	**9.00**	9.40
Expected return on plan assets	**9.50**	9.80
Remuneration inflation	**8.50**	8.90

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 comprises cash for both 2017 and 2016 with values of R31 million and R30 million respectively.

The expected long-term rate of return on medical aid assets of 9.50% (2016: 9.80%) is determined by using a standard 0% margin on the assumed rate of discount as per the revised IAS 19. The discount rate of 9.50% per annum is based on current bond yields of appropriate term gross of tax as required by IAS 19 *Employee Benefits*. 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 2017 (2016: 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.

	2017 Rm	2016 Rm
Financial instruments		
Gaming customer reward programme deferred liability	**19**	23
Non-financial instruments		
Hotel customer reward programme	**87**	73
Total customer reward programmes	**106**	96
Less: Current portion	**(77)**	(72)
Non-current portion	**29**	24

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 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 Rm
MN von Aulock (CEO – resigned 1 June 2017)[(1)]	3 339 806	86
J Booysen (CEO – appointed 1 June 2017)	1 825 243	47
RB Huddy (CFO)	1 048 543	27
GD Tyrrell	776 699	20
FV Dlamini	776 699	20
	7 766 990	200

[(1)] *It has been agreed with MN von Aulock that the shares be disposed of in an orderly manner and the loan be repaid by December 2017*

36. Long-term incentive plans continued

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:

	2017	2016
Average share price utilised to value the liability	**R28.00**	R28.60
Number of appreciation units granted and outstanding ('000)	**31 488**	33 238
Number of appreciation units vested and outstanding ('000)	**15 824**	17 456

The group recognised an expense of R49 million (2016: R43 million) related to this bonus appreciation plan during the year and at 31 March 2017 the group had recorded liabilities of R148 million (2016: R234 million) in respect of this plan. The current portion of this liability is R129 million (2016: R200 million).

36.3 Total long-term incentive liabilities

	2017 Rm	2016 Rm
The Tsogo Sun Share Appreciation Bonus Plan (note 36.2)	**148**	234
Cash-settled share-based long-term incentive plan	**–**	3
	148	237
Less: Current portion	**(129)**	(203)
Non-current portion	**19**	34

37. Provisions

	2017 Rm	2016 Rm
At 1 April		
Long-service awards	**183**	168
Short-term incentives	**214**	141
Jackpot provisions	**11**	13
	408	322
Created during the year		
Long-service awards	**25**	24
Short-term incentives	**183**	210
Jackpot provisions	**139**	94
	347	328
Utilised during the year		
Long-service awards	**(9)**	(9)
Short-term incentives	**(217)**	(137)
Jackpot provisions	**(140)**	(96)
	(366)	(242)
At 31 March		
Long-service awards	**199**	183
Short-term incentives	**180**	214
Jackpot provisions	**10**	11
Total provisions	**389**	408
Less: Current portion	**(179)**	(235)
Non-current portion	**210**	173

37. Provisions continued

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.

	2017 Rm	2016 Rm
Movement in unfunded obligation:		
Benefit obligation at 1 April	**183**	168
Interest cost	**18**	13
Service cost	**17**	19
Actuarial gain	**(10)**	(8)
Benefits paid	**(9)**	(9)
Obligation at 31 March	**199**	183
The amounts recognised in the income statement are as follows:		
Interest cost	**18**	13
Current service cost	**17**	19
Actuarial gain	**(10)**	(8)
	25	24
The principal actuarial assumptions used for accounting purposes are:		
Discount rate	**8.90%**	9.50%
Inflation rate	**6.30%**	7.20%
Salary increase rate	**6.80%**	7.70%
Pre-retirement mortality rate	**SA 85 – 90 (Light) table**	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	**199**	183
Experience adjustment on plan obligations	**–**	–
There are no plan assets in respect of the long-service award liability.		

38. Other non-current liabilities

	2017 Rm	2016 Rm
Straight-lining of operating leases	**288**	300
Less: Current portion	**(39)**	(28)
Non-current portion	**249**	272

The straight-lining of operating leases relates to the Sandton Convention Centre and various leases of property within the group's portfolio of hotels. The Sandton Convention Centre lease expires in August 2020 and the hotel leases are ongoing. Refer note 47 *Operating lease commitments*.

39. Trade and other payables

	2017 Rm	2016 Rm
Financial instruments	**1 126**	951
Trade payables	**287**	238
Accrued expenses	**314**	243
Advance deposits	**89**	85
Derivative financial instruments current portion (note 33)	**28**	17
Deferred income current portion (note 35)	**19**	23
Other payables	**389**	345
Non-financial instruments	**741**	816
VAT payable	**96**	94
Leave pay liability	**122**	115
Payroll-related payables	**80**	58
Gaming levies	**38**	34
Deferred revenue current portion (note 35)	**58**	49
Long-term incentive liabilities current portion (note 36.3)	**129**	203
Provisions current portion (note 37)	**179**	235
Straight-lining of operating leases current portion (note 38)	**39**	28
	1 867	1 767

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. The increase in trade payables is mainly due to the acquisition of HPF.

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

	2017 Rm	2016 Rm
SA Rand	**1 738**	1 630
Nigerian Naira	**37**	45
Kenyan Shilling	**22**	20
Tanzanian Shilling	**17**	9
Seychelles Rupee	**15**	17
Mozambican Metical	**14**	14
US Dollar	**12**	19
Zambian Kwacha	**10**	11
United Arab Emirates Dirham	**2**	2
	1 867	1 767

40. Cash generated from operations

	2017 Rm	2016 Restated[1] Rm
Operating profit	**4 699**	3 425
Adjusted for non-cash movements and dividends received:		
Amortisation and depreciation (note 10)	**846**	812
Impairment charge for bad and doubtful debts, net of reversals (note 28)	**11**	15
Operating equipment usage	**60**	56
Straight-lining of operating leases and other lease adjustments	**(9)**	3
Movement in provisions (note 37)	**347**	328
Long-term incentive expense (note 36.2)	**49**	46
Loss on disposal of property, plant and equipment	**12**	5
Impairment of property, plant and equipment (note 17)	**77**	7
Gain on disposal of investment property	**(36)**	–
Fair value gain on investment properties (note 18)	**(757)**	(25)
Impairment of intangible asset (note 20)	**1**	10
Gain on bargain purchases (note 43)	**(82)**	–
Gain on deemed disposal of financial asset classified as available-for-sale (note 23)	**(46)**	–
Fair value loss on interest rate swaps (note 33.2)	**6**	–
Impairment of financial instruments	**7**	4
Reversal of impairment of financial instruments	**(3)**	–
Dividends received from available-for-sale financial assets (note 7)	**(84)**	(16)
Translation impact on the income statement	**22**	10
Other non-cash moves and adjustments	**4**	(7)
Cash generated from operations before working capital movements	**5 124**	4 673
Working capital movements		
Increase in inventories	**(25)**	(33)
Decrease/(increase) in trade and other receivables	**91**	(12)
Decrease in payables and provisions	**(414)**	(252)
Cash generated from operations	**4 776**	4 376

[1] *Restatement in respect of IAS 40* Investment Properties *– refer notes 1b and 45 for details*

41. Income tax paid

	2017 Rm	2016 Rm
Tax liability at 1 April	**(6)**	(22)
Current tax provided	**(637)**	(639)
Withholding tax	**(6)**	(5)
Currency translation	**4**	3
Tax liability at 31 March	**18**	6
	(627)	(657)

42. Dividends paid to the company's shareholders

	2017 Rm	2016 Rm
Unclaimed dividends owing to shareholders at 1 April	**(1)**	(1)
Ordinary dividends declared (note 16)	**(975)**	(878)
Unclaimed dividends owing to shareholders at 31 March	**1**	1
	(975)	(878)

43. Business combinations

43.1 Acquisition of a controlling interest in HPF

The group acquired 55% of the HPF B-linked units (27% of the voting interest) in August 2015. During the year under review, the group acquired a controlling stake through the injection of hotel assets such that the issue of shares to the group resulted in the group owning 50.6% of the shares following the reconstitution of HPF's capital into a single class of shares. The remaining administrative conditions precedent to the transaction were fulfilled in August 2016 and the effective date of the transaction was 1 September 2016.

The group acquired HPF in keeping with its strategy of creating an entertainment and hospitality-focused REIT.

The fair valuation of the net assets acquired is greater than the fair value of the consideration paid at the date of acquisition, and the group has recognised a bargain purchase of R13 million in the income statement with no intangible assets having been identified in respect of this acquisition. The acquired business contributed incremental revenues of R299 million and adjusted earnings of R37 million to the group for the period from date of control to 31 March 2017. Had the acquisition occurred on 1 April 2016, group income would have increased by an additional R128 million and adjusted earnings would have decreased by R5 million due to the impact of seasonality on HPF's earnings. These amounts have been calculated using the group's accounting policies. The fair value of net assets acquired is as follows:

		Rm
Investment properties		4 185
Property, plant and equipment		742
Associates		1
Other		5
Other current assets		
– Trade and other receivables		48
– Cash and cash equivalents		189
Interest-bearing borrowings		(1 725)
Derivative financial instruments		(1)
Other current liabilities		
– Trade and other payables		(59)
– Provisions and other liabilities		(161)
Total identifiable net assets acquired		3 224
Less: Non-controlling interests acquired from HPF		(1 592)
Net assets acquired from HPF		1 632
Less: Purchase consideration in the form of hotel assets to non-controlling interests which comprises:		(1 321)
Consideration in the form of assets to non-controlling interests	(353)	
Gain from transacting with non-controlling interests	(968)	
Less: Previously held shares (27% voting interest) acquired at fair value (note 23)		(298)
Bargain purchase on acquisition recognised in profit or loss		13
Net inflow of cash on acquisition of HPF:		
Cash consideration to acquire HPF		–
Add: Cash balances acquired with HPF		189
Net inflow of cash – investing activities		189

On acquiring HPF, the group transacted with non-controlling interests. The fair value of the non-controlling interests acquired was R1.592 billion in exchange for the injection of hotel assets to HPF with a fair value of R1.321 billion of which the non-controlling interests' portion was R353 million.

No deferred tax was accounted for on this business combination due to HPF's REIT tax status.

Acquisition-related costs of R24 million have been incurred of which R16 million has been recognised in other operating expenses in the income statement, the balance of R8 million in the prior year.

The fair value of trade and other receivables of R48 million includes trade receivables with a fair value of R14 million. The gross contractual amount for trade receivables due is R14 million. All trade debtors are expected to be collectible.

A pre-acquisition dividend was paid in September 2016 by the group of R133 million out of cash acquired with the subsidiary.

43. Business combinations continued

43.2 Acquisition of Garden Court Umhlanga and StayEasy Pietermaritzburg hotel businesses

Cullinan, a group subsidiary, concluded agreements with Liberty to acquire two hotel businesses, Garden Court Umhlanga and StayEasy Pietermaritzburg. The effective date was 1 October 2016.

The acquired businesses were previously managed by the group and the acquisition thereof is in line with management's strategy to own its operations. The fair values of the net assets acquired are greater than the fair values of the considerations paid at the date of acquisition, and therefore the group has recognised a bargain purchase of R69 million in the income statement with no intangible assets having been identified on these acquisitions. In line with the group's accounting policies, the fair value of the assets acquired was obtained by applying a valuation technique performed on a discounted cash flow basis. The acquired businesses contributed incremental revenues of R52 million and adjusted earnings of R5 million to the group for the period from acquisition to 31 March 2017. Had the acquisition occurred on 1 April 2016, group income would have increased by an additional R51 million and adjusted earnings would have increased by an additional R7 million. These amounts have been calculated excluding the funding impact of the acquisition and using the group's accounting policies. The fair value of net assets acquired is as follows:

	Rm
Property, plant and equipment	379
Other current assets	
– Trade and other receivables	4
Other current liabilities	
– Trade and other payables	(1)
– Accruals and other liabilities	(3)
Total identifiable net assets acquired	379
Purchase consideration paid in cash – investing activities	(310)
Bargain purchase on acquisition recognised in profit or loss	69

44. Transactions with non-controlling interests

44.1 Acquisition of remaining 40% Liberty interest in Cullinan

As per note 33.1, during the 2015 year end the group entered into a call option over Liberty's 40% shareholding in Cullinan and Liberty had a corresponding put option, both exercisable at the fair value of the shares. A financial liability for the put option and a corresponding debit of R493 million to transactions with non-controlling interests (in 'Other reserves') was recognised on initial recognition. At the end of each reporting period the liability was remeasured and the increase or decrease recognised in the income statement. An agreement was concluded in December 2016 with Liberty for the acquisition by the group of the remaining 40% of the issued share capital of Cullinan held by Liberty, and all of Liberty's claims on loan accounts against Cullinan howsoever arising, with effect from 1 December 2016 for a consideration of R1.03 billion. A fair value gain was recognised on the settlement of the derivative of R35 million and has been included in finance costs. On acquisition of the 40% Liberty interest in Cullinan, the group acquired the non-controlling interests resulting in a decrease in the non-controlling interests of R306 million, and a reversal of R493 million being the original put option mentioned above, resulting in a net debit to retained earnings of R187 million.

	Rm
Purchase consideration for 40% equity interest in Cullinan made up as follows:	
Settlement of loan (including capitalised interest) with Liberty	(572)
Settlement of the put liability	(458)
	(1 030)
Outflow of cash to acquire 40% interest in Cullinan:	
Borrowings repaid – financing activities	(508)
Accrued finance costs settled – operating activities	(64)
Acquisition of non-controlling interests – financing activities	(458)
Total cash outflow to Liberty	(1 030)

44. Transactions with non-controlling interests continued

44.2 Acquisition of remaining Mykonos and Blackrock casinos' non-controlling interests

West Coast Leisure Proprietary Limited (Mykonos Casino) acquired 29.64% of its shares from Club Mykonos Langebaan with effect from 12 December 2016 in the form of a share buy-back, for a purchase consideration of R193 million, including interest. The group now effectively owns a 100% interest in West Coast Leisure Proprietary Limited. This share buy-back resulted in a decrease to the non-controlling interests of R37 million.

Also, gaming board approval was received and the shares of the Tsogo Sun Newcastle Employee Share Trust (comprising a 1.92% shareholding in Tsogo Sun Newcastle Proprietary Limited), were acquired for a purchase consideration of R5 million in December 2016. The group now effectively owns a 100% interest in Tsogo Sun Newcastle Proprietary Limited (Blackrock Casino).

The aggregate of these acquisitions from non-controlling interests is R198 million with a resulting decrease in the related non-controlling interests of R37 million.

44.3 HPF non-controlling interests

On acquiring HPF, the group transacted with non-controlling interests. The fair value of the non-controlling interests acquired was R1.592 billion in exchange for the injection of hotel assets to HPF with a fair value of R1.321 billion of which the non-controlling interests' portion was R353 million (refer note 43.1).

45. Prior year restatements

As explained in note 1b *Changes in accounting policies*, prior to the acquisition of HPF (refer note 43.1), the group accounted for its investment properties at cost. HPF's investment properties are accounted for at fair value, and therefore, on acquisition the group changed its policy to comply with that of HPF for uniformity. This change in accounting policy has been summarised below:

	31 March 2016 Restated Rm
Income statement	
Other operating expenses as previously stated	(3 374)
Adjustment in respect of change in accounting policy[1]	(8)
Other operating expenses restated	(3 382)

[1] *Note that the fair value adjustment of investment properties (R25 million) is now reflected separately on the income statement for enhanced disclosure*

	31 March 2016 Restated Rm
Other comprehensive income	
Other comprehensive income as previously stated	2 141
Adjustment in respect of change in accounting policy	14
Other comprehensive income restated	2 155
Cash flow statement	
Operating profit as previously stated	3 408
Adjustment in respect of change in accounting policy	17
Operating profit restated	3 425
Adjusted non-cash movements:	1 248
Non-cash movements as previously stated	1 265
Adjustment in respect of change in accounting policy	(17)
Cash generated from operations before working capital movements before and after restatement (unchanged)	4 673

	31 March 2016 Restated Rm	1 April 2015 Restated Rm
Balance sheet		
Investment property as previously stated	79	109
Adjustment in respect of change in accounting policy	29	12
Investment property restated	108	121
Deferred tax liability		
Deferred tax liability as previously stated	2 053	1 868
Adjustment in respect of change in accounting policy	6	3
Deferred tax liability restated	2 059	1 871

The abovementioned changes in accounting policies have been applied retrospectively and increased earnings per share from 186.8 cents to 188.3 cents, an increase of 1.5 cents per share for 2016.

This change in accounting policy had no effect on headline or adjusted headline earnings.

46. Related parties

The company's ultimate majority shareholder is HCI (a company listed on the JSE) which indirectly owns 48.0% of the company's issued share capital (excluding treasury shares) which is the majority shareholder of Tsogo Investment Holding Company Proprietary Limited directly owning 48.0% of the company's issued share capital (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.

	2017 Rm	2016 Rm
46.1 Transactions with related parties		
Rentals received:		
Associates		
Vexicure	**109**	–
Ash Brook	**24**	–
Other associates	**11**	10
	144	10

46.2 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, IFRS 2 share-based payments and fees paid to key management during the year by the group are as follows:

46.2.1 Executive directors

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

	Year ended 31 March 2016				
	Basic remuneration R'000	Benefits R'000	Short-term incentives[2] R'000	Long-term incentives R'000	Total paid R'000
MN von Aulock[3]	5 497	1 120	2 253	6 179	15 049
RB Huddy	2 849	637	1 161	2 404	7 051
Total remuneration	8 346	1 757	3 414	8 583	22 100

(1) *Short-term incentives paid relate to the achievement against target for 2016*
(2) *Short-term incentives paid relate to the achievement against target for 2015*
(3) *Resigned 1 June 2017*

46.2.2 Non-executive directors

	Directors' fees for the year ended 31 March	
	2017 R'000	2016 R'000
JA Copelyn	**920**	868
MSI Gani[1]	**276**	–
MJA Golding	**264**	310
BA Mabuza	**390**	315
VE Mphande	**264**	249
JG Ngcobo	**335**	315
Y Shaik	**407**	381
RG Tomlinson[2]	**401**	501
	3 257	2 939

(1) *Appointed 11 August 2016*
(2) *Resigned 11 August 2016*

46. Related parties continued

46.2 Key management compensation continued

46.2.3 Other key management and prescribed officers

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

	Year ended 31 March 2016				
	Basic remuneration R'000	Benefits R'000	Short-term incentives[2] R'000	Long-term incentives R'000	Total paid R'000
J Booysen[3]	3 342	951	1 013	1 166	6 472
RF Weilers	3 720	–	718	5 150	9 588
Total remuneration	7 062	951	1 731	6 316	16 060

(1) *Short-term incentives paid relate to the achievement against target for 2016*
(2) *Short-term incentives paid relate to the achievement against target for 2015*
(3) *Appointed CEO 1 June 2017*

During the 2015 year end, the group granted interest-free loans to the participating executives in the IFRS 2 *Share-based Payment* scheme as shown in note 36.1 which are secured by the shares taken up by these participating executives. These loans have no specified 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 5 of the consolidated annual financial statements.

46.3 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 leases of property within the group's portfolio of hotels, as well as the Sandton Convention Centre. The group's main lease, 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:

	2017 Rm	2016 Rm
Not later than 1 year	**211**	200
Later than 1 year and not later than 5 years	**651**	792
Later than 5 years	**739**	802
	1 601	1 794
Present value of lease guarantees above	**982**	1 079

47. Operating lease commitments continued

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 arise on the acquisition of HPF by the group during the year under review (refer note 43.1). 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 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 was R445 million (2016: R133 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:

	2017 Rm	2016 Rm
Not later than 1 year	**266**	77
Later than 1 year and not later than 5 years	**729**	86
Later than 5 years	**1 412**	1
	2 407	164

The increase over 2016 is mainly due to the consolidation of HPF as mentioned above.

48. Future capital expenditure

	2017 Rm	2016 Rm
Authorised by directors but not yet contracted for:		
Property, plant and equipment	**5 003**	4 374
Investment property	**165**	–
Intangible assets: software	**9**	21
	5 177	4 395
Authorised by directors and contracted for:		
Property, plant and equipment	**723**	506
	723	506

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 R159 million (2016: R158 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 (2016: R21 million) for utility expenses.

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, with no recourse to the South African operations. As a result, no forward cover contracts are required in respect of this debt. The group does not hedge currency exposures from the translation of profits earned in foreign currency subsidiaries, associates and joint ventures.

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

(ii) Interest rate risk

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

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 2017, 55% (2016: 54%) of consolidated gross borrowings and 58% (2016: 57%) of consolidated net borrowings were in fixed rates taking into account interest rate swaps.

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% (2016: fixed interest rate swaps ranged from 6.46% to 8.09% as at 31 March 2016 referenced against the three-month JIBAR of 7.233%, as well as one-month JIBAR of 7.033%).

50. Financial risk management continued

50.1 Financial risk factors continued

Risk management process continued

a) *Market risk* continued

(ii) *Interest rate risk* continued

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

	2017 Rm	2016 Rm
Linked to the Rand Overnight Deposit Index	**352**	210
Linked to one-month JIBAR	**340**	645
Linked to three-month JIBAR	**4 142**	2 504
Linked to three-month USD LIBOR	**986**	1 100
	5 820	4 459

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	
	2017 Rm	2016 Rm
Fixed rate instruments		
Financial assets	**55**	48
Financial liabilities	**–**	–
	55	48
Variable rate instruments		
Financial assets	**2 233**	2 351
Financial liabilities	**(12 871)**	(9 764)
	(10 638)	(7 413)

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 R53 million (2016: R41 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 2016.

(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 2017, 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 28 *Trade and other receivables* for further credit risk analyses in respect of trade and other receivables.

50. Financial risk management continued

50.1 Financial risk factors continued

Risk management process continued

c) Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, group treasury aims to maintain flexibility in funding by keeping committed credit lines available. Although current liabilities exceed current assets at 31 March 2017, 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 2017, the group had 17% (2016: 32%) 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.

	2017 Rm	2016 Rm
Debt at 1 April	**(9 764)**	(10 138)
Net (increase)/decrease in debt during the year	**(3 107)**	374
Debt at 31 March	**(12 871)**	(9 764)
Credit facilities[1]	**15 509**	14 292
Headroom available	**2 638**	4 528

[1]*Excludes indirect facilities (letters of guarantees, forward exchange contracts and letters of credit) and bank overdrafts, and prior year included non-controlling interests*

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:

	2017 facility			2016 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**	**653**	**547**	1 200	811	389
Term facilities maturing 30 June 2017	**1 500**	**1 500**	**–**	1 500	1 500	–
Term facilities maturing 20 August 2017	**81**	**81**	**–**	–	–	–
Term facilities maturing 31 January 2018	**151**	**151**	**–**	–	–	–
Term facilities maturing 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	**295**	**295**	**–**	449	449	–
Term facilities maturing 31 October 2018	**30**	**30**	**–**	–	–	–
Term facilities maturing 31 March 2019	**100**	**2**	**98**	–	–	–
Term facilities maturing 15 April 2019	**235**	**235**	**–**	–	–	–
Term facilities maturing 31 October 2019	**400**	**349**	**51**	–	–	–
Term facilities maturing 20 February 2020	**61**	**61**	**–**	–	–	–
Term facilities maturing 31 March 2020	**40**	**31**	**9**	4 000	2 100	1 900
Term facilities maturing 30 June 2020	**4 834**	**4 834**	**–**	1 928	1 928	–
Term facilities maturing 31 March 2021	**201**	**201**	**–**	4 473	2 423	2 050
Term facilities maturing 1 June 2021	**178**	**178**	**–**	–	–	–
Term facilities maturing 30 June 2021	**4 200**	**2 861**	**1 339**	–	–	–
Term facilities maturing 31 December 2021	**201**	**194**	**7**	–	–	–
Term facilities maturing 31 March 2022	**790**	**559**	**231**	–	–	–
Other term and non-controlling interests funding	**–**	**–**	**–**	553	553	–
	15 509	**12 871**	**2 638**	14 292	9 764	4 528

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
At 31 March 2017				
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**	**–**	**–**	**–**
	7 287	**1 294**	**10 312**	**–**
At 31 March 2016				
Bank borrowings	2 310	2 620	7 157	–
Bank overdrafts	2 013	–	–	–
Loan from non-controlling interests	85	59	178	691
Obligations under finance leases	16	2	–	–
Derivative financial instruments	2	(34)	452	–
Trade and other payables	934	–	–	–
Financial guarantee contracts	12	–	–	–
	5 372	2 647	7 787	691

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. Financial risk management continued

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
At 31 March 2017								
Financial assets								
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**
Financial liabilities								
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**
At 31 March 2016								
Financial assets								
Investments in associates	7	–	–	–	484	491	491	–
Available-for-sale financial assets	–	252	–	–	–	252	252	–
Non-current receivables	58	–	–	–	10	68	68	–
Derivative financial instruments	–	–	74	–	–	74	74	–
Trade and other receivables	528	–	15	–	126	669	–	669
Cash and cash equivalents	2 492	–	–	–	–	2 492	–	2 492
Financial liabilities								
Interest-bearing borrowings	–	–	–	11 777	(37)	11 740	8 346	3 394
Derivative financial instruments	–	–	–	492	–	492	492	–
Trade and other payables	–	–	17	934	816	1 767	–	1 767

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.

51. Capital risk management continued

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
- 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 2017, the group's internal covenants strategy was to ensure that net debt was no more than 3.0 times (2016: 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.

	2017 Rm	2016 Rm
Total borrowings (note 32)	**14 537**	11 740
Less: Cash and cash equivalents (note 29)	**(2 424)**	(2 492)
Net debt	**12 113**	9 248
Ebitdar	**5 049**	4 543
Net debt/Ebitdar (times)	**2.4**	2.0

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 33.3):

	2017 Rm	2016 Rm
Derivative financial instruments – interest rate swaps (liability)/asset (net)	**(51)**	72

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:

	2017 Rm	2016 Rm
Investment properties (note 18)	**4 969**	108
Available-for-sale investments (note 23)	**1 272**	–
	6 241	108

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 2017:

	2017 Rm	2016 Rm
Interest rate swap derivatives		
Gross interest rate swap – asset	**14**	89
Gross interest rate swap – liability	**(65)**	(17)
Net (liability)/asset if offset	**(51)**	72
Current bank accounts		
Gross bank balances	**1 778**	2 379
Gross bank overdrafts	**(1 476)**	(2 014)
Net bank balance if offset	**302**	365

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 Sandton Eye and Real Right of Extension

Shareholders are referred to the announcement released on the Stock Exchange News Service ('SENS') of the JSE by HPF on Tuesday, 11 April 2017, wherein shareholders were advised that HPF Properties Proprietary Limited, an indirectly wholly owned subsidiary of Tsogo Sun group has, subject to certain conditions precedent, concluded:

- an agreement with Savana Property Proprietary Limited 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.

54.2 Acquisition of 29 hotel properties by HPF from Tsogo Sun

Shareholders are referred to the announcement released on SENS by HPF on Monday, 10 July 2017 of the transaction agreements entered into between HPF and Southern Sun Hotels Proprietary Limited, both subsidiaries of the group, whereby 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 R1.0 billion in cash 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 non-controlling interests of HPF whereby non-controlling interests in HPF have been acquired and as a result, the group's effective holding increased from 50.6% to 68.0% with effect from 10 July 2017.

54.3 HPF rights issue

Hospitality shareholders were offered a total of 71 428 571 Hospitality shares ('rights offer shares') at an issue price of R14.00 per rights offer share ('rights offer issue price') in the ratio of 21.76820 rights offer shares for every 100 Hospitality shares held on the record date for 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 68.0% (refer note 54.2) to 59.6% with effect from 4 August 2017.

54.4 Acquisition of Gameco

The acquisition of HCI and all other shareholders' interests in Niveus Investment 19 Limited ('Gameco') for a combination of Tsogo Sun Holdings shares and cash. Updated details of the transaction were released on SENS on 16 August 2017 and the transaction remains subject to a number of considerations precedent, *inter alia*:

- that Gameco shareholders (including HCI and Niveus) holding not less than 345 000 100 Gameco shares in the aggregate (representing not less than 75% of the shares in Gameco), irrevocably undertake to dispose of their shares to Tsogo Sun in accordance with the terms of the proposed transaction; and
- that the parties obtain any and all necessary statutory and regulatory approvals for the implementation of the proposed transaction (including shareholder approval in terms of the Listings Requirements of the JSE) on such conditions as are acceptable to Niveus and Tsogo Sun, which is expected to be concluded on 30 September 2017 (or such later date as may be agreed upon by the parties in writing).

54.5 Dividend declared and paid

Subsequent to the company's year end, on 23 May 2017, the board of directors declared a final gross cash dividend of 70.0 cents per share in respect of the year ended 31 March 2017. The aggregate amount of the dividend, which was paid on 19 June 2017 out of retained earnings at 31 March 2017, not recognised as a liability at year end is R676 million.

54.6 Resignation of CEO and executive director

The CEO, MN von Aulock, an executive director, resigned from the board of directors effective 1 June 2017 and from his employment with the group with effect from 30 June 2017.

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	
	2017 %	2016 %	**2017 Rm**	2016 Rm	**2017 Rm**	2016 Rm
HPF	**49**	–	**543**	–	**2 384**	–
Ikoyi Hotels Limited	**24**	24	**(14)**	3	**163**	177
Tsogo Sun Emonti Proprietary Limited	**35**	35	**11**	14	**127**	116
Cullinan[(1)]	**–**	40	**2**	(4)	**–**	303
Other non-material non-controlling interests			**–**	5	**11**	58
			542	18	**2 685**	654

[(1)] *The group acquired the remaining 40% Liberty interest in Cullinan – refer note 44.1*

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

	HPF[(2)]	Ikoyi Hotels Limited		Tsogo Sun Emonti Proprietary Limited	
Summarised balance sheets as at 31 March	**2017 Rm**	**2017 Rm**	2016 Rm	**2017 Rm**	2016 Rm
Non-current assets	**8 064**	**732**	812	**386**	412
Current assets	**391**	**85**	54	**42**	25
Total assets	**8 455**	**817**	866	**428**	437
Non-current liabilities	**1 641**	**171**	173	**32**	71
Current liabilities	**217**	**38**	38	**33**	34
Total liabilities	**1 858**	**209**	211	**65**	105
Net assets	**6 597**	**608**	655	**363**	332
Summarised income statements for the year ended 31 March					
Revenue	**451**	**110**	161	**306**	318
Profit/(loss) before income tax	**535**	**(29)**	23	**43**	54
Income tax credit/(expense)	**–**	**43**	(11)	**(13)**	(16)
Total comprehensive income	**535**	**14**	12	**30**	38
Dividends paid to non-controlling interests	**104**	**–**	–	**–**	–
Summarised cash flows for the year ended 31 March					
Cash generated from operations	**308**	**17**	51	**85**	103
Interest received	**15**		–	**1**	–
Finance costs paid	**(86)**	**(6)**	(5)	**(2)**	(7)
Income tax paid	**(27)**	**–**	–	**(9)**	(10)
Dividends paid	**(335)**	**–**	–	**–**	–
Net cash generated from operations	**(125)**	**11**	46	**75**	86
Net cash generated by/(utilised for) investment activities	**335**	**(8)**	(7)	**(15)**	(13)
Net cash (utilised in)/generated from financing activities	**(189)**	**9**	(51)	**(62)**	(76)
Net increase/(decrease) in cash and cash equivalents	**21**	**12**	(12)	**(2)**	(3)
Cash and cash equivalents at beginning of the year	**–**	**12**	19	**12**	15
Foreign currency translation	**–**	**(2)**	5	**–**	–
Cash and cash equivalents at end of the year	**21**	**22**	12	**10**	12

[(2)] *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:

	Issued share capital		Effective holding		Shares at cost	
Subsidiary	**2017 R**	2016 R	**2017 %**	2016 %	**2017 R'000**	2016 R'000
Direct shareholding:						
Akani Egoli Management Proprietary Limited	**1 000**	1 000	**100**	100	**1**	1
Akani Egoli Proprietary Limited	**1 000**	1 000	**100**	100	**984 992**	984 992
Akani Msunduzi Proprietary Limited	**100**	100	**100**	100	**135 948**	135 948
Akani Msunduzi Management Proprietary Limited	**1 000**	1 000	**100**	100	**1**	1
Aldiss Investments Proprietary Limited	**1**	1	**100**	100	*****	*
Garden Route Casino Proprietary Limited	**1 000**	1 000	**100**	100	**221 357**	221 357
Gold Reef Management Proprietary Limited	**100**	100	**100**	100	**98 376**	98 376
Goldfields Casino and Entertainment Centre Proprietary Limited	**1 000**	1 000	**100**	100	**165 084**	165 084
Silverstar Casino Proprietary Limited	**1 000**	1 000	**100**	100	**972 933**	972 933
Tsogo Sun Hotels, Gaming and Entertainment Proprietary Limited	**25 000**	25 000	**100**	100	**15 768 960**	15 768 960
West Coast Leisure Proprietary Limited	**1 000**	1 000	**100**	70	**62 715**	62 715
Indirect shareholding:						
Hospitality Property Fund Limited	**330 509 932**	n/a	**51**	n/a	**–**	n/a
Southern Sun Hotels Proprietary Limited	**100**	100	**100**	100	**–**	–
Southern Sun Offshore Proprietary Limited	**100**	100	**100**	100	**–**	–
Tsogo Sun Proprietary Limited	**120**	120	**100**	100	**–**	–
Tsogo Sun Gaming Proprietary Limited	**100**	100	**100**	100	**–**	–
					18 410 367	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 2017

	Number of shareholders	%	Number of shares	%
Portfolio size				
Range				
1 – 1 000	2 682	39.18	1 173 543	0.11
1 001 – 5 000	2 576	37.62	6 107 597	0.58
5 001 – 10 000	524	7.65	3 785 838	0.36
10 001 – 50 000	485	7.08	10 867 703	1.04
50 001 – 100 000	180	2.63	13 289 533	1.27
100 001 – and more	400	5.84	1 013 957 175	96.64
	6 847	100.00	1 049 181 389	100.00
Shareholder spread				
Public	6 839	99.90	501 259 031	47.77
Individuals	4 608	67.30	30 048 054	2.86
Banks and insurance companies	100	1.46	90 229 221	8.60
Pension funds and medical aid societies	285	4.16	53 333 535	5.08
Collective investment schemes and mutual funds	255	3.72	120 492 280	11.48
Other corporate bodies	1 591	23.26	207 155 941	19.75
Non-public	8	0.10	547 922 358	52.23
Directors[(1)]	3	0.04	4 388 349	0.42
Subsidiary companies[(2)]	3	0.04	83 632 695	7.97
Gold Reef Share Scheme[(2)]	1	0.01	408 615	0.04
Majority shareholder (10% of issued share capital or more)	1	0.01	459 492 699	43.80
	6 847	100.00	1 049 181 389	100.00
Major shareholders owning 1% or more				
Tsogo Investment Holding Company Proprietary Limited			459 492 699	43.80
Tsogo Sun Gaming Proprietary Limited[(2)]			42 876 046	4.09
Citiclient Nominees No 8 NY GW			38 972 025	3.71
Liberty Life Association of Africa Limited			31 207 568	2.97
Seclend SBG Securities Eqdd Collate			27 062 962	2.58
Tsogo Sun Expansion No 1 Proprietary Limited[(2)]			26 329 047	2.51
SBG Securities Strate Prop Trading			24 622 485	2.35
Old Mutual Life Assurance Co SA Limited			23 918 607	2.28
State Street Bank and Trust CO-OMN			21 750 606	2.07
Allan Gray Stable Fund			15 415 108	1.47
Aldiss Investments Proprietary Limited[(2)]			14 427 602	1.38

(1) *At 31 March 2017, 167 775 shares were held indirectly (2016: 167 775 held directly) by JA Copelyn, non-executive director and chairman, 3 339 806 (2016: 3 339 806) directly by MN von Aulock, executive director and CEO (resigned 1 June 2017) and 1 048 543 (2016: 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 indirectly at 31 March 2017. All the aforementioned held shares are beneficially held with the exception of the 4 000 indirectly held by J Booysen and no other director holds shares in the company or any of its subsidiaries. There has been no other change to directors' direct or indirect shareholdings between the balance sheet date and the date of these annual financial statements*

(2) *Treasury shares*

There are 91 808 300 treasury shares made up as follows:	Number of shares
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 financial statements	7 766 990
	91 808 300

Glossary

Absa	Absa Group Limited
AGM	Annual General Meeting
the board	The board of directors of Tsogo Sun Holdings Limited
CASA	Casino Association of South Africa
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
GAAP	Generally Accepted Accounting Principles
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
Liberty	Liberty Group Limited
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
Tsogo Sun or the company	Tsogo Sun Holdings Limited
VAT	Value Added Tax
WACC	Weighted average cost of capital

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) and 13G(2) 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	Target score including		Bonus points	Actual score achieved
Ownership	*E.g. 25 points*	27	0	27.00
Management control	*E.g. 19 points*	19	2	10.37
Skills development	*E.g. 20 points*	20	5	18.82
Enterprise and supplier development	*E.g. 40 points*	40	2	37.34
Socio-economic development	*E.g. 5 points*	5	3	8.00
Total score	*E.g. 109 points*	111	12	101.52

Priority elements achieved	*Y/N and specify* Yes	Ownership, skills development, preferential procurement supplier development, enterprise development	
Empowering supplier status	*Y/N and specify* N/A		
Final B-BBEE status level	Level 1 contributor	*Ownership:* 26.6% *Management control:* 10.21% *Skills development:* 18.54%	*Enterprise and supplier development:* 36.77% *Socio-economic development:* 7.88%

** 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: R13.2 billion

B-BBEE regulations 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

Deutsche Securities (SA) Proprietary Limited
(A non-bank member of the Deutsche Bank Group)
(Registration number: 1995/011798/07)
3 Exchange Square, 87 Maude Street
Sandton, 2196
(Private Bag X9933, Sandton, 2146)

Attorneys

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

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

Auditors

PricewaterhouseCoopers Inc.
Registered Accountants and Auditors
(Registration number: 1998/012055/21)
2 Eglin Road
Sunninghill, 2157
(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)

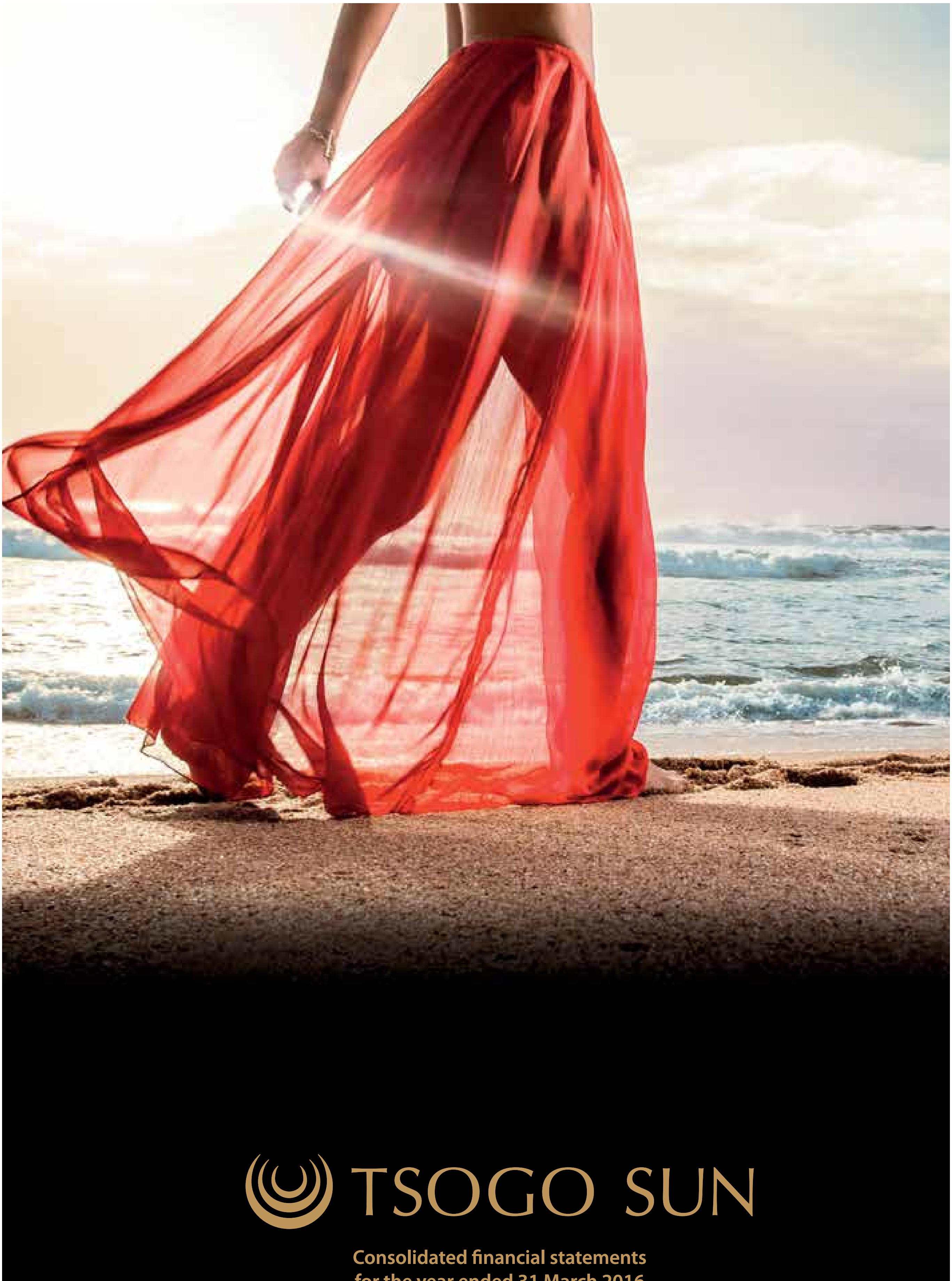
Rand Merchant Bank
A division of FirstRand Bank Limited
(Registration number: 1929/001225/06)
1 Merchant Place
Cnr Fredman Drive and Rivonia Road
Sandton, 2196
(PO Box 786273, Sandton, 2146)

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

tsogosun.com

FINANCIAL INFORMATION IN RELATION TO TSOGO

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 WITH COMPARATIVE NUMBERS FOR THE YEAR ENDED 31 MARCH 2015



Contents

Consolidated financial statements for the year ended 31 March 2016

Statement of responsibility by the board of directors

for the year ended 31 March 2016

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 company and 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. There were no changes to accounting policies for the year under review. 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 company's and the group's budgets and cash flow forecasts for the year to 31 March 2017. On the basis of this review, and in light of the current financial position and existing borrowing facilities, the directors are satisfied that the company and the group are going concerns 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 6. 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, detailed representation letters on compliance being signed by the Chief Executive and Financial Executive of each major entity, 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 2016

The preparation of the financial statements set out on page 4 to page 82 have been supervised by the Chief Financial Officer ('CFO'), RB Huddy CA(SA). These annual financial statements were approved by the board of directors on 1 August 2016 and are signed on its behalf by:

MN von Aulock
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 2016, 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

1 August 2016

Report of the audit and risk committee

for the year ended 31 March 2016

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. P Calicchio is the individual registered auditor and member of the aforegoing firm who undertakes the audit. P Calicchio will rotate off the audit following signature of the annual financial statements and will be replaced by B Humphreys;
- 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;
- 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;
- 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 company'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.

Recommendation of the annual financial statements

The committee has evaluated the annual financial statements of Tsogo Sun Holdings Limited and the group for the year ended 31 March 2016 and based on the information provided to the committee, the committee recommends the adoption of the annual financial statements by the board.

RG Tomlinson
Chairperson: Audit and risk committee

1 August 2016

Directors' report

for the year ended 31 March 2016

1. Nature of business

The company is a South African incorporated public company listed on the JSE engaged principally in the hotels and gaming industry.

2. State of affairs and profit for the year

The financial results of the group and company for the year are set out in the annual financial statements and accompanying notes thereto.

3. Subsequent events

Refer note 49 of the group 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 company or the group significantly.

4. Dividends

A final dividend of 60.0 (sixty) cents per share was paid to shareholders on 15 June 2015 in respect of the year ended 31 March 2015.

An interim dividend of 31.0 (thirty-one) cents per share was paid to shareholders on 14 December 2015 in respect of the year ended 31 March 2016.

On 18 May 2016, the board of directors declared a final gross cash dividend of 67.0 (sixty-seven) cents per share in respect of the year ended 31 March 2016. The dividend was declared in South African Rand and was payable to shareholders recorded in the register of the company at close of business on Friday, 17 June 2016. The number of ordinary shares in issue at the date of this declaration was 957 388 870 (excluding 91 792 519 treasury shares). The dividend was subject to a local dividend tax rate of 15%, which results in a net dividend to those shareholders who are not exempt from paying dividend tax of 56.95 cents per share. 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:

	2016
Last date to trade *cum* dividend	Thursday, 9 June
Shares trade *ex* dividend	Friday, 10 June
Record date	Friday, 17 June
Payment date	Monday, 20 June

5. Share capital

There were no changes to the company's authorised and issued share capital during the year under review.

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).

6. Associates, joint ventures and subsidiaries

Refer notes 22 and 23 of the group annual financial statements for details of associates and joint ventures respectively, note 50 of the group annual financial statements for details of subsidiary companies with material non-controlling interests and note 21 to the company financial statements for details of subsidiaries.

7. Directorate

The directorate during the year under review was as follows:

Non-executive

JA Copelyn(1) (Chairman)
MJA Golding
VE Mphande
Y Shaik(1)(3)

Independent non-executive

RG Tomlinson(1)(2)(3) (Lead Independent)
JG Ngcobo(1)(2)(3)
BA Mabuza(2)

Executive

MN von Aulock (CEO)
RB Huddy (CFO)

(1) *Remuneration committee*
(2) *Audit and risk committee*
(3) *Social and ethics committee*

8. Directors' and prescribed officers' emoluments

Refer note 46.3 of the group annual financial statements and note 20.3 of the company annual financial statements for details of the group's key management compensation.

9. 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:	Postal address:
Palazzo Towers East	Private Bag X200
Montecasino Boulevard, Fourways, 2055	Bryanston, 2021

10. Auditors

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

11. Major shareholders and shareholder analysis

The company's major shareholder is Tsogo Investment Holding Company Proprietary Limited which owns 47.3% of the company's issued shares (excluding treasury shares) and the ultimate shareholder is Hosken Consolidated Investments Limited ('HCI') (holding 48.0% of the company's issued shares excluding treasury shares). Refer note 46 of the group annual financial statements and page 82 of the company annual financial statements for a detailed analysis of the company's shareholders.

Independent auditor's report to the shareholders of Tsogo Sun Holdings Limited

We have audited the consolidated and separate financial statements of Tsogo Sun Holdings Limited set out on pages 7 to 81 which comprise the balance sheet as at 31 March 2016, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated and separate financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate 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 and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of Tsogo Sun Holdings Limited, as at 31 March 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 March 2016, we have read the directors' report, the report of the audit and risk committee and the declaration by the Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

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 47 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: **P Calicchio**
Registered auditor

Johannesburg
1 August 2016

Consolidated income statement

for the year ended 31 March

	Notes	2016 Rm	2015 Rm
Net gaming win		**7 361**	6 976
Rooms revenue		**2 784**	2 453
Food and beverage revenue		**1 353**	1 203
Other revenue	8	**785**	711
Income		**12 283**	11 343
Gaming levies and Value Added Tax	9	**(1 531)**	(1 450)
Property and equipment rentals	10	**(287)**	(276)
Amortisation and depreciation	11	**(812)**	(733)
Employee costs	12	**(2 871)**	(2 816)
Other operating expenses	13	**(3 374)**	(3 026)
Operating profit		**3 408**	3 042
Interest income	14	**35**	79
Finance costs	15	**(892)**	(760)
Share of profit of associates and joint venture	22, 23	**29**	25
Profit before income tax		**2 580**	2 386
Income tax expense	16	**(774)**	(680)
Profit for the year		**1 806**	1 706
Profit attributable to:			
Equity holders of the company		**1 788**	1 672
Non-controlling interests		**18**	34
		1 806	1 706
Basic and diluted earnings per share (cents)	5	**186.8**	164.9

The notes on page 11 to page 68 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 March

	2016 Rm	2015 Rm
Profit for the year	**1 806**	1 706
Other comprehensive income for the year, net of tax		
Items that may be reclassified subsequently to profit or loss:	**332**	(13)
Cash flow hedges	**162**	(138)
Currency translation adjustments	**215**	86
Income tax relating to items that may subsequently be reclassified to profit or loss	**(45)**	39
Items that may not be reclassified subsequently to profit or loss:	**3**	1
Remeasurements of post-employment defined benefit liability	**4**	1
Income tax relating to items that may not subsequently be reclassified to profit or loss	**(1)**	–
Total comprehensive income for the year	**2 141**	1 694
Total comprehensive income attributable to:		
Equity holders of the company	**2 122**	1 660
Non-controlling interests	**19**	34
	2 141	1 694

The notes on page 11 to page 68 form an integral part of these consolidated financial statements.

Consolidated balance sheet

as at 31 March

	Notes	2016 Rm	2015 Rm
ASSETS			
Non-current assets			
Property, plant and equipment	18	**14 370**	13 470
Investment properties	19	**79**	109
Goodwill	20	**2 106**	2 106
Other intangible assets	21	**4 476**	4 490
Investments in associates	22	**491**	180
Investment in joint venture	23	**129**	131
Available-for-sale financial assets	24	**252**	–
Non-current receivables	25	**68**	88
Derivative financial instruments	33	**74**	22
Deferred income tax assets	26	**185**	180
		22 230	20 776
Current assets			
Inventories	27	**125**	108
Trade and other receivables	28	**654**	601
Derivative financial instruments	33	**15**	–
Current income tax assets		**122**	99
Cash and cash equivalents	29	**2 492**	3 048
		3 408	3 856
Total assets		**25 638**	24 632
EQUITY			
Capital and reserves attributable to equity holders of the company			
Ordinary share capital and premium	30	**4 576**	4 576
Other reserves	31	**(232)**	(442)
Retained earnings		**3 951**	2 917
Total shareholders' equity		**8 295**	7 051
Non-controlling interests		**654**	635
Total equity		**8 949**	7 686
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings	32	**8 346**	8 557
Obligations under finance leases		**–**	2
Derivative financial instruments	33	**492**	538
Deferred income tax liabilities	26	**2 053**	1 868
Post-employment benefit liability	34	**6**	10
Deferred revenue and income	35	**24**	21
Long-term incentive liabilities	36.4	**34**	36
Provisions	37	**173**	159
Other non-current liabilities	38	**272**	275
		11 400	11 466
Current liabilities			
Interest-bearing borrowings	32	**3 394**	3 685
Obligations under finance leases		**–**	15
Derivative financial instruments	33	**17**	59
Trade and other payables	39	**1 240**	1 144
Deferred revenue and income	35	**72**	67
Long-term incentive liabilities	36.4	**203**	222
Provisions	37	**235**	163
Other current liabilities		**–**	4
Current income tax liabilities		**128**	121
		5 289	5 480
Total liabilities		**16 689**	16 946
Total equity and liabilities		**25 638**	24 632

The notes on page 11 to page 68 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 Rm	Other reserves[1] Rm	Retained earnings Rm	Total Rm	Non-controlling interests Rm	Total equity Rm
Balance at 1 April 2014		4 771	19	5 000	9 790	732	10 522
Total comprehensive income		–	(13)	1 673	1 660	34	1 694
Profit for the year		–	–	1 672	1 672	34	1 706
Cash flow hedges net of tax		–	(99)	–	(99)	–	(99)
Currency translation adjustments		–	86	–	86	–	86
Remeasurements of post-employment defined benefit liability net of tax		–	–	1	1	–	1
Shares repurchased and cancelled	30	(2)	–	(2 817)	(2 819)	–	(2 819)
Treasury shares acquired	30	(200)	–	–	(200)	–	(200)
Shares issued to share scheme participants	30	8	–	–	8	–	8
Share options lapsed	30	(1)	–	–	(1)	–	(1)
Recognition of share-based payments	12	–	118	–	118	–	118
Recognition of put liability with non-controlling interests	33.1	–	(493)	–	(493)	–	(493)
Transactions with non-controlling interests		–	(73)	–	(73)	(123)	(196)
Ordinary dividends	17	–	–	(939)	(939)	(8)	(947)
Balance at 31 March 2015		4 576	(442)	2 917	7 051	635	7 686
Total comprehensive income		**–**	**331**	**1 791**	**2 122**	**19**	**2 141**
Profit for the year		**–**	**–**	**1 788**	**1 788**	**18**	**1 806**
Cash flow hedges net of tax		**–**	**117**	**–**	**117**	**–**	**117**
Currency translation adjustments		**–**	**214**	**–**	**214**	**1**	**215**
Remeasurements of post-employment defined benefit liability net of tax		**–**	**–**	**3**	**3**	**–**	**3**
Transfer from share-based payment reserve to retained earnings		**–**	**(121)**	**121**	**–**	**–**	**–**
Ordinary dividends	17	**–**	**–**	**(878)**	**(878)**	**–**	**(878)**
Balance at 31 March 2016		**4 576**	**(232)**	**3 951**	**8 295**	**654**	**8 949**

[1] *Refer note 31 for details of other reserves*

The notes on page 11 to page 68 form an integral part of these consolidated financial statements.

Consolidated cash flow statement

for the year ended 31 March

	Notes	2016 Rm	2015 Rm
Cash flows from operating activities			
Cash generated from operations	40	**4 376**	3 866
Interest received		**31**	74
Finance costs paid		**(832)**	(789)
Income tax paid	41	**(657)**	(537)
Dividends paid to shareholders	42	**(878)**	(939)
Dividends paid to non-controlling interests		**–**	(8)
Dividends received		**51**	7
Net cash generated from operating activities		**2 091**	1 674
Cash flows from investment activities			
Purchase of property, plant and equipment		**(1 377)**	(1 610)
Proceeds from disposals of property, plant and equipment		**9**	5
Purchase of intangible assets		**(10)**	(136)
Development of investment property		**(27)**	(7)
Proceeds from disposal of investment property		**19**	–
Purchase of available-for-sale financial assets		**(252)**	–
Acquisition of subsidiary, net of cash acquired	48	**(12)**	–
Acquisition of businesses		**–**	(762)
Acquisition of interest in associate	22	**(315)**	(145)
Loans repaid by/(advanced to) associates		**1**	(5)
Other loans and investments repaid		**17**	4
Net cash utilised for investment activities		**(1 947)**	(2 656)
Cash flows from financing activities			
Borrowings raised		**485**	5 155
Borrowings repaid		**(1 044)**	(1 794)
Repayments of finance leases		**(17)**	(16)
Shares repurchased		**–**	(2 819)
Treasury shares acquired		**–**	(200)
Acquisition of non-controlling interests		**–**	(196)
Decrease in amounts due by share scheme participants		**9**	15
Net cash (utilised for)/generated from financing activities		**(567)**	145
Net decrease in cash and cash equivalents		**(423)**	(837)
Cash and cash equivalents at beginning of the year, net of bank overdrafts		**883**	1 715
Foreign currency translation		**19**	5
Cash and cash equivalents at end of the year, net of bank overdrafts	29	**479**	883

The notes on page 11 to page 68 form an integral part of these consolidated financial statements.

1. Accounting policies

The significant accounting policies adopted in the preparation of the consolidated annual financial statements and company 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 and company annual financial statements have been prepared in accordance with the framework concepts and the recognition and measurement criteria of International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE and the Companies Act of South Africa and have been prepared under the historical cost convention, as modified by the revaluation to fair value of certain financial instruments as described in the accounting policies below. The term IFRS includes International Financial Reporting Standards and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') or the former Standing Interpretations Committee ('SIC'). The standards referred to are set by the International Accounting Standards Board.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the group's accounting policies. Actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

b) Adoption of annual improvements

The adoption of the improvements made in the 2010 – 2012 Cycle and 2011 – 2013 Cycle have required additional disclosures in the group's segment note. Other than that, the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

No other changes to accounting standards had any impact on the current period or any prior period and are not likely to affect future periods.

c) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the group's CEO and the group executive committee ('GEC'). The group's CEO and the GEC review the group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the group's CEO and GEC which are used to 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. Where the group's interest in subsidiaries is less than 100%, the share attributable to outside shareholders is reflected in non-controlling interests. 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.

1. Accounting policies continued

d) Basis of consolidation and business combinations continued

(i) *Subsidiaries* continued

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.

The company records its investment in subsidiaries at cost less any impairment charges. These interests include any intergroup loans receivable, which represent by nature a further investment in the subsidiary.

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.

(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. Under the equity method of accounting, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investments in associates and joint ventures include goodwill (net of any accumulated impairment loss) identified on acquisition.

If the ownership interest in an associate or joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of its associates' and joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition reserve movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate or joint venture equals or exceeds its interest in the investee, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the investee and its carrying value and recognises the amount immediately in profit or loss.

Some of the group's associates and joint ventures have different local statutory accounting reference dates. These are equity accounted using management prepared information on a basis coterminous with the group's accounting reference date. Where management prepared information is at a different date from that of the group's, the group equity accounts that information but takes into account any changes in the subsequent period to 31 March that would materially affect the results.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

1. Accounting policies continued

d) Basis of consolidation and business combinations continued

(iv) Goodwill

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.

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.

The carrying amount of goodwill in respect of associates and joint ventures is included in the carrying value of the investment in the respective associate and joint venture.

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.

e) Foreign currency translation

(i) Functional and presentation currency

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

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

Once-off items in the income and cash flow statements of foreign subsidiaries, associates and joint ventures expressed in currencies other than the SA Rand are translated to SA Rand at the rates of exchange prevailing on the day of the transaction. All other items are translated at weighted average rates of exchange for the relevant reporting period. 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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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 and adjusted, if appropriate, at each balance sheet date. 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.

1. Accounting policies continued

f) Property, plant and equipment continued

(ii) Assets held under finance leases

Assets held under finance leases which result in the group bearing substantially all the risks and rewards incidental to ownership are capitalised as property, plant and equipment. Finance lease assets are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, then depreciated over their useful lives. The capital element of future obligations under the leases is included as a liability in the balance sheet, classified, as appropriate, as a current or non-current liability. The interest element of the lease obligations is charged to profit or loss over the period of the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each financial period.

The group's finance leases all matured during the year under review.

(iii) 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 18* Property, plant and equipment

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

(iv) 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.

(v) 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.

Investment property is stated at cost net of accumulated depreciation and any impairment losses.

Cost 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.

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

1. Accounting policies continued

g) Investment property continued

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

Investment property's residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

No depreciation is provided on freehold land. In respect of buildings, depreciation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each property over its expected useful life of 20 to 50 years.

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. 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.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring them to use. Direct costs associated with the production of identifiable and unique internally generated software products controlled by the group that will probably generate economic benefits exceeding costs beyond one year are capitalised. Direct costs include software development employment costs (including those of contractors used) and an appropriate portion of overheads. 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.

(ii) Management contracts

Management contracts are recognised initially at fair value on business acquisitions as intangibles. Management contracts 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)).

(iii) 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.

(iv) Trademarks

Trademarks are recognised initially at cost. Trademarks have finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their estimated useful lives of 10 to 25 years.

1. Accounting policies continued

i) Financial assets and financial liabilities

Financial assets are recognised when the group becomes a party to the contractual provisions of the respective instrument. Such assets consist of cash, equity instruments, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms. 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.

The group classifies its financial assets in the following categories: at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss are financial assets held for trading and/or designated by the entity upon initial recognition as 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. The group does not hold any investments in this category.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. The group does not hold any investments in this category.

(iii) 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 are included in current assets (trade and other receivables), except for maturities of greater than 12 months after the balance sheet date which are classified as non-current assets.

(iv) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either designated in this category or not classified as any of the above. Investments in this category are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on the date on which the group commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets that are not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value though profit or loss' category are presented in the income statement within other operating expenses, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other revenue when the group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

1. Accounting policies continued

i) Financial assets and financial liabilities continued

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.

The fair values of quoted investments are based on current bid prices. If there is no active market for a financial asset or for unlisted securities, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

j) 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 company or counterparty.

k) Impairment of financial assets

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

For the loans and receivables category, 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 a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price. 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 (such as an improvement in the debtor's credit rating), 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.

Impairment testing of trade receivables is described in note (n).

l) Derivative financial assets and financial liabilities

Derivative financial assets and financial liabilities are financial instruments whose value changes in response to an underlying variable, require little or no initial investment and are settled in the future.

Derivative financial assets and liabilities are analysed between current and non-current assets and liabilities on the face of the balance sheet, depending on when they are expected to mature.

For derivatives that are not designated to have a hedging relationship, all fair value movements thereon are recognised immediately in profit or loss. Refer note (m) for the group's accounting policy on hedge accounting.

1. Accounting policies continued

m) Hedge accounting

The derivative instruments used by the group, which are used solely for hedging purposes (i.e. to offset foreign exchange and interest rate risks), comprise interest rate swaps and forward foreign exchange 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 re-performed at each period end to ensure that the hedge has remained and will continue to remain highly effective.

Certain derivatives are designated as either:

(i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge). The group does not hold any hedges in this category;

(ii) hedges of highly probable forecast transactions or commitments (cash flow hedge); or

(iii) hedges of net investments in foreign operations (net investment hedge). The group does not hold any hedges in this category.

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.

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

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) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying value and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in profit or loss. When a trade receivable is uncollectable, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss as bad debts recovered.

1. Accounting policies continued

o) 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.

p) Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits, other short-term highly liquid investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

q) Share capital

Ordinary shares are classified as equity.

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

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

r) Trade payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Trade payables are analysed between current and non-current liabilities on the face of the balance sheet, depending on when the obligation to settle will be realised.

s) Borrowings and finance costs

Borrowings are recognised initially at fair value and are subsequently stated at amortised cost and include accrued interest and prepaid facility transaction costs. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date, in which case they are classified as non-current liabilities.

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

t) Impairment of non-financial assets

This policy covers all assets except goodwill (refer note d(iv)), trade receivables (refer note (n)), inventories (refer note (o)), financial assets (refer note (i) and deferred income tax assets (refer note (z)).

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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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.

1. Accounting policies continued

u) 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. Such provisions are calculated on a discounted basis where the effect is material to the original undiscounted provision. The carrying amount of the provision increases in each period to reflect the passage of time and the unwinding of the discount and the movement is recognised in the income statement within finance costs.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses, however, provisions are recognised for onerous contracts where a contract is expected to be loss making (and not merely less profitable than expected).

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 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. These criteria are only finalised after the group's year end.

A liability for long-service awards is also recognised as a provision where cash is paid to employees at certain milestone dates in their careers with the group. The actuarial valuation to determine the liability is performed annually.

v) 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 entertainment revenues. Value Added Tax ('VAT') on these revenue transactions is excluded from revenue. Revenue is recognised on the accrual basis.

(ii) 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.

(iii) Rental, royalty and management fee income

Rentals received, royalty income (which is included in other revenue) and management fee income are recognised on an accrual basis in accordance with the relevant agreements except rental income which is recognised on a straight-line basis.

(iv) Interest income

Interest income is recognised using the effective interest method.

When a receivable is impaired, the group reduces the carrying amount to its recoverable amount by discounting the estimated future cash flows at the original effective interest rate, and continues to unwind the discount as interest income.

(v) Dividend income

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

w) Net gaming win

Net gaming win comprises the net table and slot machine win derived by casino operations 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 casino operations. Due to the short-term nature of the group's casino operations, all income is recognised in profit or loss immediately, at fair value.

In the casino industry, the nature of betting transactions makes it difficult to separate bets placed by customers and winnings paid to customers. It therefore follows that casinos experience practical difficulties reflecting output tax separately from input tax. Accordingly, SARS allows casinos 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 casino winnings as direct costs as these are borne by the group and not customers, and have no effect on casino activities from the customers' perspective. These costs are included in net gaming win that is disclosed separately on the face of the income statement.

1. Accounting policies continued

x) Leases

(i) The group is the lessee

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term. The group's finance leases all matured during the year under review.

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 in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

y) 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.

For the defined contribution plans, the group pays contributions to both an in-house pension fund managed by company and employee nominated trustees and a public administered provident plan on a contractual basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. The rules of the funds do not allow for prepaid contributions.

(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.

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 and 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.

1. Accounting policies continued

y) Employee benefits continued

(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 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. Options were granted to permanent employees at the discretion of the directors in terms of which shares in the company were acquired based on prices prevailing at the dates of granting the options. Delivery of the shares so acquired was either effected on granting and exercising of the options or in three equal tranches vesting over four years; one-third after two years, one-third after three years and one-third after four years. Shares acquired through the Equity-settled Gold Reef Share Scheme had to be paid for by the employees at the subscription prices as determined in the option contracts.

On a group level the Gold Reef Share Scheme is consolidated. Upon vesting and exercise of the options the subscription value was credited to share capital (nominal value) and share premium and debited to a non-current asset. The non-current asset was considered payable when the employees exercised the options and the options vested.

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.

The total amount recognised over the vesting period was determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions were included in assumptions about the number of options that were expected to become exercisable. At each balance sheet date the entity revised its estimates of the number of options that were expected to become exercisable. It recognised the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment directly to equity over the vesting period. This equity account was included in a share-based payment reserve of the company.

Fair value is measured at grant date using an option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The grant by the company of options over its equity instruments to the employees of subsidiary companies in the group was treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, was recognised over the vesting period as an increase to investment in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

(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, which are depreciated or amortised. 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 share appreciation scheme is determined at each balance sheet date by reference to the company's share price. This is adjusted for management's best estimate of the appreciation units expected to vest and management's best estimate of the performance criteria assumption.

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 assumption on the performance units.

The liability is included in current liabilities, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current liabilities.

(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.

y) Employee benefits continued

(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.

(ix) Other long-term employee benefits

The group provides death-in-service benefits, permanent and temporary disability benefits, together with funeral cover to qualifying employees. The liability for benefits payable that are not linked to a service condition is recognised as and when a claim arises and is expensed in full in the income statement at that point. The liability for benefits that are linked to an employee's service period is recognised through the income statement over the estimated service period of the employee up to the estimated date of a claim occurring while in service. The method of accounting for benefits linked to service is similar to that used for defined benefit schemes.

z) 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.

Deferred tax liabilities are recognised where the carrying value of an asset is greater than its tax base, or where the carrying value of a liability is less than its tax base. Deferred tax is recognised in full on temporary differences arising from the group's investment in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

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.

aa) 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.

b) Property, plant and equipment

Property, plant and equipment represent a significant proportion of the group's asset base. Therefore, the judgements made in determining their estimated useful lives and residual values are critical to the group's financial position and performance. Useful lives and residual values are reviewed on an annual basis with the effects of any changes in estimates accounted for on a prospective basis. In determining residual values, the group uses historical sales and management's best estimate based on market prices of similar items. Useful lives of property, plant and equipment are based on management estimates and take into account historical experience with similar assets, the expected usage of the asset, physical wear and tear, technical or commercial obsolescence and legal restrictions on the use of the assets.

c) Estimated impairment of goodwill and indefinite lived intangible assets

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

d) 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 expected utilisation is determined through consideration of historical usage and forfeiture rates.

e) Income taxes

The group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

f) Put option derivative

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. 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. The group has used a discounted cash flow analysis for the valuing of the group's put option derivative contract that is not traded in an active market.

The carrying amount of the put option would be an estimated R126.1 million lower or R181.9 million higher were the discount rate used in the discount cash flow analysis to differ by 10% from management's estimates.

g) Business combinations

On the acquisition of a business, a determination of the fair value and the useful life of assets acquired is performed, which requires the application of management judgement. The fair value is obtained by applying a valuation technique performed on a discounted cash flow basis. Future events could cause the assumptions used by the group to change which could have a significant impact on the results and net position.

h) Applicability of IFRS 10 *Consolidated Financial Statements*

The group has assessed the requirements of IFRS 10 against shareholder and management agreements and concluded that it does not change the reporting on subsidiary companies that are consolidated.

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 2016 or later periods, which the group has not early adopted. The group is yet to assess the full impact of these new standards, interpretations and amendments:

- **IFRS 9 *Financial Instruments* (2014)**

  A finalised version of IFRS 9 has been issued which replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition:

  – IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as 'fair value through other comprehensive income' in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.

  – The new model introduces a single impairment model being applied to all financial instruments, as well as an 'expected credit loss' model for the measurement of financial assets.

  – IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements.

  – IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.

  The group will apply IFRS 9 from the annual period beginning 1 April 2018.

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

  Amendments designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures. The group will apply IAS 1 amended from the annual period beginning 1 April 2016.

- **IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates* (Amendments) sale or contribution of assets between an investor and its associate or joint venture**

  The IASB has made limited scope amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*.

  The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 *Business Combinations*).

  Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively. The group will apply these amendments from the annual period beginning 1 April 2016.

- **IFRS 10 *Consolidated Financial Statements,* IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates* (Amendments) Investment entities: Applying the consolidation exception:**

  Amendments made to the above statements clarify that:

  – The exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities.

  – An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities.

  – Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement.

3. New standards, interpretations and amendments to existing standards issued that are not yet effective continued

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 2016 or later periods, which the group has not early adopted. The group is yet to assess the full impact of these new standards, interpretations and amendments (continued):

- **IFRS 11 (Amendment) *Joint Arrangements***
  This amendment provides new guidance on how to account for the acquisition of an interest in a joint venture operation that constitutes a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation results in retaining joint control. The group will apply IFRS 11 amended from the annual period beginning 1 April 2016.

- **IFRS 15 *Revenue from Contracts with Customers***
  This standard requires entities to recognise revenue to depict the transfer of goods or services to customers, that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The group will apply IFRS 15 from the annual period beginning 1 April 2018.

- **IFRS 16 *Leases***
  A new standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 *Statement of Cash Flows*. IFRS 16 contains expanded disclosure requirements for lessees and lessors. IFRS 16 also substantially carries forward the lessor accounting requirements in IAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

  The group will apply IFRS 16 from the annual period beginning 1 April 2019.

- **IAS 27 (Amendment) *Consolidated and Separate Financial Statements***
  Amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

b) The following annual improvements amend standards from the 2012 – 2014 reporting cycle have been published that are mandatory for the group's accounting periods beginning 1 April 2016, which the group has not early adopted and are not expected to have a material effect on the consolidated results of operations or financial position of the group:

- **IFRS 5 *Non-current Assets Held-for-Sale and Discontinued Operations*** amends the changes in methods of disposal – assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- **IFRS 7 *Financial Instruments: Disclosures* – the following are the amendments:**
  – The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required; and
  – Amendments to IFRS 7 clarify that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34.

3. New standards, interpretations and amendments to existing standards issued that are not yet effective continued

b) The following annual improvements amend standards from the 2012 – 2014 reporting cycle have been published that are mandatory for the group's accounting periods beginning 1 April 2016, which the group has not early adopted and are not expected to have a material effect on the consolidated results of operations or financial position of the group (continued):

- **IAS 19 *Employee Benefits*** clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented.
- **IAS 34 *Interim Financial Reporting*** amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g. in the management commentary or risk report). The board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

c) There are no new interpretations applicable to the group.

4. Financial risk management

4.1 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.

In addition to the risk management processes embedded within the group, the group executive committee identifies, quantifies and evaluates the group's risks twice a year utilising a facilitated risk assessment workshop. The severity of risks is measured in qualitative as well as quantitative terms, guided by the board's risk tolerance and risk appetite measures. The scope of the risk assessment includes risks that impact shareholder value or that may lead to a significant loss, or loss of opportunity. Risk responses to each individual risk are designed, implemented and monitored. The risk profiles, with the risk responses, are reviewed by the audit and risk committee at least once every six months. In addition to the group risk assessment, risk matrices are prepared and presented to the audit and risk committee for each operational division. This methodology ensures that identified risks and opportunities are prioritised according to the potential impact on the group and cost-effective responses are designed and implemented to counter the effects of risks and take advantage of opportunities.

Financial risk management is carried out by a central treasury department (Group Treasury) under policies approved by the board of directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation 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 subject to exposure on the translation of the foreign currency denominated net assets of subsidiaries, associates and joint ventures primarily with respect to the US Dollar and the Euro. The group seeks to mitigate this exposure, where cost-effective, by securing its debt denominated in US Dollars and/or Euros in the offshore entities with assets and cash flows of those offshore operations where the functional currency of those entities is US Dollars and/or Euros, with no recourse to the South African operations. As a result, no forward cover contracts are required in respect of this debt. The group does not hedge currency exposures from the translation of profits earned in foreign currency subsidiaries, associates and joint ventures.

Foreign exchange risk also arises from exposure in the foreign operations due to trading transactions denominated in currencies other than the functional currency.

The following significant exchange rates against the SA Rand applied during the year:

	Average rate		**Reporting date closing rate**	
	2016	2015	**2016**	2015
	R	R	**R**	R
1 US Dollar is equivalent to	**13.75**	11.13	**14.77**	12.13
1 Euro is equivalent to	**15.02**	13.92	**16.81**	13.02

A 10% strengthening of the functional currency against the following currencies at 31 March would have increased/(decreased) profit or loss by the amounts shown below due to foreign exchange gains or losses on foreign denominated trade receivables, cash and cash equivalents and trade payables recorded in the local currency of the foreign operations. This analysis assumes no hedging and that all other variables, in particular interest rates, remain constant. This analysis was performed on the same basis for 2015.

4. Financial risk management continued

4.1 Financial risk factors continued

a) Market risk continued

(i) Currency risk continued

	Profit/(loss)	
	2016	2015
	Rm	Rm
Local currency:		
Euro	**–**	1
Mozambican Metical	**1**	1
Nigerian Naira	**1**	(1)
US Dollar	**(1)**	(1)
Zambian Kwacha	**(1)**	(2)
Other currencies	**1**	–

A 10% weakening of the functional currency against the above currencies at 31 March would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(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.

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 2016, 54% (2015: 56%) of consolidated gross borrowings and 57% (2015: 61%) of consolidated net borrowings were in fixed rates taking into account interest rate swaps.

Fixed interest rate swaps ranged from 6.46% to 8.09% as at 31 March 2016 referenced against the three-month JIBAR of 7.233%, as well as one-month JIBAR of 7.033% (2015: fixed interest rate swaps ranged from 6.46% to 8.09% referenced against the three-month JIBAR of 6.108%, as well as one-month JIBAR of 5.933% at 31 March 2015).

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

	2016	2015
	Rm	Rm
Linked to the Rand Overnight Deposit Index	**210**	471
Linked to one-month JIBAR	**645**	659
Linked to three-month JIBAR	**2 504**	2 563
Linked to three-month USD LIBOR	**1 100**	788
	4 459	4 481

4. Financial risk management continued

4.1 Financial risk factors continued

a) Market risk continued

(ii) Interest rate risk continued

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

	Carrying amount	
	2016 Rm	2015 Rm
Fixed rate instruments		
Financial assets	**48**	–
Financial liabilities	**–**	(17)
	48	(17)
Variable rate instruments		
Financial assets	**2 351**	2 960
Financial liabilities	**(9 764)**	(10 121)
	(7 413)	(7 161)

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 R41 million (2015: R37 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 2015.

(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 an investment in listed securities classified as available-for-sale financial assets (refer note 24). The group is not exposed to significant commodity price risk.

Price sensitivity analysis for available-for-sale financial assets:
A change of 10% appreciation or depreciation of the market value would have increased/decreased total comprehensive income by R25 million (2015: Rnil).

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 2016 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 28 *Trade and other receivables* for further credit risk analysis in respect of trade and other receivables.

4. Financial risk management continued

4.1 Financial risk factors continued

c) Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. Although current liabilities exceed current assets at 31 March 2016, 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 2016, the group had 32% (2015: 29%) 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.

	2016 Rm	2015 Rm
Debt at 1 April	**(10 138)**	(6 170)
Net decrease/(increase) in debt during the year	**374**	(3 968)
Debt at 31 March	**(9 764)**	(10 138)
Credit facilities[1]	**14 292**	14 254
Headroom available	**4 528**	4 116

[1] *Includes non-controlling interests and, in the prior year finance lease contracts, but 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 thereby reducing liquidity concentration risk. The facilities comprise a mix of short, medium and long-term tenure, with utilisations and available facilities as follows:

	2016 facility			2015 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**	**811**	**389**	1 200	1 072	128
Term facilities maturing 30 June 2017	**1 500**	**1 500**	**–**	1 500	1 500	–
Term facilities maturing 1 October 2018	**449**	**449**	**–**	599	599	–
Term facilities maturing 31 March 2020	**4 000**	**2 100**	**1 900**	4 000	2 200	1 800
Term facilities maturing 30 June 2020	**1 928**	**1 928**	**–**	2 041	2 041	–
Term facilities maturing 31 March 2021	**4 473**	**2 423**	**2 050**	4 200	2 201	1 999
Other term and non-controlling interests funding	**553**	**553**	**–**	525	525	–
	14 292	**9 764**	**4 528**	14 254	10 138	4 116

4. Financial risk management continued

4.1 Financial risk factors 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
At 31 March 2016				
Bank borrowings	**2 310**	**2 620**	**7 157**	**–**
Bank overdrafts	**2 013**	**–**	**–**	**–**
Loan from non-controlling interests	**85**	**59**	**178**	**691**
Derivative financial instruments	**2**	**(34)**	**452**	**–**
Trade and other payables	**911**	**–**	**–**	**–**
Deferred income	**23**	**–**	**–**	**–**
Financial guarantee contracts	**12**	**–**	**–**	**–**
	5 356	**2 645**	**7 787**	**691**
At 31 March 2015				
Bank borrowings	2 181	1 123	6 411	2 592
Bank overdrafts	2 165	–	–	–
Loan from non-controlling interests	54	54	160	726
Obligations under finance leases	16	2	–	–
Derivative financial instruments	59	19	498	(1)
Trade and other payables	858	–	–	–
Deferred income	24	–	–	–
Financial guarantee contracts	12	–	–	–
	5 369	1 198	7 069	3 317

The table below analyses the group's derivative financial instruments that will be settled on a gross 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 and balance sheet are the contractual cash flows, exclusive of interest:

	Less than 1 year Rm	Between 1 and 2 years Rm	Between 2 and 5 years Rm	Over 5 years Rm
At 31 March 2016				
Put option	**–**	**–**	**(492)**	**–**
Interest rate swaps – cash flow hedges:				
Outflow	**(17)**	**–**	**–**	**–**
Inflow	**15**	**34**	**40**	**–**
	(2)	**34**	**(452)**	**–**
At 31 March 2015				
Put option	–	–	(485)	–
Interest rate swaps – cash flow hedges:				
Outflow	(59)	(27)	(26)	–
Inflow	–	8	13	1
	(59)	(19)	(498)	1

Other than as described above, the group does not expect any cash outflows on financial liabilities to occur significantly earlier, or for significantly different amounts.

4. Financial risk management continued

4.2 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 through equity 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
At 31 March 2016								
Financial assets								
Investments in associates	**7**	**–**	**–**	**–**	**484**	**491**	**491**	**–**
Investment in joint venture	**–**	**–**	**–**	**–**	**129**	**129**	**129**	**–**
Available-for-sale financial assets	**–**	**252**	**–**	**–**	**–**	**252**	**252**	**–**
Non-current receivables	**58**	**–**	**–**	**–**	**10**	**68**	**68**	**–**
Derivative financial instruments	**–**	**–**	**89**	**–**	**–**	**89**	**74**	**15**
Trade and other receivables	**528**	**–**	**–**	**–**	**126**	**654**	**–**	**654**
Cash and cash equivalents	**2 492**	**–**	**–**	**–**	**–**	**2 492**	**–**	**2 492**
Financial liabilities								
Interest-bearing borrowings	**–**	**–**	**–**	**11 777**	**–**	**11 777**	**8 373**	**3 404**
Derivative financial instruments	**–**	**–**	**17**	**492**	**–**	**509**	**492**	**17**
Trade and other payables	**–**	**–**	**–**	**911**	**329**	**1 240**	**–**	**1 240**
Deferred income	**–**	**–**	**–**	**23**	**–**	**23**	**–**	**23**
At 31 March 2015								
Financial assets								
Investments in associates	7	–	–	–	173	180	180	–
Investment in joint venture	–	–	–	–	131	131	131	–
Non-current receivables	77	–	–	–	11	88	88	–
Derivative financial instruments	–	–	22	–	–	22	22	–
Trade and other receivables	481	–	–	–	120	601	–	601
Cash and cash equivalents	3 048	–	–	–	–	3 048	–	3 048
Financial liabilities								
Interest-bearing borrowings	–	–	–	12 286	–	12 286	8 591	3 695
Obligations under finance leases	–	–	–	17	–	17	2	15
Derivative financial instruments	–	–	112	485	–	597	538	59
Trade and other payables	–	–	–	858	286	1 144	–	1 144
Deferred income	–	–	–	24	–	24	–	24
Other current liabilities	–	–	–	4	–	4	–	4

4.3 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 and banking institutions 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 4.1(c) above.

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.

4. Financial risk management continued

4.3 Capital risk management continued

During 2016, the group's strategy was to ensure that net debt was no more than 3.0 times (2015: 3.0 times) Ebitdar and that Ebitdar covers net interest[1] by at least 3.0 times (2015: 3.0 times). Ebitdar, being the driver of profitability and equity contributor, is the critical measurement criteria used to manage debt and capital levels. No debt covenants over 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, neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

	2016 Rm	2015 Rm
Total borrowings	**11 740**	12 259
Less: Cash and cash equivalents	**(2 492)**	(3 048)
Net debt	**9 248**	9 211
Ebitdar	**4 543**	4 223
Net debt/Ebitdar (times)	**2.0**	2.2
Interest cover[2] (times)	**5.4**	5.6

[1] *Net interest = finance costs less interest received per the cash flow statement*
[2] *Interest cover = Ebitda, pre-exceptional items, divided by net finance costs per the cash flow statement*

4.4 Fair value estimation

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. There were no transfers between levels 1, 2 and 3 during the year under review or in the prior year.

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;
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value; 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 fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions at an arm's length basis. The quoted market price used for available-for-sale financial assets held by the group is the closing price at the balance sheet date.

The group has the following level 1 financial instruments (refer note 24):	2016 Rm	2015 Rm
Available-for-sale financial assets – listed equities	**252**	–

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 (refer note 33.2):	2016 Rm	2015 Rm
Derivative financial instruments – interest rate swaps asset/(liability) (net)	**72**	(90)

The group has no other financial assets or liabilities measured at fair value.

4.5 Offsetting

The group has the following financial instruments which are subject to enforceable master netting arrangements which are not offset as at 31 March 2016:

	2016 Rm	2015 Rm
Interest rate swap derivatives		
Gross interest rate swap – asset	**89**	22
Gross interest rate swap – liability	**(17)**	(112)
Net asset/(liability) if offset	**72**	(90)
Current bank accounts		
Gross bank balances	**2 379**	2 299
Gross bank overdrafts	**(2 014)**	(2 165)
Net bank balance if offset	**365**	134

5. Reconciliation of earnings attributable to equity holders of the company to headline earnings and adjusted headline earnings

	Notes	2016 Gross Rm	2016 Net[1] Rm	2015 Gross Rm	2015 Net[1] Rm
Profit attributable to equity holders of the company			**1 788**		1 672
Loss on disposal of property, plant and equipment	13	**5**	**4**	4	3
Impairment of property, plant and equipment	13	**7**	**5**	10	7
Impairment of intangibles	13	**10**	**10**	–	–
Gain on disposal of investment property	13	**(8)**	**(7)**	–	–
Headline earnings			**1 800**		1 682
Transaction costs	13	**26**	**26**	2	2
Pre-opening expenses	13	**12**	**9**	19	11
Impairment of financial instruments, net of recoveries	13	**4**	**4**	3	3
Restructuring costs	13	**2**	**1**	8	6
IFRS 2 *Share-based Payment* expense – equity-settled	12	**–**	**–**	118	118
Write-off of marketing fee income raised previously from joint venture	13	**–**	**–**	16	16
Settlement fee paid on termination of tenant leases	13	**–**	**–**	1	1
Gain recognised on the change in other long-term employee benefits	13	**–**	**–**	(38)	(38)
Loss/(gain) on remeasurement of put liability	15	**7**	**5**	(8)	(6)
Change in capital gains tax inclusion rate on acquisition assets of subsidiaries	16	**54**	**36**	–	–
Share of joint venture's exceptional item			**–**		(20)
Adjusted headline earnings[2]			**1 881**		1 775
Number of shares in issue (million)			**957**		957
Weighted average number of shares in issue (million)			**957**		1 014
Basic and diluted earnings per share (cents)			**186.8**		164.9
Basic and diluted headline earnings per share (cents)			**188.1**		165.9
Basic and diluted adjusted headline earnings per share (cents)			**196.5**		175.0

[1] *Net of tax and non-controlling interests*
[2] *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*

6. Reconciliation of operating profit to Ebitdar

	Notes	2016 Rm	2015 Rm
Ebitdar pre-exceptional items is made up as follows:			
Operating profit		**3 408**	3 042
Add:			
Property rentals	10	**219**	210
Amortisation and depreciation	11	**812**	733
Long-term incentive expense	12	**46**	95
		4 485	4 080
Add: Exceptional losses, net of gains		**58**	143
Loss on disposal of property, plant and equipment	13	**5**	4
Impairment of property, plant and equipment	13	**7**	10
Impairment of intangibles	13	**10**	–
Gain on disposal of investment property	13	**(8)**	–
Transaction costs	13	**26**	2
Pre-opening expenses	13	**12**	19
Impairment of financial instruments, net of recoveries	13	**4**	3
Restructuring costs	13	**2**	8
IFRS 2 *Share-based Payment* expense – equity-settled	12	**–**	118
Write-off of marketing fee income raised previously from joint venture	13	**–**	16
Settlement fee paid on termination of tenant leases	13	**–**	1
Gain recognised on the change in other long-term employee benefits	13	**–**	(38)
Ebitdar		**4 543**	4 223

7. Segmental analysis

In terms of IFRS 8 *Operating Segments* the chief operating decision-maker has been identified as the group's CEO and the 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.

The group's CEO and GEC consider the business from both a business type and geographical basis, being hotels and gaming. 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. Other gaming operations consist mainly of the Sandton Convention Centre and gaming head office costs;
- Hotels South Africa consists of the group's South African hotel division which owns, operates and manages hotels in South Africa;
- Offshore hotels consists of the group's non-South African hotel 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 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.

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.

There has been no change in the basis of segmentation or in the basis of measurement of segment profit or loss from the last annual financial statements.

	Income		Ebitdar[(1)(2)]		Ebitdar margin		Amortisation and depreciation	
	2016 Rm	2015 Rm	**2016 Rm**	2015 Rm	**2016 %**	2015 %	**2016 Rm**	2015 Rm
Montecasino	**2 674**	2 510	**1 194**	1 133	**44.7**	45.1	**95**	100
Suncoast	**1 701**	1 581	**791**	732	**46.5**	46.3	**91**	109
Gold Reef City	**1 380**	1 270	**525**	479	**38.1**	37.7	**96**	73
Silverstar	**735**	676	**254**	248	**34.6**	36.7	**86**	58
The Ridge	**391**	415	**160**	188	**40.9**	45.2	**26**	19
Emnotweni	**384**	367	**152**	154	**39.5**	42.0	**27**	30
Golden Horse	**369**	334	**163**	148	**44.2**	44.3	**33**	31
Hemingways	**318**	310	**113**	109	**35.4**	35.1	**42**	40
Garden Route	**218**	188	**92**	79	**42.3**	42.0	**14**	14
Blackrock	**168**	152	**63**	58	**37.7**	38.1	**11**	11
The Caledon	**163**	149	**43**	38	**26.2**	25.5	**8**	6
Mykonos	**156**	145	**68**	64	**44.0**	44.1	**9**	7
Goldfields	**134**	138	**44**	51	**32.4**	37.1	**10**	9
Other gaming operations	**109**	100	**(233)**	(216)			**15**	9
Total gaming operations	**8 900**	8 335	**3 429**	3 265	**38.5**	39.2	**563**	516
South African hotels division[(3)]	**2 744**	2 506	**920**	830	**33.5**	33.1	**193**	171
Offshore hotels division	**691**	552	**169**	116	**24.5**	21.0	**50**	40
Pre-foreign exchange losses			***192***	*137*	***27.8***	*24.8*		
Foreign exchange losses			***(23)***	*(21)*				
Corporate[(3)]	**(52)**	(50)	**25**	12			**6**	6
Group	**12 283**	11 343	**4 543**	4 223	**37.0**	37.2	**812**	733

(1) *Refer note 6* Reconciliation of operating profit to Ebitdar
(2) *All casino units are reported pre-internal gaming management fees*
(3) *Includes R53 million (2015: R50 million) intergroup management fees*

7. Segmental analysis continued

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

	Associates and joint venture		Capital expenditure	
	2016 Rm	2015 Rm	**2016 Rm**	2015 Rm
Gaming operations	**34**	30	**958**	1 168
South African hotels division	**–**	–	**375**	407
Offshore hotels division	**586**	281	**47**	247
Corporate	**–**	–	**2**	2
Group	**620**	311	**1 382**	1 824

Non-current assets, other than financial instruments and deferred income tax assets (there are no employment benefit assets and rights arising under insurance contracts), by country:

	2016 Rm	2015 Rm
South Africa	**18 761**	18 271
Nigeria	**1 218**	1 088
Mozambique	**555**	468
Seychelles	**276**	245
United Kingdom	**457**	150
Zambia	**159**	131
Tanzania	**177**	127
Kenya	**51**	10
Other	**7**	7
	21 661	20 497

8. Other revenue

	2016 Rm	2015 Rm
Management fees earned	**53**	64
Theme Park revenue	**123**	110
Sandton Convention Centre revenue	**100**	93
Rentals received	**166**	152
Cinema revenue	**65**	52
Parking revenue	**47**	47
Venue hire revenue	**62**	49
Other revenue	**169**	144
	785	711

9. Gaming levies and VAT

	2016 Rm	2015 Rm
Gaming levies	**704**	666
VAT	**827**	784
	1 531	1 450

10. Property and equipment rentals

	2016 Rm	2015 Rm
Properties	**219**	210
Plant, vehicles and equipment	**68**	66
	287	276

11. Amortisation and depreciation

	2016 Rm	2015 Rm
Amortisation of intangible assets		
Casino licences and bid costs	**5**	12
Computer software	**27**	26
	32	38
Depreciation		
Owned assets		
Properties	**149**	144
Plant, vehicles and equipment	**609**	526
	758	670
Leased assets		
Properties	**22**	25
	22	25
Total depreciation	**780**	695
Total amortisation and depreciation	**812**	733

12. Employee costs

	2016 Rm	2015 Rm
Employee costs (including executive directors' remuneration):		
Salaries and wages	**2 661**	2 453
Pension – defined contribution plans	**163**	149
Other post-retirement benefits – medical aid	**1**	1
Long-term incentive expense – cash-settled	**46**	95
IFRS 2 *Share-based Payment* – equity-settled	**–**	118
	2 871	2 816

13. Other operating expenses

	2016 Rm	2015 Rm
Other operating expenses comprise the following:		
Auditors' remuneration	**34**	32
Audit fees – current year	**29**	27
Tax services	**3**	2
Other services and expenses	**2**	3
Administration fees	**1**	2
Advertising, marketing and promotional costs	**445**	381
External consultants	**36**	36
Food and beverage costs and operating equipment usage	**544**	513
Impairment charge for bad and doubtful debts, net of reversals	**15**	3
Information technology-related costs	**133**	130
Net foreign exchange losses	**21**	18
Property costs – rates, water and electricity	**529**	501
Repairs and maintenance expenditure on property, plant and equipment	**260**	328
Rooms departmental expenses	**338**	267
Security and surveillance costs	**170**	154
Other operating expenses	**790**	636
Loss on disposal of property, plant and equipment	**5**	4
Impairment of property, plant and equipment	**7**	10
Impairment of intangibles	**10**	–
Gain on disposal of investment property	**(8)**	–
Transaction costs	**26**	2
Pre-opening expenses	**12**	19
Impairment of financial instruments	**4**	4
Reversal of impairment of financial instruments	**–**	(1)
Restructuring costs	**2**	8
Write-off of marketing fee income raised previously from joint venture	**–**	16
Settlement fee paid on termination of tenant leases	**–**	1
Gain recognised on the change in other long-term employee benefits	**–**	(38)
	3 374	3 026

14. Interest income

	2016 Rm	2015 Rm
Interest income on loans to associates	**6**	5
Interest received from banks and collective investment institutions	**27**	56
Interest income – other	**2**	18
	35	79

15. Finance costs

	2016 Rm	2015 Rm
Finance costs in respect of interest-bearing debt	**824**	721
Interest paid to non-controlling interests	**58**	50
Interest on finance leases	**1**	3
Finance cost in respect of loss/(gain) on remeasurement of put liability	**7**	(8)
Finance costs – other	**2**	1
Less: Interest capitalised at an average capitalisation rate[1] of nil (2015: 5.381%)	**–**	(7)
	892	760

[1] *In respect of local and foreign borrowings*

16. Income tax expense

	2016 Rm	2015 Rm
Current tax – current year charge	**666**	664
Current tax – over provision prior year	**(27)**	(25)
Deferred tax – current year charge	**41**	23
Deferred tax – under provision prior year	**35**	14
Deferred tax – change in capital gains tax inclusion rate	**54**	–
Withholding taxes	**5**	4
	774	680
Other comprehensive income		
Tax charge/(credit) relating to components of other comprehensive income on items that may be reclassified subsequently to profit or loss:		
Cash flow hedges	**45**	(39)
Tax charge relating to components of other comprehensive income on items that may not be reclassified subsequently to profit or loss:		
Remeasurements of post-employment defined benefit liability	**1**	–
	46	(39)

Income tax rate reconciliation	2016 Rm	2016 %	2015 Rm	2015 %
Profit before income tax and share of profit of associates and joint venture	**2 551**		2 361	
Income tax thereon at 28% (2015: 28%)	**714**	**28.0**	661	28.0
Expenses not deductible for tax purposes[1]	**40**	**1.6**	42	1.8
Prior year charges (net)	**8**	**0.3**	(11)	(0.5)
Deferred tax – change in capital gains tax inclusion rate	**54**	**2.1**	–	–
Withholding taxes	**5**	**0.2**	4	0.2
Foreign tax rate differential	**(47)**	**(1.8)**	(16)	(0.7)
	774	**30.4**	680	28.8

[1] *Comprises mainly non-deductible depreciation on buildings, amortisation of casino licence and bid costs, transaction costs and prior year included a non-deductible IFRS 2 charge*

17. Dividends declared

	2016 Rm	2015 Rm
Final dividend	**579**	659
Interim dividend	**299**	280
	878	939
Final dividend declared on	**21 May 2015**	22 May 2014
Final dividend paid on	**15 June 2015**	17 June 2014
Final dividend cents per share	**60 cents**	60 cents
Interim dividend declared on	**19 November 2015**	20 November 2014
Interim dividend paid on	**14 December 2015**	15 December 2014
Interim dividend cents per share	**31 cents**	29 cents

18. Property, plant and equipment

	Land and buildings Rm	Leased land and buildings Rm	Properties under construction Rm	Plant and equipment Rm	Operating equipment Rm	Total Rm
Year ended 31 March 2016						
Opening net carrying amount	**9 957**	**635**	**196**	**2 503**	**179**	**13 470**
Additions	**193**	**61**	**420**	**622**	**47**	**1 343**
Disposals and operating equipment usage	**(3)**	**–**	**–**	**(10)**	**(31)**	**(44)**
Depreciation charge	**(149)**	**(22)**	**–**	**(609)**	**–**	**(780)**
Impairments	**–**	**–**	**–**	**(4)**	**(3)**	**(7)**
Transfers	**439**	**(52)**	**(528)**	**187**	**5**	**51**
Currency translation	**277**	**–**	**–**	**52**	**8**	**337**
Closing net carrying amount	**10 714**	**622**	**88**	**2 741**	**205**	**14 370**
At 31 March 2016						
Cost	**11 968**	**857**	**88**	**5 757**	**205**	**18 875**
Accumulated depreciation	**(1 254)**	**(235)**	**–**	**(3 016)**	**–**	**(4 505)**
Net carrying amount	**10 714**	**622**	**88**	**2 741**	**205**	**14 370**
Year ended 31 March 2015						
Opening net carrying amount	7 551	647	400	2 201	140	10 939
Additions	368	13	697	526	63	1 667
Acquisition of business	1 417	–	–	54	–	1 471
Capitalisation of borrowing costs	2	–	5	–	–	7
Disposals and operating equipment usage	(3)	–	–	(7)	(31)	(41)
Depreciation charge	(144)	(25)	–	(526)	–	(695)
Impairments	(4)	–	(1)	(4)	(1)	(10)
Transfers	639	–	(905)	237	5	(24)
Currency translation	131	–	–	22	3	156
Closing net carrying amount	9 957	635	196	2 503	179	13 470
At 31 March 2015						
Cost	11 023	870	196	5 100	179	17 368
Accumulated depreciation	(1 066)	(235)	–	(2 597)	–	(3 898)
Net carrying amount	9 957	635	196	2 503	179	13 470
At 31 March 2014						
Cost	8 467	856	400	4 466	150	14 339
Accumulated depreciation	(916)	(209)	–	(2 265)	(10)	(3 400)
Net carrying amount	7 551	647	400	2 201	140	10 939

The group reassessed the useful lives of property, plant and equipment during the year. The impact on depreciation for the year was a credit of R39 million (2015: credit of R19 million). The group also reviewed the residual values during the year and the impact on depreciation was a credit of R3 million (2015: Rnil).

Property, plant and equipment at various casino and hotel properties with a book value of R7 million (2015: R10 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 13).

18. Property, plant and equipment continued

Bank borrowings (refer note 32) are secured over the following assets:

	Net carrying amount 2016 Rm	2015 Rm
Land and buildings	**3 101**	3 202
Plant and equipment	**1 863**	1 956
	4 964	5 158

19. Investment properties

	2016 Rm	2015 Rm
At cost		
Cost at beginning of year	**109**	102
Under construction	**27**	7
Disposals	**(7)**	–
Transfers	**(50)**	–
Closing net carrying amount	**79**	109
At 31 March		
Cost	**79**	109
Accumulated depreciation	**–**	–
Net carrying amount	**79**	109

The fair value of the investment properties, which are level 3 instruments, was determined to be R108 million (2015: R140 million). Due to the residual values of the properties exceeding the carrying amounts, the properties have no depreciable values.

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 an interest in property, taking into account existing tenant lease terms, 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.

During the year the group's investment properties were independently valued by independent professionally qualified valuers. The properties have been valued using capitalised values of the projected incomes, together with developmental land, to give present values as at 31 March 2016. In order to determine the reversionary rental income on lease expiry, renewal or review, a market gross rental income (basic rental plus operating cost rental) has been applied to give a market-related rental value for the properties as at 31 March 2016. Market rental growth has been determined based on the properties, property market trends and economic forecasts. Vacancies have been considered based on historical and current vacancy factors as well as the nature, location, size and popularity of the properties.

The property rental income earned by the group from its investment property, which is leased out under operating leases, amounted to R1 million (2015: R1 million). Direct operating expenses arising on the investment property amounted to R1 million (2015: R1 million).

No bank borrowings are secured by the group's investment property.

20. Goodwill

	2016 Rm	2015 Rm
At 1 April and 31 March	**2 106**	2 106
Impairment test for goodwill		
Goodwill is allocated and monitored based on the group's CGUs identified according to business segments as referred to in the segment analysis in note 7. 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**	20
Blackrock	**94**	94
Mykonos	**17**	17
The Caledon	**175**	175
South African hotels	**347**	347
Offshore hotels	**7**	7
	2 106	2 106

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.
- 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. This is then apportioned on a debt to equity ratio for each respective segment.

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

	2016			2015		
	Ebitdar margin %	**Long-term growth rate %**	**Discount rate pre-tax %**	Ebitdar margin %	Long-term growth rate %	Discount rate pre-tax %
Montecasino	**40.2**	**5.7**	**11.4**	41.7	5.6	10.8
Suncoast	**42.0**	**5.7**	**11.4**	41.4	5.6	10.8
Gold Reef City	**32.9**	**5.7**	**11.4**	34.9	5.6	10.8
Silverstar	**35.0**	**5.7**	**11.4**	40.3	5.6	10.8
Other gaming operations[1]	**33.8**	**5.7**	**11.4**	35.1	5.6	10.8
South African hotels	**33.5**	**5.5**	**12.3**	33.1	5.6	11.6
Offshore hotels	**27.8**	**5.7**	**12.5**	24.8	5.6	11.6

[1] *Includes the balance of the group's casino properties which have an allocation of goodwill*

Based on the above calculations, the group has not identified any 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.

21. Other intangible assets

	Casino licences and bid costs Rm	Management contract Rm	Computer software Rm	Trademarks Rm	Total Rm
Year ended 31 March 2016					
Opening net carrying amount	**4 387**	**–**	**96**	**7**	**4 490**
Additions	**1**	**–**	**11**	**–**	**12**
Acquisition of subsidiaries	**–**	**17**	**–**	**–**	**17**
Transfers	**–**	**–**	**(1)**	**–**	**(1)**
Amortisation charge	**(5)**	**–**	**(27)**	**–**	**(32)**
Impairment	**(10)**	**–**	**–**	**–**	**(10)**
Closing net carrying amount	**4 373**	**17**	**79**	**7**	**4 476**
At 31 March 2016					
Cost	**4 518**	**17**	**211**	**12**	**4 758**
Accumulated amortisation	**(145)**	**–**	**(132)**	**(5)**	**(282)**
Net carrying amount	**4 373**	**17**	**79**	**7**	**4 476**
Year ended 31 March 2015					
Opening net carrying amount	4 291	–	63	7	4 361
Additions	108	–	35	–	143
Transfers	–	–	24	–	24
Amortisation charge	(12)	–	(26)	–	(38)
Closing net carrying amount	4 387	–	96	7	4 490
At 31 March 2015					
Cost	4 535	–	309	12	4 856
Accumulated amortisation	(148)	–	(213)	(5)	(366)
Net carrying amount	4 387	–	96	7	4 490
At 1 April 2014					
Cost	4 453	–	275	12	4 740
Accumulated amortisation	(162)	–	(212)	(5)	(379)
Net carrying amount	4 291	–	63	7	4 361

Casino licences and management contracts having no expiry dates are considered to have an indefinite life, are not amortised and are tested annually for impairment on the same basis as goodwill (note 1d(iv)). Refer note 20 *Goodwill* for assumptions used in impairment testing. Casino licences having an expiry date are amortised over the exclusivity period of the respective licence.

During the year, bid costs of R10 million (2015: Rnil) relating to the fourth casino licence in Mpumalanga were impaired due to uncertainty surrounding the allocation of the licence. Impairments are included under operating costs (refer note 13). There were no 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:	2016 Rm	2015 Rm
Indefinite lives:		
Gold Reef City[1]	**1 765**	1 765
Silverstar[1]	**1 112**	1 112
Golden Horse[1]	**554**	554
Garden Route[1]	**252**	252
Goldfields[1]	**258**	258
Mykonos[1]	**215**	215
Montecasino	**70**	70
Suncoast	**105**	105
Definite lives:		
Hemingways	**42**	45
Suncoast	**–**	1
Work in progress	**–**	10
	4 373	4 387

[1] *Relate to the casinos acquired on the reverse acquisition of Gold Reef during the year ended 31 March 2011*

21. Other intangible assets continued

Bank borrowings (note 32) are secured over the following intangible assets:	Net carrying amount 2016 Rm	2015 Rm
Trademarks	**7**	7
Computer software	**45**	64
	52	71

22. Investments in associates

Associates are equity accounted using management prepared information on a basis coterminous with the group's accounting reference date. The group has the following interests in its principal associates, all of which are incorporated in South Africa with the exceptions of International Hotel Group Limited ('International Hotel Group') and RedefineBDL Hotel Group Limited ('RedefineBDL') which are incorporated in the British Virgin Islands and the United Kingdom respectively:

Listed

- 25% in International Hotel Group. During the year the group acquired a 25% interest in International Hotel Group, along with the major shareholders of RedefineBDL, also an associate of the group, for R315 million. The property fund, which has a dual listing in Luxembourg and on the Johannesburg Stock Exchange, will pursue hotel opportunities in the United Kingdom and Europe, the hotels to be managed by RedefineBDL. The group is satisfied that the fair value exceeds the carrying value. The market value of International Hotel Group was R321 million at 31 March 2016.

Unlisted

- 25% in RedefineBDL. During the prior year the group acquired a 25% interest in RedefineBDL for R145 million, a leading independent hotel management company in the United Kingdom. This acquisition 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;
- 50% in TMCTS Management Company Proprietary Limited which is held together with The Magic Company Proprietary Limited which owns and operates entertainment venues across southern Africa, primarily in casino and resort locations. Its product offering comprises video games, redemption games, bowling and other amusement rides;
- 50% in Three Groups Cinemas Proprietary Limited which operates cinemas at the group's Suncoast casino property;
- 25.1% in Lukhanji Leisure Proprietary Limited ('Lukhanji') which owns and operates a casino in Queenstown, Eastern Cape. The investment has been fully impaired due to the associate's continuing trading losses and it is not considered to be immediately recoverable. The group has provided security for all Lukhanji's borrowing obligations in favour of Investec Limited to a capital amount of R12 million (2015: R12 million) – also refer note 47 *Contingencies and guarantees*; and
- 49% in Richtrau 292 Proprietary Limited ('Richtrau') which trades as a concept bookstore within the group's Montecasino property. A loan of R7 million (2015: 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 is not considered to be impaired.

	2016 Rm	2015 Rm
Listed and unlisted		
At 1 April	**180**	32
Acquisition of investment in associates	**315**	145
Loan repayments	**–**	(1)
Share of profit after tax and other interests of associates	**31**	11
Dividends received	**(35)**	(7)
At 31 March	**491**	180
Made up as follows:		
Listed	**315**	–
Unlisted	**176**	180
	491	180

22. Investments in associates continued

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

	RedefineBDL		International Hotel Group[1]
	2016 Rm	2015 Rm	**2016 Rm**
Summarised balance sheets			
Total non-current assets	**161**	201	**870**
Total current assets	**259**	152	**361**
Total assets	**420**	353	**1 231**
Total non-current liabilities	**16**	13	**117**
Total current liabilities	**368**	205	**102**
Total liabilities	**384**	218	**219**
Net assets	**36**	135	**1 012**
Summarised statements of comprehensive income			
Revenue	**343**	149	**8**
Profit from operations	**96**	38	**1**
Profit for the year	**96**	38	**1**
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	**135**	–	**–**
Net asset value of associate acquired during the year	**–**	106	**1 096**
Profit for the year	**96**	38	**1**
Other comprehensive income – foreign currency translation	**(67)**	9	**(85)**
Total comprehensive income	**164**	153	**1 012**
Dividends paid	**(128)**	(18)	**–**
Closing net assets attributable to owners	**36**	135	**1 012**
Interest in associates	**25%**	25%	**25%**
Interest in associates	**9**	34	**253**
Goodwill and intangible assets	**118**	118	**41**
Translation	**15**	(2)	**21**
Carrying value of investments in associates	**142**	150	**315**

[1] *No comparatives have been provided as the associate was acquired during the current year under review*

	2016 Rm	2015 Rm
Individually immaterial associates		
Summarised financial information for individually immaterial associates, in aggregate, is as follows:		
Aggregate carrying amount of individually immaterial associates	**34**	30
Aggregate amounts of the group's share of:		
Profit from operations	**7**	1
Profit for the year and total comprehensive income	**7**	1
Group's share of associates' unrecognised losses – year under review	**(2)**	(3)
Group's share of associates' unrecognised losses – cumulative	**(10)**	(8)

23. Investment in joint venture

	2016 Rm	2015 Rm
The group has a 50% interest in United Resorts and Hotels Limited, a hotel company established in the Seychelles.		
Unlisted		
At 1 April	**131**	117
Share of (loss)/profit after tax and other interests of joint venture	**(2)**	14
At 31 March	**129**	131

The group has no share in the joint venture's contingent liabilities or capital commitments.

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

Summarised financial information

Summarised financial information for the joint venture on a 100% basis after adjustments to comply with the group's accounting policies, is as follows:

	2016 Rm	2015 Rm
Summarised balance sheet		
Assets		
Non-current assets	**450**	348
Inventory	**7**	7
Trade and other receivables	**14**	11
Cash and cash equivalents	**26**	20
Total assets	**497**	386
Liabilities		
Current financial liabilities (excluding trade payables)	**5**	1
Other current liabilities	**6**	5
Total liabilities	**11**	6
Net assets	**486**	380
Summarised statement of comprehensive income/(loss)		
Income	**118**	91
Depreciation and amortisation	**(6)**	(5)
(Loss)/profit before income tax	**(3)**	33
Income tax expense	**–**	(5)
(Loss)/profit for the year	**(3)**	28
Reconciliation of summarised financial information		
A reconciliation of the summarised financial information to the carrying amount of the group's interest in its joint venture is as follows:		
Opening net assets	**380**	391
(Loss)/profit for the year	**(3)**	28
Other comprehensive income – foreign currency translation	**109**	(39)
Closing net assets attributable to owners	**486**	380
Interest in joint venture	**50%**	50%
Interest in joint venture	**243**	190
Translation	**(114)**	(59)
Carrying value of investment in joint venture	**129**	131

24. Available-for-sale financial assets

	2016 Rm	2015 Rm
At fair value		
At 1 April	–	–
Additions	252	–
At 31 March	252	–

During August 2015, the group acquired 55% of Hospitality Property Fund Limited's ('HPF'), a listed entity on the Johannesburg Stock Exchange, B-linked units (currently 27.3% of the voting rights) for R252 million which equated to the investment's fair value at 31 March 2016 based on the entity's listed share price at that date. This investment is classified as a level 1 fair value measurement. Due to the fact that the group has no board representation nor any significant influence over the financial and operating decisions of HPF, this acquisition has been accounted for as an available-for-sale investment. Refer note 49.2 *Events occurring after the balance sheet date* for further detail. The outcome of the fulfilment of the conditions precedent may impact the classification of this investment in future periods.

The available-for-sale financial asset is non-current, unimpaired and denominated in SA Rand.

25. Non-current receivables

	2016 Rm	2015 Rm
At amortised cost		
Financial instruments		
Loan to Lukhanji	56	52
Loan to The Corob Trust	–	17
Loan to JIA Piazzapark Proprietary Limited	2	2
Amounts due by share scheme participants	15	23
Prepayments	41	35
Less: Provision for impairments – Lukhanji loan	(56)	(52)
	58	77
Non-financial instruments		
Prepayments	10	11
	68	88
Non-current receivables are denominated in the following currencies:		
SA Rand	27	53
US Dollar	41	35
	68	88

The loan to Lukhanji, an associate, bears interest at prime plus 1%. The group has subordinated this loan for the benefit of other creditors, limited to an amount of R40 million (2015: R37 million). The group has provided security for all Lukhanji's borrowing obligations in favour of Investec Limited to a capital amount of R12 million (2015: R12 million) – refer also note 22 *Investments in associates* and note 47 *Contingencies and guarantees*. The loan has been provided for in full.

The loan advanced to The Corob Trust in 2014 was repaid during the year under review. The loan related to its share of an acquisition of a property jointly acquired with the group (refer note 46 *Related party transactions*).

The loan to JIA Piazzapark Proprietary Limited comprises a working capital loan to an unlisted company bearing interest at the RSA 153 rate plus 2% payable quarterly. The loan is to be repaid on expiry of a management agreement by mutual agreement of the parties concerned.

Refer note 36.1 *Long-term incentive plans* in respect of amounts due by share scheme participants.

Prepayments (included in financial instruments) comprise mainly a prepaid property lease rental deposit by a subsidiary of the group in Nairobi which is carried at cost, together with an upfront rental payment by another of the group's subsidiaries in Maputo which is amortised over the period of the lease (both are considered refundable).

The maximum exposure to credit risk at the reporting date is the carrying value of the loans classified as non-current receivables. The group does not hold any collateral as security other than as shown above.

Other than as shown above, there were no disposals or impairment provisions in respect of non-current receivable assets in 2016 or 2015.

26. Deferred income tax

	2016 Rm	2015 Rm
The gross movements on the deferred tax account are as follows:		
Net deferred tax liability at 1 April	**1 688**	1 483
Acquisition of business (refer note 48)	**5**	208
Income statement expense	**76**	37
Deferred tax expense/(credit) relating to components of other comprehensive income (refer note 16)	**46**	(39)
Change in capital gains tax inclusion rate	**54**	–
Currency translation	**(1)**	(1)
Net deferred tax liability at 31 March	**1 868**	1 688
Deferred tax liabilities to be recovered:		
After more than 12 months	**1 960**	1 958
Within 12 months	**93**	(90)
	2 053	1 868
Deferred tax assets to be recovered:		
After more than 12 months	**126**	83
Within 12 months	**59**	97
	185	180
Net deferred tax liabilities at 31 March	**1 868**	1 688

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 Rm	Provisions and accruals[1] Rm	Deferred revenue Rm	Tax losses Rm	Fair value gains Rm	Total Rm
Deferred tax liabilities							
Deferred tax liability at 1 April 2014	1 715	25	(150)	(6)	20	(1)	1 603
Acquisition of subsidiaries	208	–	–	–	–	–	208
Income statement expense/(credit)	93	(3)	2	(4)	(30)	–	58
Currency translation	(1)	–	–	–	–	–	(1)
Deferred tax liability at 31 March 2015	2 015	22	(148)	(10)	(10)	(1)	1 868
Acquisition of business	**5**	**–**	**–**	**–**	**–**	**–**	**5**
Income statement expense/(credit)	**33**	**(1)**	**92**	**6**	**–**	**–**	**130**
Deferred tax (credit)/expense relating to components of other comprehensive income	**–**	**–**	**(4)**	**–**	**–**	**1**	**(3)**
Change in capital gains tax inclusion rate	**54**	**–**	**–**	**–**	**–**	**–**	**54**
Currency translation	**(1)**	**–**	**–**	**–**	**–**	**–**	**(1)**
Deferred tax liability at 31 March 2016	**2 106**	**21**	**(60)**	**(4)**	**(10)**	**–**	**2 053**
Deferred tax assets							
Deferred tax asset at 31 March 2014	(89)	9	190	7	17	(14)	120
Income statement (expense)/credit	26	(6)	(2)	2	1	–	21
Deferred tax credit relating to components of other comprehensive income	–	–	–	–	–	39	39
Deferred tax asset at 31 March 2015	(63)	3	188	9	18	25	180
Income statement (expense)/credit	**(105)**	**(3)**	**149**	**7**	**6**	**–**	**54**
Deferred tax expense relating to components of other comprehensive income	**–**	**–**	**(5)**	**–**	**–**	**(44)**	**(49)**
Deferred tax asset at 31 March 2016	**(168)**	**–**	**332**	**16**	**24**	**(19)**	**185**
Total net deferred tax liability/(asset)	**2 274**	**21**	**(392)**	**(20)**	**(34)**	**19**	**1 868**

[1] *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 is provided on the full estimated tax loss of the group of R121 million (2015: R93 million) mainly incurred by Southern Sun Hotels (Tanzania) Limited, Southern Sun (Mozambique) Lda, Southern Sun Hotels Kenya Limited and various SUN1 brand entities.

27. Inventories

	2016 Rm	2015 Rm
Food and beverage	**41**	45
Operating equipment	**44**	34
Consumable stores	**40**	29
	125	108

The cost of inventories recognised as an expense and included in other operating expenses amounted to R510 million (2015: R482 million).

Inventories having a value of R75 million (2015: R68 million) have been pledged as security for the group's borrowings (refer note 32).

There was no write-off of inventories during the year under review (2015: Rnil).

28. Trade and other receivables

	2016 Rm	2015 Rm
Financial instruments		
Trade receivables	**372**	286
Management fees receivable	**2**	1
Loan to Indol Proprietary Limited	**17**	17
Loan to TMCTS Management Company Proprietary Limited	**7**	7
Deposits – held by utilities	**7**	7
Deposits – other	**91**	67
Deposits held in bank accounts for consortium	**18**	12
Other receivables	**62**	121
Less: Provision for impairment of receivables	**(48)**	(37)
Trade receivables	**(27)**	(20)
Loan to Indol Proprietary Limited	**(17)**	(17)
Other receivables	**(4)**	–
Trade and other receivables – net	**528**	481
Non-financial instruments		
Prepayments	**116**	92
VAT receivable	**–**	15
Straight-lining of operating leases	**10**	13
	126	120
Total trade and other receivables	**654**	601

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 its fair value due to the short-term nature of trade and other receivables.

The group's 50% interest in Indol Proprietary Limited, previously a joint venture, was sold during the 2014 financial year. The loan of R17 million (2015: R17 million) remains payable following suspensive conditions in the sale agreement. The loan remains impaired.

The loan to TMCTS Management Company Proprietary Limited (an associate – refer note 22) bears no interest and has no fixed terms of repayment.

	2016 Rm	2015 Rm
Past due but not impaired – trade receivables		
At 31 March 2016, trade receivables of R261 million (2015: R184 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 ageing analysis of these trade receivables is as follows:		
30 to 60 days	**176**	114
60 to 90 days	**15**	37
More than 90 days	**70**	33
	261	184

The increase relates mainly to government debtors who are slow paying, as well as additional debtors brought on as a result of the Majormatic/Extrabold transaction (refer note 48). Although these debtors are slow paying they are not considered doubtful.

28. Trade and other receivables continued

Impairment – trade receivables

At 31 March 2016, trade receivables of R27 million (2015: R20 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. The impaired trade receivables relate to debtors that have been handed over to attorneys for collection and debtors that have been outstanding for more than one year. Movements on the provision for impairment of trade receivables are as follows:

	2016 Rm	2015 Rm
At 1 April	**20**	18
Provision for receivables impairment	**12**	6
Receivables written off as uncollectable during the year	**(2)**	(1)
Unused amounts reversed	**(3)**	(3)
At 31 March	**27**	20

Past due but not impaired – other receivables

At 31 March 2016, other receivables of R30 million (2015: R106 million) were past due but not impaired. These relate mainly to loans, banqueting debtors and vending commission. The ageing analysis of these other receivables is as follows:

	2016 Rm	2015 Rm
Up to 3 months	**28**	82
3 to 6 months	**1**	1
More than 6 months	**1**	23
	30	106

Impairment – other receivables

At 31 March 2016, other receivables of R21 million (2015: R17 million) were impaired and provided for. The individually impaired receivables mainly relate to the loan to Indol Proprietary Limited, uncollectables and long-outstanding debtors. Movements on the provision for impairment of other receivables are as follows:

	2016 Rm	2015 Rm
At 1 April	**17**	18
Provision for receivables impairment	**6**	1
Receivables written off during the year as uncollectable	**(2)**	(1)
Unused amounts reversed	**–**	(1)
At 31 March	**21**	17

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 13). 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:

	2016 Rm	2015 Rm
SA Rand	**547**	487
US Dollar	**25**	41
Nigerian Naira	**28**	26
Mozambican Metical	**12**	17
Tanzanian Shilling	**13**	9
Zambian Kwacha	**9**	7
Seychelles Rupee	**12**	6
Kenyan Shilling	**3**	5
United Arab Emirates Dirham	**5**	3
	654	601

29. Cash and cash equivalents

	2016 Rm	2015 Rm
Current accounts	**2 272**	2 404
Call and fixed deposit accounts	**125**	554
Cash	**95**	90
Gross cash and cash equivalents	**2 492**	3 048
Less: Bank overdrafts per note 32	**(2 013)**	(2 165)
Net cash and cash equivalents per cash flow statement	**479**	883
Bank accounts pledged as security for the group's borrowings (refer note 32)	**1 790**	2 444
Gross cash and cash equivalents are denominated in the following currencies:		
SA Rand	**2 437**	2 956
US Dollar	**16**	45
Nigerian Naira	**11**	19
Euro	**5**	17
Mozambican Metical	**13**	3
United Arab Emirates Dirham	**1**	2
Zambian Kwacha	**4**	2
British Pound	**1**	1
Kenyan Shilling	**1**	1
Seychelles Rupee	**2**	1
Tanzanian Shilling	**1**	1
	2 492	3 048

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 1 April 2014	1 182 765 988	(84 607 487)	1 098 158 501	4	4 782	(15)	4 771
Shares repurchased and cancelled	(133 584 599)	–	(133 584 599)	(2)	–	–	(2)
Treasury shares acquired[(1)]	–	(7 766 990)	(7 766 990)	–	–	(200)	(200)
Share options exercised and vested	–	623 233	623 233	–	–	8	8
Share options lapsed	–	(41 275)	(41 275)	–	–	(1)	(1)
At 31 March 2015 and 2016	**1 049 181 389**	**(91 792 519)**	**957 388 870**	**2**	**4 782**	**(208)**	**4 576**

[(1)] *Refer note 36.1* Long-term incentive plans

The total authorised number of ordinary shares is 1 200 000 000 (2015: 1 200 000 000) with a par value of 2 cents per share (2015: 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 prior year the group managed the exit of SABMiller PLC ('SABMiller') from its long-term 39.6% shareholding in the group, including a specific repurchase of 133.6 million Tsogo Sun ordinary shares for R2.8 billion on 28 August 2014. These shares, which were cancelled, were acquired at a price of R20.96 per share representing an 18.6% discount to the final book build price of R25.75 per share achieved on the sale of the SABMiller investment in Tsogo Sun. Consequently par value share capital was reduced by R2 million and retained earnings was reduced by the remaining consideration of R2.8 billion.

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

	Share-based payment 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	Total Rm
At 1 April 2014	3	130	(374)	34	226	19
Cash flow hedges	–	–	–	(99)	–	(99)
Fair value losses during the year	–	–	–	(138)	–	(138)
Deferred tax on fair value losses	–	–	–	39	–	39
Currency translation adjustments	–	–	–	–	86	86
Recognition of share-based payments	118	–	–	–	–	118
Recognition of put liability with non-controlling interests	–	–	(493)	–	–	(493)
Acquisition of non-controlling interests	–	–	(73)	–	–	(73)
At 31 March 2015	121	130	(940)	(65)	312	(442)
Cash flow hedges	**–**	**–**	**–**	**117**	**–**	**117**
Fair value profits during the year	**–**	**–**	**–**	**162**	**–**	**162**
Deferred tax on fair value profits	**–**	**–**	**–**	**(45)**	**–**	**(45)**
Currency translation adjustments	**–**	**–**	**–**	**–**	**214**	**214**
Transfer to retained earnings	**(121)**	**–**	**–**	**–**	**–**	**(121)**
At 31 March 2016	**–**	**130**	**(940)**	**52**	**526**	**(232)**

32. Interest-bearing borrowings

	2016 Rm	2015 Rm
At amortised cost		
Bank borrowings	**9 211**	9 613
Bank overdrafts	**2 013**	2 165
Loan from non-controlling interests	**553**	508
	11 777	12 286
Less: Prepaid facility fees	**(37)**	(44)
	11 740	12 242
Analysed as:		
Non-current portion	**8 346**	8 557
Current portion	**3 394**	3 685
	11 740	12 242
Secured	**11 777**	12 286
Unsecured	**–**	–
	11 777	12 286
The maturity of borrowings is as follows:		
Not later than 1 year	**3 394**	3 685
Later than 1 year and not later than 5 years	**7 838**	5 574
Later than 5 years	**508**	2 983
	11 740	12 242
The following represents the book amount of the security for these borrowings:		
Property, plant and equipment (refer note 18)	**4 964**	5 158
Intangible assets (refer note 21)	**52**	71
Inventories (refer note 27)	**75**	68
Pledge of cash in bank accounts (refer note 29)	**1 790**	2 444
Cession of Tsogo Sun shares (treasury shares)	**540**	630
	7 421	8 371

32. Interest-bearing borrowings continued

	2016 Rm	2015 Rm
The carrying amounts of the group's borrowings are denominated in the following currencies:		
SA Rand	**10 644**	11 457
US Dollar	**1 096**	785
	11 740	12 242
The group has the following committed direct facilities (from banks and non-controlling interest lenders):		
Expiring within 1 year	**1 830**	1 743
Expiring beyond 1 year	**12 462**	12 494
	14 292	14 237
Undrawn facility of committed direct bank borrowings	**4 528**	4 116
Weighted average effective interest rates (excluding leases, including cash held in call accounts)	**9.08%**	9.13%

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 are 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 SA Rand and US Dollar lenders of the above loans ranging between 3.13% and 11.66% (2015: 2.74% and 10.53%). 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 4.1a(ii)).

The loan from non-controlling interests is unsecured, bearing interest at JIBAR plus 4.43% (2015: JIBAR plus 4.43%) and is repayable by 1 May 2024.

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

	Carrying amount		Fair value	
Analysis of long and medium-term borrowings is as follows:	2016 Rm	2015 Rm	2016 Rm	2015 Rm
Bank borrowings	**7 793**	8 049	**8 073**	7 956
Loan from non-controlling interests	**553**	508	**508**	508
	8 346	8 557	**8 581**	8 464

33. Derivative financial instruments

	2016 Rm	2015 Rm
Derivative financial instruments are made up as follows:		
Put option (refer note 33.1)	**492**	485
Interest rate swaps – cash flow hedges (refer note 33.2):		
Tsogo Sun Proprietary Limited	**(71)**	85
Silverstar Casino Proprietary Limited	**(1)**	5
Net liabilities	**420**	575
Less: Current portion liability (net)	**(2)**	(59)
Non-current portion liability (net)	**418**	516
Non-current portion made up as follows:		
Asset	**(74)**	(22)
Liability	**492**	538
	418	516

33. Derivative financial instruments continued

33.1 Put option

At amortised cost

During the prior year, the group entered into a call option over Liberty Group Limited's ('Liberty') 40% shareholding in The Cullinan Hotel Proprietary Limited ('Cullinan') (a subsidiary) and Liberty has a corresponding put option, both exercisable at the fair value of the shares. A financial liability for the put option of R493 million and a corresponding debit to transactions with non-controlling interest was recognised on initial recognition. At the end of each reporting period the liability is remeasured and the increase or decrease recognised in the income statement. The non-current liability has been remeasured to R492 million (2015: R485 million) at the year end with the increase of R7 million (2015: decrease of R8 million) recognised in finance costs (refer note 15). The value is determined utilising a discounted cash flow valuation with an appropriate discount rate.

33.2 Interest rate swaps

At fair value

The full fair value of a derivative financial instrument is classified as a non-current asset or liability if the remaining maturity of the hedging instrument is more than 12 months, and as a current asset or liability if the maturity of the hedging instrument is less than 12 months. Refer also notes 4.1(c) *Liquidity risk* and 4.4 *Fair value estimations.*

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets and liabilities in the balance sheet.

Gains or 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 Rnil (2015: Rnil).

The notional amounts of the outstanding interest rate swap contracts at 31 March were:	**2016 Rm**	2015 Rm
Tsogo Sun Proprietary Limited linked to the three-month JIBAR		
With a fixed rate of 7.68% maturing 31 March 2018	**400**	600
With a fixed rate of 6.46% maturing 31 March 2018	**1 500**	1 500
With a fixed rate of 8.045% maturing 30 June 2021	**1 000**	1 000
With a fixed rate of 8.09% maturing 30 June 2021	**2 000**	2 000
Silverstar Casino Proprietary Limited linked to the one-month JIBAR		
With a fixed rate of 7.22%, excluding credit and liquidity margins, maturing 3 April 2018	**405**	540
	5 305	5 640

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 two provident funds: the Alexander Forbes Retirement Fund and the Gold Reef Provident 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.

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.

	Present value of obligation Rm	Fair value of plan assets Rm	Total Rm

34. Post-employment benefits continued

The movement in the defined benefit obligation is as follows:

	Present value of obligation Rm	Fair value of plan assets Rm	Total Rm
Year ended 31 March 2016			
At 1 April 2015	**38**	**(28)**	**10**
Other post-retirement benefits – medical aid	**–**	**–**	**–**
Expected return on plan assets	**–**	**(2)**	**(2)**
Expected benefit payments from plan assets	**(3)**	**2**	**(1)**
Interest expense	**3**	**–**	**3**
Remeasurements:	**(2)**	**(2)**	**(4)**
Gain from change in financial assumptions	**(1)**	**–**	**(1)**
Return on plan assets	**–**	**(2)**	**(2)**
Experience gains	**(1)**	**–**	**(1)**
At 31 March 2016	**36**	**(30)**	**6**
Year ended 31 March 2015			
At 1 April 2014	36	(26)	10
Other post-retirement benefits – medical aid	1	–	1
Expected return on plan assets	–	(2)	(2)
Expected benefit payments from plan assets	(2)	2	–
Interest expense	3	–	3
Remeasurements:	1	(2)	(1)
Loss from change in financial assumptions	2	–	2
Return on plan assets	–	(2)	(2)
Experience gains	(1)	–	(1)
At 31 March 2015	38	(28)	10

The principal actuarial assumptions used for the valuation were:	**2016 %**	2015 %
Discount rate	**9.80**	7.50
Healthcare cost inflation	**9.40**	7.30
Expected return on plan assets	**9.80**	7.50
Remuneration inflation	**8.90**	6.80

At 31 March 2016, the effects of a 1% movement in the assumed medical cost trend rate would be as follows:	**Decrease Rm**	Increase Rm
Effect on the current service cost and interest cost	**1**	1
Effect on the post-retirement medical aid liability	**3**	4

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 comprises cash for both 2016 and 2015 with values of R30 million and R28 million respectively.

The expected long-term rate of return on medical aid assets of 9.80% (2015: 7.50%) is determined by using a standard 0% margin on the assumed rate of discount as per the revised IAS 19. The discount rate of 9.80% per annum is based on current bond yields of appropriate term gross of tax as required by IAS 19 *Employee Benefits*. 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 2016 (2015: 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.

	2016 Rm	2015 Rm
Deferred revenue		
At 1 April	**64**	71
Created during the year	**106**	62
Forfeitures during the year	**(25)**	(31)
Utilised during the year	**(72)**	(38)
At 31 March	**73**	64
Less: Current portion	**(49)**	(43)
Non-current portion	**24**	21
The expected timing of the recognition of the deferred revenue is within three years (2015: three years).		
Deferred income		
At 1 April	**24**	22
Created during the year	**159**	134
Forfeitures during the year	**(5)**	(9)
Utilised during the year	**(155)**	(123)
At 31 March	**23**	24
Less: Current portion	**(23)**	(24)
Non-current portion	**–**	–
The expected timing of the recognition of the deferred income is within one year (2015: one year) and is considered current.		
Total deferred revenue and income		
Analysed as:		
Non-current portion	**24**	21
Current portion	**72**	67
	96	88

36. Long-term incentive plans

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

36.1 Equity-settled

- **Gold Reef Share Scheme**

	2016 Rm	2015 Rm
Amounts due by share scheme participants (included in non-current receivables – refer note 25)	**15**	23

The group operates an equity-settled, share-based compensation plan established in September 1999 which arose on acquisition of subsidiaries. Options over the company's shares were granted to permanent employees at the discretion of the directors in terms of which shares in the company were acquired based on prices prevailing at the dates of granting the options. Delivery of the shares so acquired was effected in three equal tranches vesting over four years; one-third after two years, one-third after three years and one-third after four years. Shares acquired through the share scheme had to be paid for by the employees at the subscription prices as determined in the option contracts. Upon vesting and exercise of the options the subscription value was credited to share capital (nominal value) and share premium and debited to a non-current asset. The non-current asset was considered payable when the employees exercised the options and the options vested. Any dividends paid on those shares are utilised to reduce the balance owing by the employees. Loans to participants incur fringe benefit tax on interest at 6.75% (2015: 6.5% up to July 2014 and 6.75% from August 2014) as the loans are interest free. A complete accounting policy for the scheme is included in note 1y(v) to these financial statements.

Share options that have been exercised by employees are not regarded as outstanding. There are no unexercised share options outstanding at 31 March 2016 (2015: nil). There are no awards/options held by directors or other key management. Total IFRS 2 *Share-based Payment* costs relating to equity-settled share-based payments in terms of the Gold Reef Share Scheme amounted to Rnil (2015: Rnil).

36. Long-term incentive plans continued

36.1 Equity-settled continued

- **Executive facility**

During the prior year, 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.

The once-off IFRS 2 executive facility charge of R118 million during the prior year was measured using a Black-Scholes methodology which is appropriate for the valuation of a share option grant with a fixed strike price (an interest free loan of R200 million). The quantity of the shares acquired by the participating executives was based on the value of the loan granted of R200 million and the fair value of the Tsogo Sun shares at grant date. Consequently, the valuation was not determined on a per-share basis but rather on a market-capitalisation basis and therefore the fair value of the underlying shares at grant date is equal to R200 million. The exercise price of the share option is equal to the loan granted to the participating executives and, as the loan is interest free, the exercise price is fixed at R200 million. Other significant inputs into the model were a volatility of 20%, an expected life of the share option of between nine and 15 years and annual risk-free interest rates of between 6.28% to 9.03% over 23 years. As the participating executives are immediately entitled to dividends on the underlying Tsogo Sun shares, the dividend yield on the shares is equal to 0%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of the five-year weekly volatility of a similar company as well as the weekly share prices over the last two years. Refer also note 30 *Ordinary share capital and premium*.

The following executive employees participate in the executive facility:

	Number of shares acquired	Loan facility Rm	2015 IFRS 2 charge Rm
MN von Aulock (CEO)	3 339 806	86	54
RB Huddy (CFO)	1 048 543	27	15
J Booysen	1 825 243	47	26
GD Tyrrell	776 699	20	14
FV Dlamini	776 699	20	9
	7 766 990	200	118

36.2 Cash-settled, share-based long-term incentive plan

During March 2009, the previous Gold Reef board approved, on the recommendation of the remuneration and nominations committee, the implementation of the long-term incentive plan to attract, retain, motivate and reward executive directors and management who are able to influence the performance of the company on a basis which aligns their interests with those of the company's shareholders. In terms of the long-term incentive plan management will receive cash payments based on the share price of the company on exercise date. This long-term incentive plan consisted of three distinct components being share appreciation units, bonus units and performance units. The share appreciation units vested in three equal tranches; one-third after three years, one-third after four years and one-third after five years after grant date and are exercisable at the option of the recipient up until the end of six years after grant date. The amount settled is the difference between the company's share price on exercise date and the strike price. The strike price of the share appreciation units is the company's share price on grant date. There have been no awards since 2011 and therefore there are no further bonus units or performance units as all awards have either been forfeited or exercised in terms of the rules of the incentive plan.

Compound annual growth rate in HEPS	**Multiplication factor**
5.0% to 7.5%	0 – 1
7.5% to 10.0%	1 – 3

36. Long-term incentive plans continued

36.2 Cash-settled, share-based long-term incentive plan continued

	Share appreciation units	Average strike price R
Cash-settled in units at:		
1 April 2015	**805 585**	**18.16**
Forfeited	**(90 157)**	**18.19**
Exercised	**(400 982)**	**18.48**
31 March 2016	**314 446**	**17.75**
Units exercisable at 31 March 2016	**314 446**	
Number of employees granted units	**132**	
Number of employees remaining at year end	**80**	
Cash-settled in units at:		
1 April 2014	1 649 379	17.04
Forfeited	(56 257)	17.65
Exercised	(787 537)	17.17
31 March 2015	805 585	18.16
Units exercisable at 31 March 2015	595 743	
Number of employees granted units	132	
Number of employees remaining at year end	93	

	Share appreciation units
Grant date	21 February 2011
Valuation date	31 March 2016
Average share price utilised at valuation date	R28.60
Vesting period	3 – 5 years
Settlement	Cash

The group recognised an expense of R3 million (2015: R4 million) related to the bonus appreciation plan during the year and at 31 March 2016 the group has recorded liabilities of R3 million (2015: R8 million) in respect of this plan. The full liability is included in current liabilities (2015: R5 million).

36.3 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.

Liabilities equal to the current fair values are recognised at each balance sheet date. The movements in the fair value of these liabilities are expensed.

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. Dividends declared and paid post merger post the grant date are added to the trading price in determining the fair value.

36. Long-term incentive plans continued

36.3 Cash-settled – Tsogo Sun Share Appreciation Bonus Plan continued

The following table summarises details of the bonus units awarded to participants per financial year, the units vested at the end of the year and expiry dates of each allocation:

Grant date	Appreciation units granted and still outstanding 2016	2015	Strike price[1] R	Appreciation units vested and still outstanding 2016	2015	Expiry date	Liability 2016 Rm	2015 Rm
1 April 2010	**–**	935 811	15.08	**–**	935 811	31 March 2016	**–**	52
1 April 2011	**2 838 644**	3 403 053	15.06	**2 838 644**	3 403 053	31 March 2017	**50**	53
1 October 2011	**1 677 345**	1 783 841	18.78	**1 677 345**	1 783 841	30 September 2017	**22**	20
1 April 2012	**5 445 352**	7 245 201	17.66	**5 445 352**	7 245 201	31 March 2018	**77**	89
1 October 2012	**169 964**	253 678	19.71	**169 964**	–	30 September 2018	**2**	2
1 April 2013	**7 324 946**	7 964 198	24.56	**7 324 946**	–	31 March 2019	**49**	25
1 October 2013	**205 800**	221 480	25.51	**–**	–	30 September 2019	**1**	1
1 April 2014	**8 203 713**	8 903 555	25.72	**–**	–	31 March 2020	**26**	8
1 October 2014	**135 396**	154 738	25.85	**–**	–	30 September 2020	*****	*
1 April 2015	**7 112 025**	–	26.54	**–**	–	31 March 2021	**7**	–
1 October 2015	**125 262**	–	23.95	**–**	–	30 September 2021	*****	–
Liability at 31 March							**234**	250
Average share price utilised to value the liability at 31 March							**R28.60**	27.60

[1] *Grants prior to merger (24 February 2011) converted based on swap ratio of 3.553 Gold Reef shares for each TSH share*

* *Amount less than R1 million*

The group recognised an expense of R43 million (2015: R91 million) related to this bonus appreciation plan during the year and at 31 March 2016 the group had recorded liabilities of R234 million (2015: R250 million) in respect of this plan. The current portion of this liability is R200 million (2015: R217 million).

36.4 Total long-term incentive liabilities

	2016 Rm	2015 Rm
Cash-settled, share-based long-term incentive plan (refer note 36.2)	**3**	8
The Tsogo Sun Share Appreciation Bonus Plan (refer note 36.3)	**234**	250
	237	258
Less: Current portion	**(203)**	(222)
Non-current portion	**34**	36

37. Provisions

	2016 Rm	2015 Rm
At 1 April		
Long-service awards	**168**	138
Incentives	**141**	196
Jackpot provisions	**13**	14
	322	348
Acquisition of business		
Incentives	**–**	3
	–	3
Created during the year		
Long-service awards	**24**	37
Incentives	**210**	131
Jackpot provisions	**94**	146
	328	314
Utilised during the year		
Long-service awards	**(9)**	(7)
Incentives	**(137)**	(189)
Jackpot provisions	**(96)**	(147)
	(242)	(343)
At 31 March		
Long-service awards	**183**	168
Incentives	**214**	141
Jackpot provisions	**11**	13
Total provisions	**408**	322
Less: Current portion	**(235)**	(163)
Non-current portion	**173**	159

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.

	2016 Rm	2015 Rm
Movement in unfunded obligation:		
Benefit obligation at 1 April	**168**	138
Interest cost	**13**	15
Service cost	**19**	15
Actuarial (gain)/loss	**(8)**	7
Benefits paid	**(9)**	(7)
Obligation at 31 March	**183**	168
The amounts recognised in the income statement are as follows:		
Interest cost	**13**	15
Current service cost	**19**	15
Actuarial (gain)/loss	**(8)**	7
	24	37
The principal actuarial assumptions used for accounting purposes are:		
Discount rate	**9.50%**	7.00%
Inflation rate	**7.20%**	4.80%
Salary increase rate	**7.70%**	5.30%
Pre-retirement mortality rate	**SA 85 – 90 (Light) table**	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	**183**	168
Experience adjustment on plan obligations	**–**	–

There are no plan assets in respect of the long-service award liability.

37. Provisions continued

Incentives

The group also recognises a provision for bonus plans 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. These criteria are only finalised after the group's year end.

Jackpot provisions

Provision is made for the potential jackpot payouts on slot machines and table progressives and is based on the meter readings. Due to the nature of the jackpot provisions the timing of their utilisation is uncertain, however, it is not expected to be longer than 12 months.

38. Other non-current liabilities

	2016 Rm	2015 Rm
Straight-lining of operating leases	**300**	298
Less: Current portion classified within trade and other payables (refer note 39)	**(28)**	(23)
Non-current portion	**272**	275

The straight-lining of operating leases relates mainly to Sandton Convention Centre. The lease expires in August 2020.

39. Trade and other payables

	2016 Rm	2015 Rm
Financial instruments	**911**	858
Trade payables	**238**	157
Accrued expenses	**191**	139
Advance deposits	**85**	76
Smartcard gaming credits due to customers	**27**	24
Capital expenditure payables	**51**	82
Non-borrowings-related interest payable	**9**	16
Other payables	**310**	364
Non-financial instruments	**329**	286
VAT payable	**94**	68
Leave pay liability	**115**	113
Payroll related payables	**58**	57
Gaming levies	**34**	25
Current portion of non-current liabilities (refer note 38) – straight-lining of operating leases	**28**	23
	1 240	1 144

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 comprise mainly sundry creditors, unidentified deposits and deposits under query.

The carrying amounts of the group's trade and other payables are denominated in the following currencies:	2016 Rm	2015 Rm
SA Rand	**1 103**	1 021
Nigerian Naira	**45**	31
Mozambican Metical	**14**	27
Kenyan Shilling	**20**	21
US Dollar	**19**	13
Zambian Kwacha	**11**	10
Tanzanian Shilling	**9**	10
Seychelles Rupee	**17**	9
United Arab Emirates Dirham	**2**	2
	1 240	1 144

40. Cash generated from operations

	2016 Rm	2015 Rm
Operating profit	**3 408**	3 042
Adjusted for non-cash movements and dividends received:		
Amortisation	**32**	38
Depreciation	**780**	695
Impairment charge for bad and doubtful debts, net of reversals	**15**	3
Operating equipment usage	**56**	58
Straight-lining of operating leases and other lease adjustments	**3**	4
Movement in provisions	**328**	314
Long-term incentive expense	**46**	213
Loss on disposal of property, plant and equipment	**5**	4
Gain on disposal of investment property	**(12)**	–
Impairment of property, plant and equipment	**7**	10
Impairment of intangible asset	**10**	–
Impairment of financial instruments	**4**	4
Reversal of impairment of financial instruments	**–**	(1)
Write-off of marketing fee income raised previously from joint venture	**–**	16
Translation impact on the income statement	**10**	6
Dividends received from available-for-sale financial assets	**(16)**	–
Gain recognised on the change in other long-term employee benefits	**–**	(38)
Other non-cash moves and adjustments	**(3)**	(14)
Cash generated from operations before working capital movements	**4 673**	4 354
Working capital movements		
Increase in inventories	**(33)**	(26)
(Increase)/decrease in trade and other receivables	**(12)**	6
Decrease in payables and provisions	**(252)**	(468)
Cash generated from operations	**4 376**	3 866

41. Income tax paid

	2016 Rm	2015 Rm
Tax (liability)/asset at 1 April	**(22)**	83
Current tax provided	**(639)**	(639)
Withholding tax	**(5)**	(4)
Currency translation	**3**	1
Tax liability at 31 March	**6**	22
	(657)	(537)

42. Dividends paid to the company's shareholders

	2016 Rm	2015 Rm
Unclaimed dividends owing to shareholders at 1 April	**(1)**	(1)
Ordinary dividends declared	**(878)**	(939)
Unclaimed dividends owing to shareholders at 31 March	**1**	1
	(878)	(939)

43. Commitments

	2016 Rm	2015 Rm
Operating lease commitments (refer note 44)	**1 794**	1 941

The present value of the lease guarantees in note 44 is R1 079 million (2015: R1 207 million).

44. Operating lease arrangements	**2016 Rm**	2015 Rm
Operating lease arrangements where the group is a lessee:		
At the balance sheet date the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:		
Not later than 1 year	**200**	194
Later than 1 year and not later than 5 years	**792**	795
Later than 5 years	**802**	952
	1 794	1 941

The operating lease commitments relate mainly to leases of property within the group's portfolio of hotels, as well as the Sandton Convention Centre. The group's main lease, the Sandton Convention Centre, expires in August 2020 with lease payments escalating at 9% per annum, and an option to renew at renegotiated terms.

Operating lease arrangements where the group is a lessor:

The group rents out retail and commercial office space in its gaming and hotels properties. Property rental income earned during the year was R166 million (2015: R152 million).

The majority of the group's operating leases are revenue-based, and the balance have rentals stipulated in terms of operating lease agreements. At the balance sheet date the group had contracted with tenants for the following future minimum lease payments:

	2016 Rm	2015 Rm
Not later than 1 year	**77**	71
Later than 1 year and not later than 5 years	**86**	98
Later than 5 years	**1**	2
	164	171

45. Future capital expenditure	**2016 Rm**	2015 Rm
Authorised by directors but not yet contracted for:		
Property, plant and equipment	**4 374**	3 635
Intangible assets: software	**21**	1
	4 395	3 636
Authorised by directors and contracted for:		
Property, plant and equipment	**506**	503
Intangible assets: software	**–**	22
	506	525

46. Related party transactions

As detailed below, the group has concluded certain transactions with related parties. The company's ultimate majority shareholder is HCI (a company listed on the JSE) which indirectly owns 48.0% of the company's issued share capital (excluding treasury shares). HCI is the ultimate majority shareholder of Tsogo Investment Holding Company Proprietary Limited which directly owns 47.3% of the company's issued share capital (excluding treasury shares). 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.

The South African Apartheid Museum is a non-profit company in terms of the Companies Act of South Africa which operates the museum adjacent to the Gold Reef City Theme Park. The South African Apartheid Museum was developed by Akani Egoli Proprietary Limited as one of its casino licence conditions. Akani Egoli Management Proprietary Limited contributes a fixed monthly fee to fund the operational expenses of the museum.

The group is a member of CASA, a voluntary association of its members to promote the casino industry in SA and the interests of its members as a whole. The CASA advocates the association's policy positions to the national and provincial governments of SA, the gambling board, the various provincial licensing authorities, the media and other relevant policy-making and opinion forming bodies, both in SA and abroad, and interacts with these bodies in respect of issues affecting the casino industry; and to provide factual and reliable publicly available information about the casino industry to all interested parties.

Abreal Property Management Proprietary Limited ('Abreal') is a property management and administration services company, owned by Abland Proprietary Limited ('Abland'). The management and administrative services provided to the group includes the sourcing of tenants, drafting of leases, billing and rent collection, maintenance and management reporting. The group has entered into a consortium of co-ownerships with Abland to acquire land whereby Abreal has been appointed as the property manager of these investments. The Corob Trust, Abbeydale Investment Holdings Proprietary Limited and Sable Holdings Limited are entities within the consortium.

	2016 Rm	2015 Rm
46.1 Transactions with related parties		
Management fees received/(paid):		
Associates	**2**	1
Joint ventures	**6**	4
Abreal Proprietary Limited	**(2)**	(2)
Purchases:		
The South African Breweries Proprietary Limited[1]	**–**	(10)
Other:		
South African Apartheid Museum	**(7)**	(7)
CASA	**(4)**	(2)
Olwazini Discovery Centre	**–**	(2)
Associates – rentals received	**10**	8
	5	(10)

[1] *No longer a related party with effect from 28 August 2014 – refer note 30*

	2016 Rm	2015 Rm
46.2 Amounts due by/to related parties		
Amounts due by related parties		
Associates (refer note 22)	**7**	7
Included within non-current receivables (refer note 25)		
Loan to The Corob Trust	**–**	17
Included within current receivables (refer note 28)		
Loan to TMCTS Management Company Proprietary Limited (an associate)	**7**	7
Loan to Sable Holdings Limited	**1**	1
Loan to Abbeydale Investment Holdings Proprietary Limited	**1**	1
	16	33
Amounts due to related parties		
Included within trade and other payables (refer note 39):		
South African Apartheid Museum	**–**	1

46. Related party transactions continued

46.3 Key management compensation

Directors and prescribed officers of the company are considered to be the group's key management personnel. Remuneration and fees paid to key management and IFRS 2 *Share-based Payment* charges during the year by the group are as follows:

	2016 Rm	2015 Rm
Executive directors		
Basic remuneration and cash incentives	**8**	8
Retirement, medical and catastrophe benefits	**2**	2
Other incentives and benefits	**3**	7
Long-term incentives paid	**9**	12
Total paid by subsidiaries	**22**	29
IFRS 2 *Share-based Payment* charge (refer note 36.1)	**–**	69
Total charge	**22**	98
Non-executive directors		
Fees for services	**3**	3
Other benefits	**–**	4
Long-term incentives paid	**–**	24
Total paid by subsidiaries	**3**	31
Total directors' emoluments		
Paid by subsidiaries	**25**	129
Other key management and prescribed officers		
Basic remuneration and cash incentives	**7**	7
Retirement, medical and catastrophe benefits	**1**	2
Other incentives and benefits	**2**	4
Long-term incentives paid	**6**	8
Total paid by subsidiaries	**16**	21
IFRS 2 *Share-based Payment* charge (refer note 36.1)	**–**	26
Total charge	**16**	47

During the prior year, the group granted interest-free loans to the participating executives in the IFRS 2 *Share-based Payment* scheme as shown in note 36.1 which are secured by the shares taken up by these participating executives. These loans have no specified 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 4 of the annual financial statements.

Refer note 20.3 of the company annual financial statements for the statutory and regulatory disclosure relating to executive directors and prescribed officers.

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 47 to these group annual financial statements.

47. 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 R158 million (2015: R158 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 R21 million (2015: R21 million) for utility expenses.

The group has also provided security for Lukhanji's (an associate) borrowing obligations in favour of Investec Limited to a capital amount of R12 million (2015: R12 million) – refer note 22 and note 25.

48. Business combinations

Acquisition of shares in Majormatic Proprietary Limited and management contract from Extrabold Proprietary Limited

In line with the group's strategy to own hotels, the group entered into management and lease agreements for the Holiday Inn Sandton and the Crowne Plaza Rosebank hotels currently owned by HPF. The group acquired 100% of the shares in Majormatic 194 Proprietary Limited (the lessee) and the management contracts from Extrabold Hotel Management Proprietary Limited. The purchase price for this acquisition was R15 million. A purchase price allocation was performed. Intangible assets of R17 million were recognised and no goodwill was recognised. The management fee agreements were ceded from Extrabold to Southern Sun Hotel Interests Proprietary Limited as part of the agreement. Extrabold was the manager of the above hotels. The effective date of the transaction was 1 March 2016.

The fair value of net assets acquired is as follows:	**Fair value Rm**
Non-current assets	
Intangible assets	17
Current assets	
Inventories	1
Trade and other receivables	17
Cash and cash equivalents	3
Non-current liabilities	
Deferred tax liabilities	(5)
Current liabilities	
Trade and other payables	(18)
Total identifiable net assets acquired	15
Purchase consideration paid in cash	(15)
Goodwill	–

The fair value of trade and other receivables of R17 million includes trade receivables with a fair value of R14 million. The gross contractual amount for trade receivables due is R14 million. All trade debtors are expected to be collectable.

49. 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.

49.1 Acquisition of a minority interest in each of SunWest International Proprietary Limited ('SunWest') and Worcester Casino Proprietary Limited ('Worcester')

As announced on SENS on 4 April 2016, and in being consistent with the group's continued desire to increase its exposure in the Western Cape province, the group has entered into a transaction with Sun International Limited and Grand Parade Investments Limited for the acquisition of a 20% equity interest in each of SunWest and Worcester for an aggregate R1.35 billion, payable in 18 monthly instalments of R75 million each, funded from available cash balances. Tsogo Sun will have pre-emptive rights but no representation on the board of directors of either company and will not have any operational responsibilities. Tsogo Sun will also not have access to any information regarding the companies except for that to which it has statutory rights as a shareholder. The financial transaction does not require an application to the Competitions Commission in that there is no material influence.

49. Events occurring after the balance sheet date continued

49.2 Tsogo Sun to acquire control of HPF by vending a portfolio of hotels into HPF in exchange for HPF shares

As announced on SENS on 15 December 2015, agreement has been reached with HPF to acquire a controlling stake through the injection of appropriate hotel assets having a value such that the issue of shares to the group at the time will result in the group owning not less than 50% of the shares following the reconstitution of HPF's capital into a single class of shares. All resolutions required in order to approve the transaction were passed by the requisite majority of shareholders at the general meeting of HPF shareholders held on Monday, 11 April 2016. The acquisition is subject to the fulfilment of conditions precedent, which include the approvals of the competition authorities. The Competition Commission Tribunal hearing is scheduled for August 2016.

49.3 Acquisition of hotel properties by The Cullinan Hotel Proprietary Limited ('Cullinan')

Cullinan, a group subsidiary, concluded agreements with Liberty Group Limited ('Liberty') for the further acquisition of two hotels from Liberty by Cullinan, being the Garden Court Umhlanga and the StayEasy Pietermaritzburg for R310 million. Regulatory approval has been received and control will follow transfer, expected in the next few months.

49.4 Dividend declared and paid

Subsequent to the company's year end, on 18 May 2016, the board of directors declared a final gross cash dividend of 67.0 cents per share in respect of the year end 31 March 2016. The aggregate amount of the dividend paid on 20 June 2016 out of retained earnings at 31 March 2016, but not recognised as a liability at year end, is R647 million.

50. Subsidiaries having material non-controlling interests

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

	Ownership		Share of profit		Accumulated non-controlling interests	
	2016 %	2015 %	**2016 Rm**	2015 Rm	**2016 Rm**	2015 Rm
Southern Sun Mozambique Limitada	**13**	13	**(9)**	(4)	**2**	(6)
Ikoyi Hotels Limited	**24**	24	**3**	2	**177**	174
The Cullinan Hotel Proprietary Limited	**40**	40	**(4)**	13	**303**	307
Tsogo Sun Emonti Proprietary Limited	**35**	35	**14**	12	**117**	103
Other non-material non-controlling interests			**14**	11	**55**	57
			18	34	**654**	635

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

	Southern Sun Mozambique Limitada		Ikoyi Hotels Limited		The Cullinan Hotel Proprietary Limited		Tsogo Sun Emonti Proprietary Limited	
Summarised balance sheets as at 31 March	**2016 Rm**	2015 Rm	**2016 Rm**	2015 Rm	**2016 Rm**	2015 Rm	**2016 Rm**	2015 Rm
Non-current assets	**553**	468	**812**	672	**1 743**	1 700	**412**	436
Current assets	**31**	28	**54**	52	**72**	77	**25**	30
Total assets	**584**	496	**866**	724	**1 815**	1 777	**437**	466
Non-current liabilities	**225**	211	**173**	188	**292**	172	**71**	141
Current liabilities	**58**	106	**38**	10	**1 144**	1 215	**34**	31
Total liabilities	**283**	317	**211**	198	**1 436**	1 387	**105**	172
Net assets	**301**	179	**655**	526	**379**	390	**332**	294
Summarised income statements for the year ended 31 March								
Revenue	**181**	93	**161**	149	**594**	543	**318**	310
Profit/(loss) before income tax	**16**	(9)	**23**	23	**48**	47	**54**	49
Income tax credit/(expense)	**40**	17	**(11)**	14	**(58)**	(16)	**(16)**	(13)
Profit/(loss) for the year	**56**	8	**12**	37	**(10)**	31	**38**	36
Other comprehensive income	**1**	–	**–**	–	**–**	–	**–**	–
Total comprehensive income	**57**	8	**12**	37	**(10)**	31	**38**	36
Allocated to non-controlling interests	**(9)**	(4)	**3**	2	**(4)**	13	**14**	12

50. Subsidiaries having material non-controlling interests continued

Summarised cash flows for the year ended 31 March	Southern Sun Mozambique Limitada 2016 Rm	Southern Sun Mozambique Limitada 2015 Rm	Ikoyi Hotels Limited 2016 Rm	Ikoyi Hotels Limited 2015 Rm	The Cullinan Hotel Proprietary Limited 2016 Rm	The Cullinan Hotel Proprietary Limited 2015 Rm	Tsogo Sun Emonti Proprietary Limited 2016 Rm	Tsogo Sun Emonti Proprietary Limited 2015 Rm
Cash generated from operations	**46**	142	**51**	42	**224**	207	**103**	101
Interest received	**–**	–		–	**19**	14	**–**	–
Finance costs paid	**(7)**	(2)	**(5)**	–	**(97)**	(123)	**(7)**	(13)
Income tax paid	**–**	(6)	**–**	–	**(9)**	(9)	**(10)**	(9)
Net cash generated from operations	**39**	134	**46**	42	**137**	89	**86**	79
Net cash utilised for investment activities	**(1)**	(225)	**(7)**	(5)	**(202)**	(26)	**(13)**	(13)
Net cash (utilised in)/generated from financing activities	**(31)**	89	**(51)**	(32)	**67**	(59)	**(76)**	(64)
Net increase/(decrease) in cash and cash equivalents	**7**	(2)	**(12)**	5	**2**	4	**(3)**	2
Cash and cash equivalents at beginning of the year	**5**	5	**19**	12	**10**	6	**15**	13
Foreign currency translation	**1**	2	**5**	2	**–**	–	**–**	–
Cash and cash equivalents at end of the year	**13**	5	**12**	19	**12**	10	**12**	15

No dividends accrued to, or were paid to, the above mentioned material non-controlling interests during the year under review (2015: Rnil).

Contents

TSOGO SUN HOLDINGS LIMITED

Company annual financial statements for the year ended 31 March 2016

Company income statement

for the year ended 31 March

	Notes	2016 R'000	2015 R'000
Other income	2	**898 212**	4 130 423
Other operating expenses	3	**(4 699)**	(177 615)
Operating profit		**893 513**	3 952 808
Interest income	4	**6 991**	8 148
Finance cost	5	**(179)**	–
Profit before income tax		**900 325**	3 960 956
Income tax expense	6	**(8 535)**	(2 745)
Profit for the year		**891 790**	3 958 211

No statement of comprehensive income is presented as the company has no other comprehensive income.

The notes on page 72 to page 81 form an integral part of these company financial statements.

The company's accounting policies are included with the group's accounting policies on page 11 to page 23.

Company balance sheet

for the year ended 31 March

	Notes	2016 R'000	2015 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**1 850**	1 850
Investment in subsidiaries	8	**18 513 191**	18 513 191
Investment in associate	9	**–**	–
Non-current receivables	10	**12 491**	19 515
		18 527 532	18 534 556
Current assets			
Trade and other receivables	11	**108**	1 162
Current income tax asset		**–**	1 033
Amounts due by subsidiaries	12	**21 261**	15 137
Cash and cash equivalents	13	**32 105**	32 023
		53 474	49 355
Total assets		**18 581 006**	18 583 911
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital and premium	14	**17 355 049**	17 355 049
Share-based payment reserve		**–**	517 234
Retained earnings		**1 193 233**	662 503
Total shareholders' equity		**18 548 282**	18 534 786
Current liabilities			
Trade and other payables	15	**1 796**	15 948
Amounts due to subsidiaries	12	**483**	1 315
Bank overdrafts	13	**30 415**	31 862
Current income tax liability		**30**	–
		32 724	49 125
Total equity and liabilities		**18 581 006**	18 583 911

The notes on page 72 to page 81 form an integral part of these company financial statements.

The company's accounting policies are included with the group's accounting policies on page 11 to page 23.

Company statement of changes in equity

for the year ended 31 March

	Notes	Share capital and premium R'000	Share-based payment reserve R'000	Retained earnings R'000	Total equity R'000
Balance at 1 April 2014		17 557 721	399 434	459 507	18 416 662
Profit for the year		–	–	3 958 211	3 958 211
Ordinary dividends		–	–	(938 644)	(938 644)
Shares repurchased and cancelled	14	(2 672)	–	(2 816 571)	(2 819 243)
Treasury shares acquired	14	(200 000)	–	–	(200 000)
Recognition of share-based payments		–	117 800	–	117 800
Balance at 31 March 2015		17 355 049	517 234	662 503	18 534 786
Profit for the year		**–**	**–**	**891 790**	**891 790**
Transfer from share-based payment reserve to retained earnings		**–**	**(517 234)**	**517 234**	**–**
Ordinary dividends		**–**	**–**	**(878 294)**	**(878 294)**
Balance at 31 March 2016		**17 355 049**	**–**	**1 193 233**	**18 548 282**

The notes on page 72 to page 81 form an integral part of these company financial statements.

The company's accounting policies are included with the group's accounting policies on page 11 to page 23.

Company cash flow statement

for the year ended 31 March

	Notes	2016 R'000	2015 R'000
Cash flows from operating activities			
Cash generated from operations	16	**96**	40 283
Interest received		**2 814**	6 707
Interest paid		**(179)**	–
Income tax paid	17	**(7 472)**	(6 021)
Dividends received		**878 294**	3 956 500
Dividends paid	18	**(878 216)**	(938 669)
Net cash (utilised in)/generated from operating activities		**(4 663)**	3 058 800
Cash flows from investment activities			
Loan advanced to associate		**–**	(2 189)
Acquisition of additional interest in subsidiary		**–**	(52 520)
Net cash utilised for investment activities		**–**	(54 709)
Cash flows generated from financing activities			
Treasury shares acquired	14	**–**	(200 000)
Shares repurchased	14	**–**	(2 819 243)
(Decrease)/increase in amounts due to subsidiaries		**(832)**	980
Decrease in share scheme loan		**7 024**	12 962
Net cash generated from/(utilised in) financing activities		**6 192**	(3 005 301)
Net increase/(decrease) in cash and cash equivalents		**1 529**	(1 210)
Cash and cash equivalents at beginning of the year, net of bank overdrafts		**161**	1 371
Cash and cash equivalents at end of the year, net of bank overdrafts	13	**1 690**	161

The notes on page 72 to page 81 form an integral part of these company financial statements.

The company's accounting policies are included with the group's accounting policies on page 11 to page 23.

1. Financial risk management

1.1 Financial risk factors

The company'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 company'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 company.

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 co-operation 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 company is not exposed to significant foreign exchange risk.

(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 company has no external interest-related borrowings and is therefore not exposed to significant interest rate risk.

(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 company does not invest in listed securities and holds no available-for-sale investments and therefore does not have any equity price risk. The company is also not exposed to commodity price risk.

(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 company has no significant concentrations of credit risk and is therefore not exposed to material credit risk. The loan to the share scheme (refer note 10) and amounts due by subsidiaries (refer note 12) are not impaired or overdue. The loan to the company's associate has been fully impaired.

(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. Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the company'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 end for five years into the future in terms of the company's long-term planning process.

The company has provided security for certain of its associate and subsidiary companies (refer notes 10 and 19).

1. Financial risk management continued

1.1 Financial risk factors continued

(c) Liquidity risk continued

The table below analyses the company'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 R'000
At 31 March 2016	
Trade and other payables	**958**
Amounts due to subsidiaries	**483**
Financial guarantee contracts	**890 087**
	891 528
At 31 March 2015	
Trade and other payables	880
Amounts due to subsidiaries	1 315
Financial guarantee contracts	799 746
	801 941

Other than as described above, the company does not expect any cash outflows on financial liabilities to occur significantly earlier, or for significantly different amounts. Refer notes 12 and 15 for details of the company's liabilities. All financial liabilities are current and may be settled in the next 12 months.

1.2 Financial instruments by category

The table below shows the company'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 R'000	Other financial liabilities at amortised cost R'000	Total R'000
At 31 March 2016			
Financial assets			
Non-current receivables	**12 491**	**–**	**12 491**
Trade and other receivables	**108**	**–**	**108**
Amounts due by subsidiaries	**21 261**	**–**	**21 261**
Cash and cash equivalents	**32 105**	**–**	**32 105**
	65 965	**–**	**65 965**
Financial liabilities			
Trade and other payables	**–**	**958**	**958**
Amounts due to subsidiaries	**–**	**483**	**483**
Bank overdrafts	**–**	**30 415**	**30 415**
	–	**31 856**	**31 856**
At 31 March 2015			
Financial assets			
Non-current receivables	19 515	–	19 515
Trade and other receivables	1 162	–	1 162
Amounts due by subsidiaries	15 137	–	15 137
Cash and cash equivalents	32 023	–	32 023
	67 837	–	67 837
Financial liabilities			
Trade and other payables	–	15 734	15 734
Amounts due to subsidiaries	–	1 315	1 315
Bank overdrafts	–	31 862	31 862
	–	48 911	48 911

1. Financial risk management continued

1.3 Capital risk management

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

The company defines capital as equity funding provided by shareholders.

Shareholder funding comprises permanent paid-up capital, share premium, revenue reserves and other reserves and loans from shareholders (if any).

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

1.4 Fair value estimation

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. The company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The company has no financial assets or liabilities measured at fair value.

2. Other income

	2016 R'000	2015 R'000
Dividends received	**878 294**	4 111 712
Royalty fees	**18 738**	17 295
Administration fees	**1 180**	1 416
	898 212	4 130 423

3. Other operating expenses

	2016 R'000	2015 R'000
Other operating expenses comprise the following:		
Other operating expenses	**551**	121
Impairment of loan to associate (refer note 10)	**4 177**	3 629
Impairment of investment in subsidiary	**–**	173 545
Net foreign exchange loss on financial guarantee	**(29)**	320
	4 699	177 615

4. Interest income

	2016 R'000	2015 R'000
Interest income from loans to subsidiaries	**1 198**	1 217
Interest income from loan to associate	**5 695**	5 069
Interest received from banks	**97**	1 753
Other interest income	**1**	109
	6 991	8 148

5. Finance costs

	2016 R'000	2015 R'000
Other finance costs	**179**	–
	179	–

6. Income tax expense

	2016 R'000	2015 R'000
Current tax – current year charge	**7 527**	6 506
Current tax – prior year charge/(credit)	**1 008**	(3 761)
	8 535	2 745

6. Income tax expense continued

	2016 R'000	2016 %	2015 R'000	2015 %
Income tax rate reconciliation				
Profit before tax	**900 325**		3 960 956	
Tax thereon at 28% (2015: 28%)	**252 091**	**28.0**	1 109 068	28.0
Exempt income – dividends received	**(245 922)**	**(27.3)**	(1 151 280)	(29.1)
Expenses not deductible for tax purposes[1]	**1 358**	**0.1**	48 718	1.3
Prior year charge/(credit)	**1 008**	**0.1**	(3 761)	(0.1)
	8 535	**0.9**	2 745	0.1

[1] *Comprises mainly impairments of loans and prior year included an impairment of investment in subsidiary*

7. Property, plant and equipment

	2016 R'000	2015 R'000
Cost	**3 658**	3 658
Accumulated impairment	**(1 808)**	(1 808)
Net book amount at 31 March	**1 850**	1 850

Land, which comprises a vacant stand, Erf 18029, Mossel Bay, in the Western Cape province, has been impaired to its fair value less costs to sell.

8. Investment in subsidiaries

	2016 R'000	2015 R'000
Shares at cost		
Cost of investment in ordinary shares (refer note 21)	**18 410 367**	18 410 367
Amount due by Aldiss Investments Proprietary Limited	**43 648**	43 648
Share-based payments to subsidiary employees (refer note 10)	**59 176**	59 176
	18 513 191	18 513 191

The amount due by Aldiss Investments Proprietary Limited has no fixed terms of repayment, is interest free and is considered to be part of the investment in the subsidiary.

9. Investment in associate

	2016 R'000	2015 R'000
Unlisted		
Capital		
Lukhanji Leisure Proprietary Limited	**67**	67
Less: Impairment of investment in associate	**(67)**	(67)
	–	–

The company has the following interest in its associate:
25.1% in Lukhanji Leisure Proprietary Limited ('Lukhanji'). The investment has been fully impaired due to the associate's continuing trading losses and it is not considered to be immediately recoverable. Refer also note 10 *Non-current receivables*.

10. Non-current receivables

	2016 R'000	2015 R'000
At amortised cost		
Financial instruments		
Loan to Lukhanji	**–**	–
Loan	**55 953**	51 776
Less: Provision for impairment	**(55 953)**	(51 776)
Loan to share scheme	**12 491**	19 515
Total non-current receivables	**12 491**	19 515

10. Non-current receivables continued

The loan to Lukhanji, an associate, bears interest at prime plus 1%. The company has subordinated this loan for the benefit of other creditors, limited to an amount of R40 million (2015: R37 million). The company has provided security for all Lukhanji's borrowing obligations in favour of Investec Limited to a capital amount of R12 million (2015: R12 million) – refer also note 9 *Investment in associate*. The loan has been provided for in full due to the associate's continuing trading losses and it is not considered to be immediately recoverable.

The company operates an equity-settled, share-based compensation plan established in September 1999. Options over the company's shares are granted to permanent employees at the discretion of the directors in terms of which shares in the company may be acquired based on prices prevailing at the dates of granting the options. Delivery of the shares so acquired is effected in three equal tranches vesting over four years; one-third after two years, one-third after three years and one-third after four years. Shares acquired through the share scheme have to be paid for by the employees at the subscription prices as determined in the option contracts. Upon vesting and exercise of the options the subscription value is credited to share capital (nominal value) and share premium and debited to a non-current asset. The non-current asset is considered payable when the employees exercise the options and the options have vested. Any dividends paid on these shares are utilised to reduce the balance owing by the employees. A complete accounting policy for the scheme is included in note 1y(v) to the consolidated financial statements.

The maximum exposure to credit risk at the reporting date is the carrying value of the loans classified as non-current receivables. The company does not hold any collateral as security other than as shown above.

11. Trade and other receivables

	2016 R'000	2015 R'000
Financial instruments		
Loan to Indol Proprietary Limited	**–**	–
Loan	**16 628**	16 628
Less: Provision for impairment	**(16 628)**	(16 628)
Other debtors	**108**	1 162
	108	1 162

The company's 50% interest in Indol Proprietary Limited, previously a joint venture, was sold with effect from 24 April 2013. The loan of R17 million (2015: R17 million) remains payable following suspensive conditions in the sale agreement. The loan remains impaired.

The maximum exposure to credit risk at the reporting date is the carrying value of the receivables as shown above. The company does not hold any collateral as security.

The net carrying values less impairment provision of trade and other receivables is assumed to approximate its fair values due to the short-term nature of trade receivables.

12. Amounts due by/to subsidiaries

	2016 R'000	2015 R'000
Amounts due by subsidiaries:		
Current accounts		
Akani Egoli Proprietary Limited	**18**	–
Gold Reef Management Proprietary Limited	**1 916**	3 046
Tsogo Sun Casino Management Company Proprietary Limited	**195**	–
Treasury loan		
Tsogo Sun Proprietary Limited	**19 132**	12 091
	21 261	15 137
Amounts due to subsidiaries:		
Current accounts		
Akani Egoli Proprietary Limited	**–**	1
Akani Msunduzi Proprietary Limited	**–**	87
Silverstar Casino Proprietary Limited	**–**	14
Tsogo Sun Casinos Proprietary Limited	**483**	996
West Coast Leisure Proprietary Limited	**–**	217
	483	1 315

The loans shown above, with the exception of the loan to Tsogo Sun Proprietary Limited, are unsecured, interest free and are repayable on demand. The amount due by Tsogo Sun Proprietary Limited is an unsecured treasury loan, bearing interest at market rates and is also repayable on demand.

13. Cash and cash equivalents

	2016 R'000	2015 R'000
Current accounts	**32 105**	32 023
Less: Bank overdrafts	**(30 415)**	(31 862)
Net cash and cash equivalents per cash flow statement	**1 690**	161

The above cash and cash equivalents bear interest at market-related rates.

14. Ordinary share capital and premium

	Number of ordinary shares	Treasury shares	Net number of shares	Ordinary share capital R'000	Share premium R'000	Treasury shares R'000	Total R'000
At 1 April 2014	1 182 765 988	–	1 182 765 988	23 655	17 534 066	–	17 557 721
Shares repurchased and cancelled	(133 584 599)	–	(133 584 599)	(2 672)	–	–	(2 672)
Treasury shares acquired[1]	–	(7 766 990)	(7 766 990)	–	–	(200 000)	(200 000)
At 31 March 2015 and 2016	**1 049 181 389**	**(7 766 990)**	**1 041 414 399**	**20 983**	**17 534 066**	**(200 000)**	**17 355 049**

The total authorised number of ordinary shares is 1 200 000 000 (2015: 1 200 000 000) with a par value of 2 cents per share (2015: 2 cents per share) and 20 000 000 preference shares of no par value, none of which have been issued. All issued shares, other than those related to the Gold Reef Share Scheme and the IFRS 2 *Share-based Payment* – equity-settled[1], are fully paid up.

During the prior year the group managed the exit of SABMiller, from its long-term 39.6% shareholding in the group, including a specific repurchase of 133.6 million Tsogo Sun ordinary shares for R2.8 billion on 28 August 2014. These shares, which were cancelled, were acquired at a price of R20.96 per share representing an 18.6% discount to the final book build price achieved on the sale of the SABMiller investment of R25.75 per share.

[1] *Refer note 36.1* Long-term incentive plans *to the consolidated financial statements*

15. Trade and other payables

	2016 R'000	2015 R'000
Financial instruments		
Unclaimed dividends owing to shareholders	**958**	880
Liability relating to financial guarantee	**–**	14 854
	958	15 734
Non-financial instruments		
VAT payable	**838**	214
	1 796	15 948

All of the above trade and other payables are current. The liability relating to the financial guarantee was settled during the year under review.

16. Cash generated from operations

	2016 R'000	2015 R'000
Operating profit	**893 513**	3 952 808
Adjusted for non-cash movements and dividends received:		
Dividends received from subsidiaries	**(878 294)**	(4 111 712)
Foreign exchange (gain)/loss	**(29)**	320
Impairment of loan to associate	**4 177**	3 629
Impairment of investment in subsidiary	**–**	173 545
Cash generated from operations before working capital movements	**19 367**	18 590
Working capital movements		
Decrease/(increase) in trade and other receivables	**1 054**	(263)
(Increase)/decrease in amounts due by subsidiaries	**(6 124)**	21 965
Decrease in trade and other payables	**(14 201)**	(9)
Cash generated from operations	**96**	40 283

17. Income tax paid

	2016 R'000	2015 R'000
Tax asset/(liability) at 1 April	**1 033**	(2 243)
Current tax provided	**(8 535)**	(2 745)
Tax liability/(asset) at 31 March	**30**	(1 033)
	(7 472)	(6 021)

18. Dividends paid to the company's shareholders

	2016 R'000	2015 R'000
Unclaimed dividends owing to shareholders at 1 April	**(880)**	(905)
Ordinary dividends declared	**(878 294)**	(938 644)
Unclaimed dividends owing to shareholders at 31 March	**958**	880
	(878 216)	(938 669)

19. Contingencies and guarantees

The company has provided the following securities:

- Lukhanji's (an associate) borrowing obligations in favour of Investec Limited to a capital amount of R12 million (2015: R12 million) - refer notes 9 and 10;
- Ikoyi Hotels Limited's (a subsidiary company incorporated in Nigeria) borrowing obligations in favour of Absa to a capital amount not exceeding US$11.7 million (2015: US$15.5 million);
- Southern Sun (Mozambique) Limited's (a subsidiary company incorporated in Mozambique) borrowing obligations in favour of Absa to a capital amount not exceeding US$15.2 million (2015: US$17.4 million); and
- Southern Sun Africa's (a subsidiary company incorporated in Mauritius) borrowing obligations in favour of Absa to a capital amount not exceeding US$32.5 million (2015: US$32.0 million).

20. Related party transactions

As detailed below the company has concluded certain transactions with related parties. Details of the company's associates and subsidiaries are shown in notes 8, 9 and 21.

	2016 R'000	2015 R'000
20.1 Purchases/sales of services		
Royalty fees received from subsidiaries:		
Akani Egoli Proprietary Limited	**11 316**	10 634
Akani Msunduzi Proprietary Limited	**3 222**	2 937
Garden Route Casino Proprietary Limited	**2 111**	1 783
West Coast Leisure Proprietary Limited	**1 569**	1 455
Royalty fees received from associate:		
Lukhanji Leisure Proprietary Limited	**520**	486
	18 738	17 295
Administration fees received from subsidiaries:		
Akani Egoli Proprietary Limited	**203**	20
Akani Msunduzi Proprietary Limited	**152**	124
Garden Route Casino Proprietary Limited	**142**	340
Goldfields Casino Proprietary Limited	**–**	29
Tsogo Sun Casino Management Company Proprietary Limited	**32**	207
Silverstar Casino Proprietary Limited	**69**	57
Tsogo Sun Proprietary Limited	**52**	47
Tsogo Sun Casinos Proprietary Limited	**–**	39
Tsogo Sun Emonti Proprietary Limited	**69**	–
Tsogo Sun KwaZulu-Natal Proprietary Limited	**141**	265
West Coast Leisure Proprietary Limited	**182**	163
Administration fees received from associate:		
Lukhanji Leisure Proprietary Limited	**138**	125
	1 180	1 416
Total fees from related parties	**19 918**	18 711

20. Related party transactions continued	2016 R'000	2015 R'000
20.2 Amounts due by/to related parties		
Amounts due by subsidiaries[1]	**21 261**	15 137
Amounts due to subsidiaries[1]	**483**	1 315

[1] *Refer note 12*

Also, the company has granted interest-free loans to the participating executives in the IFRS 2 *Share-based Payment* scheme as shown in note 36.1 *Long-term incentive plans* in the consolidated financial statements 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.

20.3 Key management compensation

Directors and prescribed officers of the company are considered to be key management (including the highest paid members of management). Remuneration and fees paid to key management and IFRS 2 *Share-based Payment* charges during the year are as follows:

20.3.1 Executive directors

	Year ended 31 March 2016				
	Basic remuneration R'000	**Benefits R'000**	**Short-term incentives[1] R'000**	**Long-term incentives R'000**	**Total paid R'000**
Remuneration paid by subsidiaries:					
MN von Aulock	**5 497**	**1 120**	**2 253**	**6 179**	**15 049**
RB Huddy	**2 849**	**637**	**1 161**	**2 404**	**7 051**
Total remuneration	**8 346**	**1 757**	**3 414**	**8 583**	**22 100**

	Year ended 31 March 2015				
	Basic remuneration R'000	Benefits R'000	Short-term incentives[2] R'000	Long-term incentives R'000	Total paid R'000
Remuneration paid by subsidiaries:					
MN von Aulock	5 114	1 100	4 768	7 877	18 859
RB Huddy	2 663	610	2 033	4 649	9 955
Total remuneration	7 777	1 710	6 801	12 526	28 814

IFRS 2 Share-based Payment *charge expensed in subsidiaries*[3]	2015 R'000
MN von Aulock	53 859
RB Huddy	15 415
Total expense	69 274

[1] *Short-term incentives paid relate to the achievement against target for 2015*

[2] *Short-term incentives paid relate to the achievement against target for 2014*

[3] *Refer note 36.1 to the consolidated financial statements*

20. Related party transactions continued

20.3 Key management compensation continued

20.3.2 Non-executive directors

	Year ended 31 March 2016		Year ended 31 March 2015		
	Directors' fees R'000	**Total paid R'000**	Directors' fees R'000	Other benefits R'000	Total paid R'000
Fees and services paid by subsidiaries:					
JA Copelyn	**868**	**868**	814	–	814
JA Mabuza[1]	**–**	**–**	–	28 198	28 198
J Davidson[2]	**–**	**–**	145	–	145
MJA Golding	**310**	**310**	234	–	234
BA Mabuza[3]	**315**	**315**	135	–	135
VE Mphande	**249**	**249**	234	–	234
JG Ngcobo	**315**	**315**	295	–	295
Y Shaik	**381**	**381**	356	–	356
RG Tomlinson	**501**	**501**	468	–	468
JS Wilson[4]	**–**	**–**	115	–	115
MI Wyman[1]	**–**	**–**	115	–	115
	2 939	**2 939**	2 911	28 198	31 109

[1] *Resigned 28 August 2014*
[2] *Appointed 17 January 2014, resigned 28 August 2014*
[3] *Appointed 3 June 2014*
[4] *Appointed 2 April 2013, resigned 28 August 2014*

20.3.3 Other key management and prescribed officers

	Year ended 31 March 2016				
	Basic remuneration R'000	**Benefits R'000**	**Short-term incentives[1] R'000**	**Long-term incentives R'000**	**Total paid R'000**
Remuneration paid by subsidiaries:					
J Booysen	**3 342**	**951**	**1 013**	**1 166**	**6 472**
RF Weilers	**3 720**	**–**	**718**	**5 150**	**9 588**
Total remuneration	**7 062**	**951**	**1 731**	**6 316**	**16 060**

	Year ended 31 March 2015				
	Basic remuneration R'000	Benefits R'000	Short-term incentives[2] R'000	Long-term incentives R'000	Total paid R'000
Remuneration paid by subsidiaries:					
J Booysen	3 139	899	2 085	2 255	8 378
RF Weilers	4 078	915	1 700	6 289	12 982
Total remuneration	7 217	1 814	3 785	8 544	21 360

IFRS 2 Share-based Payment *charge expensed in subsidiaries*[3]	2015 R'000
J Booysen	26 348
Total expense	26 348

[1] *Short-term incentives paid relate to the achievement against target for 2015*
[2] *Short-term incentives paid relate to the achievement against target for 2014*
[3] *Refer note 36.1 to the consolidated financial statements*

21. Subsidiary companies

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

Subsidiary	Issued share capital 2016 R	2015 R	Effective holding 2016 %	2015 %	Shares at cost 2016 R'000	2015 R'000
Direct shareholding:						
Akani Egoli Proprietary Limited	**1 000**	1 000	**100**	100	**984 992**	984 992
Akani Egoli Management Proprietary Limited	**1 000**	1 000	**100**	100	**1**	1
Akani Msunduzi Proprietary Limited	**100**	100	**100**	100	**135 948**	135 948
Akani Msunduzi Management Proprietary Limited	**1 000**	1 000	**100**	100	**1**	1
Aldiss Investments Proprietary Limited	**1**	1	**100**	100	*****	*
Gold Reef Management Proprietary Limited	**100**	100	**100**	100	**98 376**	98 376
Garden Route Casino Proprietary Limited	**1 000**	1 000	**100**	100	**221 357**	221 357
Goldfields Casino and Entertainment Centre Proprietary Limited	**1 000**	1 000	**100**	100	**165 084**	165 084
Gold Reef Resorts Training Institute Proprietary Limited	**2**	2	**100**	100	*****	*
Silverstar Casino Proprietary Limited	**1 000**	1 000	**100**	100	**972 933**	972 933
Tsogo Sun Hotels, Gaming and Entertainment Proprietary Limited	**25 000**	25 000	**100**	100	**15 768 960**	15 768 960
West Coast Leisure Proprietary Limited	**1 000**	1 000	**70**	70	**62 715**	62 715
Indirect shareholding:						
Durban Add-Ventures Limited	**3 156 723**	3 156 723	**100**	100	**–**	–
Ikoyi Hotels Limited	**3 116 968**	3 116 968	**76**	76	**–**	–
Ripple Effect 31 Proprietary Limited	**1 000**	1 000	**100**	100	**–**	–
Southern Sun Africa	**92 850**	92 850	**100**	100	**–**	–
Southern Sun Hotel Interests Proprietary Limited	**2 145 000**	2 145 000	**100**	100	**–**	–
Southern Sun Hotels Proprietary Limited	**100**	100	**100**	100	**–**	–
Southern Sun Middle East Investment Holdings Proprietary Limited	**100**	100	**100**	100	**–**	–
Southern Sun (Mozambique) Lda	**18 181 559**	18 181 559	**87**	87	**–**	–
Southern Sun Offshore Proprietary Limited	**100**	100	**100**	100	**–**	–
Southern Sun Secretarial Services Proprietary Limited	**2**	2	**100**	100	**–**	–
SUN1 Hotels Proprietary Limited	**4 000**	4 000	**100**	100	**–**	–
The Cullinan Hotel Proprietary Limited	**104 000**	104 000	**60**	60	**–**	–
The Millennium Casino Limited	**200**	200	**100**	100	**–**	–
Tsogo Sun Casino Management Company Proprietary Limited	**2 000**	2 000	**100**	100	**–**	–
Tsogo Sun Casinos Proprietary Limited	**2 402**	2 402	**100**	100	**–**	–
Tsogo Sun Emonti Proprietary Limited	**1 230**	1 230	**65**	65	**–**	–
Tsogo Sun Gaming Proprietary Limited	**100**	100	**100**	100	**–**	–
Tsogo Sun KwaZulu-Natal Proprietary Limited	**1 000**	1 000	**100**	100	**–**	–
Tsogo Sun Proprietary Limited	**120**	120	**100**	100	**–**	–
					18 410 367	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 above mentioned subsidiaries, the company has interests in other indirectly held subsidiaries. A register detailing such information in respect of all subsidiaries of the company is available for inspection at the registered office of the company, which may be inspected by members or their duly authorised agents.

All of the above subsidiaries are unlisted. With the exception of Ikoyi Hotels Limited which is incorporated in Nigeria, Southern Sun (Mozambique) Lda which is incorporated in Mozambique and Southern Sun Africa which is incorporated in Mauritius, all of the subsidiaries are incorporated in South Africa.

Analysis of shareholdings

	Number of shareholders	%	Number of shares	%
Portfolio size				
Range				
1 – 1 000	1 282	40.53	506 991	0.05
1 001 – 5 000	805	25.45	2 033 295	0.19
5 001 – 10 000	202	6.39	1 510 282	0.14
10 001 – 50 000	309	9.77	7 436 863	0.71
50 001 – 100 000	145	4.58	10 636 148	1.01
100 001 – and more	420	13.28	1 027 057 810	97.90
	3 163	100.00	1 049 181 389	100.00
Shareholder spread				
Public	3 154	99.73	501 107 037	47.76
Individuals	1 913	60.50	38 619 309	3.67
Banks and insurance companies	154	4.87	99 043 217	9.44
Pension funds and medical aid societies	252	7.96	74 455 066	7.10
Collective investment schemes and mutual funds	297	9.38	68 072 282	6.49
Other corporate bodies	538	17.02	220 917 163	21.06
Non-public	9	0.27	548 074 352	52.24
Directors(1)	3	0.09	4 556 124	0.43
Subsidiary companies(2)	3	0.09	83 632 695	7.97
Gold Reef Share Scheme(2)	1	0.03	392 834	0.04
Majority shareholder (10% of issued share capital or more)	1	0.03	453 013 124	43.18
Fellow subsidiary of majority shareholder	1	0.03	6 479 575	0.62
	3 163	100.00	1 049 181 389	100.00
Major shareholders owning 1% or more				
Tsogo Investment Holding Company Proprietary Limited			453 013 124	43.18
Tsogo Sun Gaming Proprietary Limited(2)			42 876 046	4.09
SBG Securities			29 650 000	2.83
Tsogo Sun Expansion No 1 Proprietary Limited(2)			26 329 047	2.51
Old Mutual Life Assurance Co SA Limited			24 919 581	2.38
Liberty Life Association of Africa Limited			28 435 670	2.71
State Street Corporation			17 858 683	1.70
Citiclient Nominees No 8 NY GW			25 343 950	2.42
Deutsche Securities Proprietary Limited			15 000 000	1.43
Maxim Krok			11 494 632	1.10
Aldiss Investments Proprietary Limited(2)			14 427 602	1.38
Allan Gray Balanced Fund			10 906 600	1.04

(1) *At 31 March 2016 167 775 (2015: 167 775) shares were held directly by JA Copelyn, non-executive director and Chairman, 3 339 806 (2015: 3 339 806) directly by MN von Aulock, executive director and CEO and 1 048 543 (2015: 1 048 543) directly by RB Huddy, executive director and CFO. No other director holds shares in the company or any of its subsidiaries. There has been no other change to directors' shareholdings between the balance sheet date and the date of these annual financial statements.*

(2) *Treasury shares*

There are 91 792 519 treasury shares made up as follows:	Number of shares
Treasury shares per above:	
– held by subsidiary companies	83 632 695
– held by the Gold Reef Share Scheme	392 834
Treasury shares allocated as part of the executive facility – refer note 36.1 to the consolidated financial statements	7 766 990
	91 792 519

Glossary

Absa	Absa Group Limited
AGM	Annual General Meeting
the board	The board of directors of Tsogo Sun Holdings Limited
CASA	Casino Association of South Africa
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash-generating unit
Companies Act	The Companies Act of 2008, as amended
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
GAAP	Generally Accepted Accounting Principles
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
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
Net debt	This comprises gross debt (including borrowings, loans from non-controlling interests and overdrafts) net of gross cash and cash equivalents
SA	South Africa
SABMiller	SABMiller Plc
SENS	Stock Exchange News Service of the JSE 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
Tsogo Sun or the company	Tsogo Sun Holdings Limited
TSH	Tsogo Sun Hotels, Gaming and Entertainment Proprietary Limited
VAT	Value Added Tax

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

Deutsche Securities (SA) Proprietary Limited
(A non-bank member of the Deutsche Bank Group)
(Registration number: 1995/011798/07)
3 Exchange Square, 87 Maude Street
Sandton, 2196
(Private Bag X9933, Sandton, 2146)

Attorneys

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

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

Auditors

PricewaterhouseCoopers Inc.
Registered Accountants and Auditors
(Registration number: 1998/012055/21)
2 Eglin Road
Sunninghill, 2157
(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)

[redacted]

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SHARES ISSUED OR TO BE ISSUED OTHER THAN FOR CASH

SHARES TO BE ISSUED BY TSOGO

Date of issue	Party/ies to whom shares were issued	Equal number of shares issued	Price at which shares were issued	Reason for the issue
The date of implementation of the Gameco Transaction	HCI	81 272 918 or 78 415 775 (if the Assignment Agreement (as defined in the Offer Circular) is not implemented)	One Tsogo Consideration Share for every 2.875 Gameco Shares	Subject to the Niveus unbundling (as defined in the Offer Circular), payment for the acquisition of the Gameco Shares from HCI in terms of the Gameco Transaction
The date of implementation of the Offer	Gameco minorities	That number of Tsogo Consideration Shares issued to the Gameco minorities pursuant to the acceptance and implementation of the Offer	Offer Consideration	Subject to the Gameco Transaction being implemented, payment for the acquisition of the Gameco Shares from the Gameco minorities

SHARES ISSUED BY HOSPITALITY PROPERTY FUND LIMITED, A SUBSIDIARY OF TSOGO

Date of issue	Party/ies to whom linked units/shares were issued	Equal number of linked units/shares issued	Price at which linked units/shares were issued	Reason for the issue
01/12/2014	Zinzaco 206 Proprietary Limited	308 899	Average issue price R16.34 per A linked unit R3.28 per B linked unit	Payment of R6 060 598 towards total acquisition price of R26 917 500 for the acquisition of 10 additional sectional title units at the Radisson Blu Waterfront.
11/12/2014	Cloversgreen Investments Proprietary Limited	3 303 965	R14.87 per A linked unit R3.29 per B linked unit	Acquisition of a 35% undivided share in Erf 1302, Bardene and 215 rooms erected on this erf at the Birchwood Hotel and OR Tambo Conference Centre for R60 million.
10/10/2016	Southern Sun Hotels	145 000 000	R13.02 per share	Payment towards an acquisition of a portfolio of 10 properties, details of which are set out in **Annexure J(B)** paragraph 1.
24/07/2017	Southern Sun Hotels	174 064 861	R14.00 per share	Payment towards an acquisition of a portfolio of 29 properties, details of which are set out in **Annexure J(B)** paragraph 6.
31/08/2017	Savana Property	2 150 856	R14.02 per share	Acquisition of sections and exclusive use areas in Sandton Eye sectional title scheme together with the acquisition of a real right of extension, details of are set out in **Annexure J(B)** paragraph 7.

MATERIAL IMMOVABLE PROPERTIES ACQUIRED OR TO BE ACQUIRED

1. ACQUISITION BY THE TSOGO GROUP OF A PORTFOLIO OF HOTEL PROPERTIES FOLLOWING THE ACQUISITION OF A 50.9% CONTROLLING INTEREST IN HOSPITALITY PROPERTY FUND LIMITED

Parties: Southern Sun Hotels Proprietary Limited ("**SSH**"), Southern Sun Hotel Interests Proprietary Limited, Eglin Investments Proprietary Limited, Fezisource Proprietary Limited and Hospitality Property Fund Limited ("**HPF**")

Date: 14 December 2015

Consideration: In terms of this agreement, in exchange for HPF effectively acquiring a portfolio of 10 hotel properties from SSH ("**SSH Portfolio**") (together with each of the property letting businesses conducted in respect of the SSH Portfolio), SSH acquired a 50.9% controlling interest in HPF which at the time, owned 15 hotel properties ("**HPF Portfolio**")

Particulars: The HPF Portfolio comprised of the following:

1.	Westin Cape Town[1]	2.	Birchwood Executive Hotel and Conference Centre
3.	Arabella Hotel and Spa	4.	Kopanong Hotel and Conference Centre
5.	Radisson Blu Waterfront	6.	Champagne Sports Resort
7.	Protea Hotel Victoria Junction	8.	Protea Edward
9.	Mount Grace Country House and Spa	10.	Protea Hotel Marine
11.	Crowne Plaza Rosebank	12.	Protea Hotel Hazyview
13.	Holiday Inn Sandton	14.	The Inn on the Square[2]
15.	Radisson Blu Gautrain		

[1] *Form of title: 99 year leasehold.*
[2] *HPF subsequently disposed of The Inn on the Square during November 2016.*

Declarations: No promoter or director (or partnership, syndicate or association to which the promoter or Director is a member of) has or had any interest, directly or indirectly, in the transaction set out above

2. GARDEN COURT UMHLANGA AND STAYEASY PIETERMARITZBURG ACQUISITION BY CULLINAN FROM LIBERTY

Parties: The Cullinan Hotel Proprietary Limited, with business address at 3rd Floor, Palazzo Towers East, Montecasino Boulevard, Fourways ("**Cullinan**"), Liberty Group Limited, with business address at Liberty Centre, 1 Ameshoff Street, Braamfontein, Johannesburg ("**Liberty**"), Liberty Two Degrees Collective Investment Scheme in Property, with business address at 17 Melrose Boulevard, Melrose Arch ("**Liberty Two Degrees**") and Southern Sun Hotel Interests Proprietary Limited ("**SSHI**"), with business address at 3rd Floor Palazzo Towers East, Montecasino Boulevard, Fourways.

Date: 26 August 2016

Consideration: R310 million

Particulars: Cullinan acquired the Garden Court Umhlanga Hotel and the StayEasy Pietermaritzburg Hotel properties and businesses from Liberty for a total purchase consideration of R310 million.

Declarations: No promoter or director (or partnership, syndicate or association to which the promoter or Director is a member of) has or had any interest, directly or indirectly, in the transaction set out above.

3. SANDTON EYE ACQUISITION

Parties: HPF Properties Limited ("**HPFP**"), Savana Property Proprietary Limited, with business address at Retail Level 1, Sandton Eye Building, Corner of Rivonia Road and West Street, Rivonia, 2128 ("**Savana**") and Sandton Isle Investments Proprietary Limited, with business address at Retail Level 1, Sandton Eye Building, corner of Rivonia Road and West Street, Rivonia, 2128 ("**Sandton Isle**").

Date: 11 April 2017

Consideration: R302 million

Particulars: HPFP acquired various sections and exclusive use areas of the Sandton Eye sectional title scheme from Savana and an existing real right of extension in the said scheme from Sandton Isle, for the consideration aggregate purchase consideration of R302 million. The consideration is allocated as follows:

- as to Savana, R248 million; and
- as to Sandton Isle, R54 million.

Declarations: No promoter or director (or partnership, syndicate or association to which the promoter or Director is a member of) has or had any interest, directly or indirectly, in the transaction set out above.

REPORT OF THE AUDITORS OF TSOGO IN TERMS OF REG 79 IN RESPECT OF TSOGO

REPORT BY THE AUDITOR OF TSOGO SUN HOLDINGS LIMITED IN TERMS OF REGULATION 79 OF THE COMPANIES ACT OF SOUTH AFRICA ON HISTORICAL FINANCIAL INFORMATION INCLUDED IN THE PROSPECTUS

The Board of Directors
Tsogo Sun Holdings Limited
Palazzo Towers East
Montecasino Boulevard
Fourways
2055

Dear Sirs

We have performed the procedures agreed with you and enumerated below with respect to the Prospectus. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed on the financial information presented in Annexures L (A) and L (B) to the Tsogo Sun Holdings Limited prospectus to be dated on or about 25 October 2017 ("the Regulation 79 financial information"), solely to assist you in ensuring that Tsogo Sun Holdings Limited and its subsidiaries ("Tsogo Sun Holdings Limited" or "the company") complies with Regulation 79 of the Companies Act and are summarised as follows:

1. Agree the profit before tax and the profit after tax of the company in respect of the years ended 31 March 2017, 2016 and 2015 as per the Regulation 79 financial information, to the audited company financial statements for the financial years ended 31 March 2017, 2016 and 2015.
2. Agree the asset and liability balances of the company, as per the Regulation 79 financial information, to the audited company financial statements for the financial years ended 31 March 2017, 2016 and 2015.
3. Confirm the nature of debtors and creditors balances of the company as presented in the Regulation 79 financial information by agreeing the debtors and creditors balances in the Regulation 79 financial information to the audited company financial statements for the financial years ended 31 March 2017, 2016 and 2015.
4. Confirm that the provision for doubtful debtors of the company as at 31 March 2017, 2016 and 2015 as included in the Regulation 79 financial information, does not appear to be materially misstated by agreeing the debtors balance including the provision for doubtful debtors per the Regulation 79 financial information to the audited company financial statements for the financial years ended 31 March 2017, 2016 and 2015.
5. Confirm that the provision for inventory obsolescence of the company as included in the inventory balance as at 31 March 2017, 2016 and 2015 as per the Regulation 79 financial information, does not appear to be materially misstated by agreeing the inventory balance including the inventory obsolescence balance per the Regulation 79 financial information to the audited company financial statements for the financial years ended 31 March 2017, 2016 and 2015.
6. Confirm that inter-company profits of the company have been eliminated from the amounts presented in the Regulation 79 financial information by agreeing income statement and balance sheet balances per the audited company financial statements for the financial years ended 31 March 2017, 2016 and 2015 to the Regulation 79 financial information in the prospectus thereby confirming that inter-company profits were eliminated.

PricewaterhouseCoopers Inc., *2 Eglin Road, Sunninghill 2157, Private Bag X36, Sunninghill 2157, South Africa*
T: +27 (0) 11 797 4000, F: +27 (0) 11 797 5800, www.pwc.co.za

Chief Executive Officer: T D Shango
Management Committee: S N Madikane, J S Masondo, P J Mothibe, C Richardson, F Tonelli, C Volschenk
The Company's principal place of business is at 2 Eglin Road, Sunninghill where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682

7. Obtain the latest management accounts of the company following the date of the latest audited financial statements and compare the categories of assets and liabilities to the audited company financial statements for the financial year ended 31 March 2017 in order to identify movements in excess of 20% for the balance sheet and also compare the company income statement for the six month period ended 30 September 2017 to the company income statement for the six month period ended 30 September 2016.
8. Obtain the minutes of meetings of the board of directors of the company since the date of the last financial statements, and up to the date of this report, to identify any changes in assets or liabilities in excess of 20%, e.g. the sale or purchase of a significant asset.
9. Obtain a letter of representation from management of the company confirming that there have been no changes in the assets and liabilities in excess of 20% since the date of the 31 March 2017 audited company financial statements.
10. If no annual financial statements were made out by or for the company in respect of any part of the 3 years ending on a date 3 months before the issue of the prospectus, state the fact.
11. Agree the dividends paid for the financial years ended 31 March 2017, 2016 and 2015 to the dividends per the company audited financial statements.

We report our findings below:

1. The profit before tax and profit after tax of the company in respect of the years ended 31 March 2017, 2016 and 2015 as per the Regulation 79 financial information agreed to the audited financial statements of the company for the financial years ended 31 March 2017, 2016 and 2015.
2. The assets and liability balances of the company as per the Regulation 79 financial information agreed to the audited financial statements of the company for the financial years ended 31 March 2017, 2016 and 2015.
3. Agreed the debtors and creditors balances per the company audited financial statements for the financial years ended 31 March 2017, 2016 and 2015 to the debtors and creditors balances per the Regulation 79 financial information, thereby confirming that the balances are only of the nature applicable to debtors and creditors.
4. Agreed the debtors balance including the provision for doubtful debtors balance per the Regulation 79 financial information to the audited company financial statements for the financial years ended 31 March 2017, 2016 and 2015 thereby confirming that the provision for doubtful debtors of the company at 31 March 2017, 2016 and 2015 is not materially misstated.
5. Agreed the inventory balance including the inventory obsolescence balance per the company audited financial statements for the financial years ended 31 March 2017, 2016 and 2015 to the inventory balance per the Regulation 79 financial information thereby confirming the inventory obsolescence balance is not materially misstated.
6. We agreed income statement and balance sheet balances per the company audited financial statements for the financial years ended 31 March 2017, 2016 and 2015 to the financial information included in the prospectus for Regulation 79 thereby confirming that inter-company profits were eliminated from the amounts presented in the Regulation 79 financial information.
7. We inspected the latest management accounts of the company dated at 30 September 2017. The following movements in excess of 20% where noted when comparing the management accounts at 30 September 2017 to the audited company financial statements for the year ended 31 March 2017 for the company's assets and liabilities and when comparing the income statement for the six

month period ended 30 September 2017 to the income statement for the six month period ended 30 September 2016.

- Trade and other receivables increased to R839 million at 30 September 2017 from R682 million at 31 March 2017.
- Net derivative financial instruments liability increased to R129 million at 30 September 2017 from R51 million at 31 March 2017.
- Net deferred income tax liabilities decreased to R1.6 billion at 30 September 2017 from R1.9 billion at 31 March 2017 which is the main reason for the movement noted below in the income taxation expense.
- Net income tax liabilities decreased to R7 million at 30 September 2017 from R18 million at 31 March 2017.
- Long term incentive liabilities decreased to R83 million at 30 September 2017 from R148 million at 31 March 2017.
- In the income statement for the six months period ended 30 September 2017 the company has an income taxation credit of R28 million as compared to an income taxation expense of R236 million for the six months comparative period ended 30 September 2016.

8. We inspected the meetings of the board of directors of the company since the date of the last audited financial statements, being for the financial year ended 31 March 2017 and there are no movements identified in respect of assets and liabilities in excess of 20%.
9. Obtained a letter of representation from management confirming that there have been no changes in the assets and liabilities in excess of 20% since the date of the 31 March 2017 audited company financial statements to the date of this report.
10. The company has issued audited financial statements for the financial years ended 31 March 2017, 2016 and 2015. The latest set of financial statements for the financial year ended 31 March 2017 were issued on 18 August 2017. The 2017 company financial statements were therefore issued less than three months prior to the date of this report.
11. Agreed the dividends paid for the financial years ended 31 March 2017, 2016 and 2015 to the dividends per the company audited financial statements. The company paid dividends of R975 million, R878 million and R939 million in respect of the 2017, 2016 and 2015 financial years respectively. The company had only one class of ordinary share capital in issue during 2017, 2016 and 2015.

Because the above procedures do not constitute either an audit, review or other assurance engagement made in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements, we do not express any assurance on the financial information included in the Prospectus.

Had we performed additional procedures or had we performed an audit or review of, or other assurance engagement on the historical financial information in the Prospectus in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements, other matters might have come to our attention that would have been reported to you.

The report is supplied on the basis that it is for the sole use of the parties to whom it is addressed and exclusively for the purposes set out herein. No party other than those to whom it is addressed may rely upon this report for any purposes whatsoever.

Copies of our report may be made available to your professional advisers provided that it is clearly understood by the recipients that they enjoy such receipt for information only and that we accept no duty of care to them in respect of our reports and letters. Furthermore, the reports and letters are to be used by them only for the purposes stated herein. The report must not be made available or copied in whole or in part to any other party without our prior written consent, which consent may be given or withheld at our absolute discretion. This limitation will obviously not apply to the provision of this report in compliance with any order or court, subpoena or other judicially enforceable directive.

The report relates only to the accounts and items specified above and does not extend to any financial statements of Tsogo Sun Holdings Limited, taken as a whole.

BS Humphreys
Director

25 October 2017
Sunninghill