Consolidated financial statements
for the year ended 31 March 2017

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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.

Key audit matters	How our audit addressed the key audit matters
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*.	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.

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.

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.

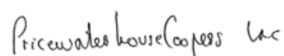
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.
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

	Notes	Attributable to equity holders of the company					
		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

	Notes	2017 Gross Rm	2017 Net[2] Rm	2016 Restated[1] Gross Rm	2016 Restated[1] 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

	2017		2016	
Income tax rate reconciliation	**Rm**	**%**	Rm	%
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:

Subsidiary	Issued share capital 2017 R	Issued share capital 2016 R	Effective holding 2017 %	Effective holding 2016 %	Shares at cost 2017 R'000	Shares at cost 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)