

TSOGO SUN GAMING

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020





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CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020

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STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

for the year ended 31 March 2020

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 consolidated 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 consolidated financial statements. The consolidated 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 consolidated financial statements.

The directors considered the going concern status of the group taking into account the current financial position and their best estimate of the cash flow forecasts in terms of their current knowledge and expectations of ongoing developments of the Covid-19 pandemic. The cash flow and liquidity projections for the group have been prepared for a period exceeding 12 months from the reporting date and included performing sensitivity analyses. After taking the aforementioned factors, including the discussions with the lenders, into account, the directors consider the going concern method to be appropriate for the presentation of the financial statements. Refer note 2(b) *Critical accounting estimates and judgements – Going concern* in the notes to the consolidated financial statements.

The group's independent auditors, PricewaterhouseCoopers Inc., have audited the consolidated financial statements and their unqualified report appears on page 06. PricewaterhouseCoopers Inc. was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

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

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

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

COMPETENCE OF THE COMPANY SECRETARY

The board of directors has also considered and satisfied itself of the appropriateness of the competence, qualifications and expertise of the employees of the company secretary, Tsogo Sun Casino Management Company Proprietary Limited, who will provide the company secretarial services. The board of directors confirms that the employees of the company who provide the company secretarial services on behalf of Tsogo Sun Casino Management Company Proprietary Limited are not directors of the company and report directly to the Chief Executive Officer ("CEO") and therefore it is considered to maintain an arm's length relationship with the board of directors.

DIRECTORS' APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020

The preparation of the financial statements set out on page 04 to page 83 have been supervised by the Chief Financial Officer ("CFO"), RB Huddy CA(SA). These consolidated financial statements were approved by the board of directors on 31 July 2020 and are signed on its behalf by:



CG du Toit
Chief Executive Officer



RB Huddy
Chief Financial Officer

DECLARATION BY THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act of South Africa ("the Act"), we confirm that for the year ended 31 March 2020, Tsogo Sun Gaming 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.



Tsogo Sun Casino Management Company Proprietary Limited
Company Secretary

31 July 2020

REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 31 March 2020

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 consolidated financial statements, the committee has:

- evaluated the independence and effectiveness of the external auditors, PricewaterhouseCoopers Inc., and is satisfied that the external auditors are independent of the group having given due consideration to the parameters enumerated under section 92 of the Companies Act of South Africa. The committee evaluated and is satisfied that both the audit firm and the individual auditor are suitable for appointment, as contemplated in terms of paragraph 22.15(h) of the Listings Requirements of the JSE. The committee accordingly nominates PricewaterhouseCoopers Inc. as independent auditors to continue in office. Mr S Murugen is the individual registered auditor and member of the aforementioned firm who undertakes the audit. PricewaterhouseCoopers Inc. has been the auditors of the group for 51 years, with the rotation of the designated audit partner during 2019;
- ensured and satisfied itself that the appointments of the external auditors, the designated auditor and IFRS adviser are in compliance with the Companies Act of South Africa, the Auditing Profession Act, 2005 and the Listings Requirements of the JSE;
- evaluated and is satisfied with the quality of the external audit and reports issued by the external auditors;
- considered and pre-approved all material audit and non-audit services provided by the external auditors, ensuring that the independence of the external auditors is not compromised;
- reviewed and assessed the group's risk identification, measurement and control systems and their implementation;
- reviewed and approved the group accounting policies (refer note 1 to the annual financial statements);
- considered all significant transactions and accounting matters that occurred during the year and evaluated whether the accounting treatment is in terms of IFRS;
- specifically considered the IFRS accounting treatment and disclosure related to the Covid-19 pandemic;
- considered the impact of auditing, regulatory and accounting developments during the year, particularly the implications of new standards that became effective during the year;
- evaluated and is satisfied with the implementation of the combined assurance framework and plan;
- evaluated and is satisfied with the effectiveness of the outsourced internal audit function;
- considered the outsourced internal audit service provider and is satisfied with their independence and ability to effectively complete the internal audit plan;
- reviewed the written assessment of internal audit on the design, implementation and effectiveness of the internal financial controls, in addition to the findings noted by the external auditors during the course of their annual audit in support of their annual audit opinion. Based on these results, the committee is of the opinion that the internal financial controls provide reasonable assurance that financial records may be relied upon for the preparation of reliable consolidated financial statements; and
- dealt with concerns or complaints relating to accounting practices and internal audit of the group, the content or auditing of the group's financial statements, the internal financial controls of the group, or any other related matter.

COMPETENCE OF THE CHIEF FINANCIAL OFFICER

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

RECOMMENDATION OF THE ANNUAL FINANCIAL STATEMENTS

The committee has evaluated the consolidated financial statements of Tsogo Sun Gaming Limited for the year ended 31 March 2020 and based on the information provided to the committee, the committee recommends the adoption of the consolidated financial statements by the board.



MSI Gani

Chairperson: Audit and risk committee

31 July 2020

DIRECTORS' REPORT

for the year ended 31 March 2020

1. NATURE OF BUSINESS

The company is a South African incorporated public company listed on the Johannesburg Stock Exchange ("JSE") engaged principally in the gaming industry operating in South Africa, with registration number 1989/002108/06. There have been no material changes in the nature of the group's business from the prior year other than the disposal of the hotel business as mentioned in note 44 to the consolidated financial statements. Following on from the disposal of the hotels business with effect from 23 May 2019, the company changed its name from Tsogo Sun Holdings Limited to Tsogo Sun Gaming Limited.

2. STATE OF AFFAIRS AND LOSS FOR THE YEAR

The financial results of the group for the year are set out in the consolidated financial statements and accompanying notes thereto. The group loss after tax for the year under review from continuing operations amounted to R287 million (2019: R1.7 billion profit) and from discontinued operations, a profit of R564 million (2019: R59 million loss). The directors have noted their consideration to the going concern status of the group taking into account the current financial position and their best estimate of the cash flow forecasts in terms of their current knowledge and expectations of ongoing developments of the Covid-19 pandemic in the directors approval to the accompanying consolidated financial statements for the year ended 31 March 2020. Refer also note 2(b) *Critical accounting estimates and judgements – Going concern*. 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 financial statements. These company financial statements are publicly available at the registered office of the company.

3. EVENTS AFTER THE REPORTING PERIOD

Refer note 54 of the consolidated financial statements for events occurring after the balance sheet date. The directors are not aware of any other matter or circumstance arising since the end of the financial year and up to the date of these annual financial statements, not otherwise dealt with within the financial statements, that would affect the operations or results of the group significantly.

4. SHARE CAPITAL

During the current and prior years, the company acquired an additional 10 707 412 (2019: 3 129 377) ordinary shares and these shares were subsequently cancelled by the respective year ends. During April 2019 and May 2019, the company also cancelled and subsequently delisted 83 632 695 ordinary shares of 2 cents each which were categorised as treasury shares. Refer note 31 *Ordinary share capital and premium* for further details.

The company's authorised but unissued ordinary share capital was placed under the control of the directors until the forthcoming Annual General Meeting ("AGM"). The board of directors has the authority to allot and issue any shares required to be issued for the purpose of carrying out the terms in accordance with the provisions of any share-based incentive scheme established by the company subject to section 38 of the Companies Act of South Africa and the Listings Requirements of the JSE, during the period of two years commencing on the date of the adoption of the special resolution, dated 17 October 2019. The board of directors has also been given, in terms of the Listings Requirements of the JSE, the authority to acquire ordinary shares issued by the company and shall be valid until the company's next AGM, or 15 months from the date of the passing of this special resolution, whichever period is the shorter. The board of directors has been authorised to determine the preferential rights attaching to the future issue of preference shares (subject to the approval of the JSE).

5. DIVIDENDS

An interim dividend of 26.0 (twenty-six) cents per share was paid to shareholders on 17 December 2019 in respect of the year ended 31 March 2020. The board of directors has resolved to not declare a final cash dividend in respect of the year ended 31 March 2020.

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

6. ASSOCIATES AND SUBSIDIARIES

Refer note 24 of the consolidated financial statements for details of associates, note 55 for details of subsidiary companies with non-controlling interests and note 56 for details of subsidiaries.

7. DIRECTORATE

The directorate during the year under review was as follows:

Non-executive

JA Copelyn⁽¹⁾ (Chairman)

VE Mphande

Y Shaik^{(1) (3)}

Independent non-executive

BA Mabuza^{(1) (2) (3)} (Lead independent)

MSI Ganj^{(1) (2) (3)}

MJA Golding

JG Ngcobo^{(1) (2) (3)} – resigned 31 May 2019

RD Watson^{(1) (2) (3)} – appointed to the board 1 June 2019

Executive

J Booysen (CEO) – retired 30 June 2019

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

RB Huddy (CFO) – resigned effective 31 July 2020

A Hoyer (CFO) – appointed as CFO designate of the group with effect from 1 June 2020, and to the board of directors of the company and as CFO of the group with effect from 1 August 2020

⁽¹⁾ Remuneration committee

⁽²⁾ Audit and risk committee

⁽³⁾ Social and ethics committee

8. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

Refer note 47.4 of the consolidated financial statements for details of the group's key management compensation.

9. COMPANY SECRETARY

Tsogo Sun Casino Management Company Proprietary Limited – appointed 1 March 2020

GD Tyrrell – resigned effective 28 February 2020

Business address:

Palazzo Towers East

Montecasino Boulevard, Fourways, 2191

Postal address:

Private Bag X200

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. CONTROLLING SHAREHOLDERS AND SHAREHOLDER ANALYSIS

The company's ultimate controlling shareholder is HCI (a company listed on the JSE) which, at the balance sheet date, directly and indirectly owned 49.7% (2019: 49.3%) of the company's issued share capital (excluding treasury shares). Refer note 47 *Related parties* and the shareholder analysis on page 83 in the consolidated financial statements for further detail.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Tsogo Sun Gaming 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 Gaming Limited and its subsidiaries (together the group) as at 31 March 2020, 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 Gaming Limited's consolidated financial statements set out on pages 12 to 82 comprise:

- the consolidated balance sheet as at 31 March 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

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

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

Independence

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

MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

We draw attention to note 2(b) to the consolidated financial statements, which indicates that the group's funding covenants will be breached for the March 2021 and September 2021 measurement periods which, unless waived by the lenders, would require immediate repayment of the gross interest-bearing borrowings. As stated in note 2(b), these events and conditions, along with other matters as set forth in note 2(b), indicate the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

OUR AUDIT APPROACH

Overview

Overall group materiality
<ul style="list-style-type: none">• R91 million, which represents 5% of the consolidated loss before income tax from continuing operations adjusted for non-recurring impairment of non-current assets.
Group audit scope
<ul style="list-style-type: none">• 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's results and on all components with centralised functions.• For non-significant components we performed either full scope audit procedures, review procedures or specified audit procedures based on the associated risk of the component.
Key audit matters
<ul style="list-style-type: none">• Material uncertainty relating to going concern;• Impairment assessment of goodwill and intangible assets with indefinite useful lives; and• Valuation of the investment in SunWest International Proprietary Limited and Worcester Casino Proprietary Limited.

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	R91 million
How we determined it	5% of consolidated loss before income tax from continuing operations adjusted for the impairments of non-current assets.
Rationale for the materiality benchmark applied	<p>We chose consolidated loss before income tax from continuing operations as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. The consolidated loss before tax from continuing operations was adjusted to exclude impairments of non-current assets which was considered to be a non-recurring charge for the current year. These impairments arose in the current year mainly as a result of the COVID-19 containment measures impact on the future cash flows of the Group.</p> <p>We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.</p>

How we tailored our group audit scope

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

The Group has gaming and related entertainment operations in South Africa. The Group further has centralised functions and holding companies domiciled in South Africa.

The consolidated financial statements are a consolidation of the Group's operating businesses, holding companies and centralised functions. We performed full scope audits, in accordance with determined materiality, on all significant components in terms of their financial significance and risk to the Group results and on all components with centralised functions. For non-significant components we performed either full scope audit procedures, review procedures or specified audit procedures based on the associated risk of the component.

We ensured that the teams at all levels, including both at the group and operational levels, included the appropriate industry specific knowledge, skills and competencies required for the audit of a gaming and hotels operator. We involved specialists and experts in the areas of information technology audit, actuarial, tax and valuation.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, and component auditors from other PwC network firms and other firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT continued

Key audit matter

Impairment assessment of goodwill and intangible assets with indefinite useful lives

The Group recognised goodwill arising from business combinations undertaken in prior years with a carrying value of R1.5 billion, which included an impairment charge of R332 million. Due to the nature of the gaming business, the Group has also recognised intangible assets with indefinite useful lives relating to casino licences and bid costs with a carrying value of R2.7 billion, which included an impairment charge of R1.6 billion as at the reporting date.

The gaming and hospitality industry was significantly impacted by the recent COVID-19 outbreak that resulted in the closure of all the Group's casino precincts during the lockdown. Furthermore, the uncertain economic outlook is anticipated to have a material adverse effect on the Group's operations and ability to generate cash flows in the short to medium term.

Goodwill and indefinite useful life intangible assets are tested annually for impairment in accordance with the requirements of International Accounting Standard (IAS) 36 – Impairment of assets.

To determine the recoverable amounts of the respective cash generating units ('CGUs') that goodwill has been allocated to, management based their recoverable amount calculation on the higher of the 'value in use' and 'fair value less cost of disposal' calculated for each CGU. Management applied a discounted cash flow analysis for each of the individual CGUs, being the individual casinos. Significant estimates and judgements were applied by management when performing these calculations to determine whether any impairment is required. The key assumptions and unobservable inputs applied in the valuation models for the casinos are disclosed in notes 22 and 23 to the consolidated financial statements.

The impairment assessment of goodwill and indefinite life intangible assets is considered to be a matter of most significance to the current year audit due to the following:

- the significant judgement and estimation applied by management in their assumptions; and
- the magnitude of the impairment recognised as well as the magnitude of the carrying values of goodwill and indefinite useful life intangible assets to the consolidated financial statements.

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

- Note 14: Impairment of non-current assets;
- Note 22: Goodwill;
- Note 23: Other intangible assets; and
- Note 2: Critical accounting estimates and judgements (d), Estimated impairment of goodwill and indefinite lived intangible assets.

How our audit addressed the key audit matter

Our audit addressed this key audit matter as follows:

Management's cash flow forecasts used in the impairment models were agreed to the latest director approved five-year strategic plan, which was adjusted for the impact of COVID-19 containment measures on the business. No material exceptions were noted.

In respect of the budgeting process used in deriving the five-year strategic plan, we compared the current year actual results to the 2020 financial year figures included in the prior year forecast to consider whether the forecasts included assumptions that, with hindsight, had been optimistic. We found management's cash flow forecasts to be consistent with the historical actual results.

We further assessed the reasonableness of the adjustments arising from COVID-19 containment measures applied by management in their cash flow forecasts which were found to be acceptable. This assessment included critically evaluating management's assessment of the lockdown period, the evaluation of management's expected impact of COVID-19 on their forecasted cash flows, taking into account the economic forecast for the hospitality and tourism sector and assessing the reasonableness of the cost containment measures by performing an independent calculation, which took into account costs that are fixed and variable in nature, and assessing whether these costs have been appropriately taken into account in management's assessment.

We utilised our internal valuation expertise to independently calculate 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. This was compared to the discount rates used by management. We further independently performed the discounted cash flow calculation using the internally calculated discount rate. We found management's valuation to be within an acceptable range of our independent calculation.

Making use of our internal valuations expertise, the reasonableness of the terminal growth rate by comparing the terminal growth rates to long-term growth rates obtained from independent sources. The growth rates used by management were accepted as comparable.

We tested the mathematical accuracy of the discounted cash flow model and its compliance with market practice and the applicable requirements of IAS 36. We did not note any aspect which required further consideration.

Key audit matter

Valuation of the investment in SunWest International Proprietary Limited and Worcester Casino Proprietary Limited

During the 2017 financial year the group entered into a transaction with Sun International Limited and Grand Parade Investments Limited for the acquisition of a 20% equity interest in both SunWest International Proprietary Limited ('SunWest') and Worcester Casino Proprietary Limited ('Worcester').

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

The fair value of these investments amounted to R898 million as at 31 March 2020 and management recognised a fair value loss of R368 million in other comprehensive income during the year under review which was further exacerbated by the impacts of the COVID-19 on the expected cash flows of the SunWest and Worcester casino's.

Management used a discounted cash flow valuation model to estimate the fair values of these investments. The expected cash flows have been discounted using a risk-adjusted discount rate. The significant unobservable inputs used in determining the fair value of these investments are disclosed in Note 25 to the consolidated financial statements.

The valuation of the group's investments in SunWest and Worcester Casino is considered to be a matter of most significance to the current year audit due to the following:

- The significant judgements made by management in determining the significant unobservable inputs used in determining the fair value; and
- The magnitude of the fair value loss recognised during the year ended 31 March 2020.

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

- Note 25: Financial assets at fair value through other comprehensive income; and
- Note 2: Critical accounting estimates and judgements (e), Fair value of financial instruments that are not traded in an active market.

How our audit addressed the key audit matter

Our audit addressed this key audit matter as follows:

We compared the current year actual published results for these entities to the 2020 financial year figures included in the prior year forecast to consider whether the forecasts included assumptions that, with hindsight, had been optimistic. We found management's historical cash flow forecasts to be consistent with the current year actual results.

We further assessed the reasonableness of the adjustments arising from COVID-19 containment measures applied by management in their cash flow forecasts which were found to be acceptable. This assessment included critically evaluating management's assessment of the lockdown period, the evaluation of management's impact of COVID-19 on their forecasted cash flows taking into account the economic forecast for the hospitality and tourism sector and assessing the reasonableness of the cost containment measures by performing an independent calculation, which took into account costs that are fixed and variable in nature, and assessing whether these costs have been appropriately taken into account in management's assessment.

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

Making use of our internal valuation expertise we tested the reasonableness of the terminal growth rates by comparing it to the long-term growth rates obtained from independent sources. The growth rates used by management were noted to be comparable.

We tested the mathematical accuracy of the discounted cash flow model and assessed the model against market practice and the applicable requirements of IAS 36. We did not note any aspect which required further consideration.

INDEPENDENT AUDITOR'S REPORT continued

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Tsogo Sun Gaming Consolidated Annual Financial Statements for the year ended 31 March 2020" and the document titled "Tsogo Sun Gaming Limited formerly Tsogo Sun Holdings Limited Annual Financial Statements for the year ended 31 March 2020", which includes the Directors' report, the Report of the audit and risk committee and the Declaration by the company secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the document titled "Tsogo Sun Gaming Integrated annual report 2020" which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not 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, actions taken to eliminate threats or safeguards applied.

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 Gaming Limited (formerly Tsogo Sun Holdings Limited) for 51 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: S Murugen

Registered Auditor

Waterfall City

31 July 2020

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March

	Notes	2020 Rm	2019 Rm
Continuing operations			
Net gaming win	1u	9 846	9 821
Rooms revenue	7	490	490
Food and beverage revenue	7	647	648
Other revenue	7	445	433
Other income ⁽¹⁾	8	258	227
Income		11 686	11 619
Gaming levies and Value Added Tax	9	(2 148)	(2 145)
Property and equipment rentals	10	(176)	(291)
Amortisation and depreciation	11	(881)	(738)
Employee costs	12	(2 199)	(2 327)
Other operating expenses	13	(3 152)	(2 959)
Impairments of non-current assets ⁽²⁾	14	(2 022)	(22)
Fair value adjustments of investment properties	21	(81)	(8)
Operating profit		1 027	3 129
Finance income	15	47	333
Finance costs	16	(1 289)	(1 144)
Share of profit of associates	24	10	7
(Loss)/profit before income tax		(205)	2 325
Income tax expense	17	(82)	(644)
(Loss)/profit for the year from continuing operations		(287)	1 681
Profit/(loss) for the year from discontinued operations, net of tax	44	564	(59)
Profit for the year		277	1 622
Profit attributable to:			
Equity holders of the company		207	1 562
Non-controlling interests		70	60
		277	1 622
Basic and diluted earnings attributable to the ordinary equity holders of the company per share (cents):			
From continuing operations		(31.4)	155.0
From discontinued operations		51.0	(7.4)
Basic and diluted earnings per share	4	19.6	147.6

The accounting policies and notes on page 17 to page 82 form an integral part of these consolidated financial statements.

⁽¹⁾ Rental income in the prior year of R137 million has been reclassified to "Other income" due to the amounts no longer being significant subsequent to the unbundling of the hotels group (refer note 44 Discontinued operations)

⁽²⁾ Impairments of non-current assets in the prior year of R22 million have been reclassified to a separate line due to the current year impairments being significant (refer note 14)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March

	2020 Rm	2019 Rm
Profit for the year	277	1 622
Other comprehensive income for the year, net of tax		
Items that may be reclassified subsequently to profit or loss:	(26)	217
Cash flow hedges fair value adjustment – continuing operations	(162)	61
Cash flow hedges recycled to profit or loss – continuing operations	136	–
Cash flow hedges fair value adjustment – discontinued operations	–	4
Currency translation adjustments on discontinued operations	(7)	170
Income tax relating to items that may subsequently be reclassified to profit or loss	7	(18)
Items that may not be reclassified subsequently to profit or loss:	(286)	96
Revaluation of owner occupied property adjustment reclassified to investment property – continuing operations	–	130
Equity instruments at fair value through OCI fair value adjustment – continuing operations	(368)	(9)
Remeasurements of post-employment defined benefit liability in discontinued operations	–	3
Income tax relating to items that may not subsequently be reclassified to profit or loss	82	(28)
Total comprehensive income for the year	(35)	1 935
Total comprehensive income attributable to:		
Equity holders of the company	(105)	1 873
Non-controlling interests	70	62
	(35)	1 935
Total comprehensive income attributable to equity holders:		
Continuing operations	(636)	1 778
Discontinued operations	531	95
	(105)	1 873

The accounting policies and notes on page 17 to page 82 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 March

	Notes	2020 Rm	2019 Rm
ASSETS			
Non-current assets			
Property, plant and equipment	19	9 280	9 154
Right-of-use assets	20	206	–
Investment properties	21	416	486
Goodwill	22	1 461	1 793
Other intangible assets	23	2 781	4 382
Investments in associates	24	41	35
Financial assets at fair value through OCI	25	898	1 266
Non-current receivables	26	38	34
Derivative financial instruments	35	–	3
Deferred income tax assets	27	132	43
		15 253	17 196
Current assets			
Inventories	28	81	75
Trade and other receivables	29	488	577
Current income tax assets		119	57
Cash and cash equivalents	30	3 062	2 541
		3 750	3 250
Assets classified as held for distribution to owners	44	–	14 631
		3 750	17 881
Total assets		19 003	35 077
EQUITY			
Capital and reserves attributable to equity holders of the company			
Ordinary share capital and premium	31	6 487	6 571
Other reserves	32	(4 081)	(1 774)
(Accumulated losses)/retained earnings		(576)	5 699
Total shareholders' equity		1 830	10 496
Non-controlling interests		126	3 049
Total equity		1 956	13 545
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings	33	11 200	10 072
Lease liabilities	34	232	–
Derivative financial instruments	35	224	71
Deferred income tax liabilities	27	1 133	1 525
Long-term incentive liabilities	36	–	4
Provisions	37	70	125
Other non-current liabilities	38	18	72
		12 877	11 869
Current liabilities			
Interest-bearing borrowings	33	3 089	3 452
Lease liabilities	34	91	–
Trade and other payables	39	910	1 441
Current income tax liabilities		80	37
		4 170	4 930
Liabilities classified as held for distribution to owners	44	–	4 733
		4 170	9 663
Total liabilities		17 047	21 532
Total equity and liabilities		19 003	35 077

The accounting policies and notes on page 17 to page 82 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March

	Notes	Attributable to equity holders of the company					Total equity Rm
		Ordinary share capital and premium Rm	Other reserves ⁽¹⁾ Rm	Retained earnings/ (accumu- lated losses Rm	Total Rm	Non- controlling interests Rm	
Balance at 1 April 2018		6 636	(2 040)	6 280	10 876	3 318	14 194
Total comprehensive income		–	309	1 564	1 873	62	1 935
Profit for the year		–	–	1 562	1 562	60	1 622
Cash flow hedges, net of tax		–	45	–	45	1	46
Currency translation adjustments		–	170	–	170	1	171
Revaluation of owner occupied property, net of tax		–	101	–	101	–	101
Fair value measurement of equity instruments at FVOCI, net of tax		–	(7)	–	(7)	–	(7)
Remeasurements of post-employment defined benefit liability, net of tax		–	–	2	2	–	2
Treasury shares settled		(65)	–	–	(65)	–	(65)
Acquisition of Kuruman Casino		–	(42)	–	(42)	(18)	(60)
Acquisition of non-controlling interests – Galaxy		–	(1)	–	(1)	(1)	(2)
Ordinary dividends		–	–	(2 145)	(2 145)	(312)	(2 457)
Balance at 31 March 2019		6 571	(1 774)	5 699	10 496	3 049	13 545
Change in accounting policy – adoption of IFRS 16 Leases	1(b)	–	–	(133)	(133)	(7)	(140)
Restated balance at 1 April 2019		6 571	(1 774)	5 566	10 363	3 042	13 405
Total comprehensive income		–	(312)	207	(105)	70	(35)
Profit for the year		–	–	207	207	70	277
Cash flow hedges, net of tax		–	(19)	–	(19)	–	(19)
Currency translation adjustments		–	(7)	–	(7)	–	(7)
Fair value measurement of equity instruments at FVOCI, net of tax		–	(286)	–	(286)	–	(286)
Treasury shares settled	31	16	–	–	16	–	16
Buy-back of ordinary share capital and cancellation of shares	31	(100)	–	–	(100)	–	(100)
Share options lapsed	31	*	–	–	*	–	*
Disposal of subsidiary	45	–	–	–	–	5	5
Acquisition of non-controlling interests – Galaxy	46	–	(17)	–	(17)	(3)	(20)
Reallocation of other reserves to retained earnings on disposal of THL	44	–	(1 472)	1 472	–	–	–
Realisation of reserves and non-controlling interests on disposal of THL	44	–	(506)	–	(506)	(2 815)	(3 321)
Dividend <i>in specie</i> distribution	44	–	–	(6 951)	(6 951)	–	(6 951)
Ordinary dividends	18	–	–	(870)	(870)	(173)	(1 043)
Balance at 31 March 2020		6 487	(4 081)	(576)	1 830	126	1 956

The accounting policies and notes on page 17 to page 82 form an integral part of these consolidated financial statements.

⁽¹⁾ Refer note 32 for details of other reserves

* Amounts less than R1 million

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March

	Notes	2020 Rm	2019 Rm
Cash flows from operating activities			
Cash generated from operations	40	3 546	3 769
Finance income		55	323
Finance costs		(1 080)	(1 137)
Income tax paid	41	(465)	(559)
Dividends paid to shareholders	42	(872)	(2 137)
Dividends paid to non-controlling interests		(23)	(19)
Dividends received		114	98
Cash flows (utilised in)/generated from operating activities – discontinued operations	44	(48)	524
Net cash generated from operating activities		1 227	862
Cash flows from investment activities			
Purchase of property, plant and equipment		(1 153)	(1 453)
Proceeds from disposals of property, plant and equipment		17	9
Additions to investment properties		(14)	(30)
Proceeds from disposals of investment property		2	–
Purchase of intangible assets		(11)	(17)
Common control acquisition, net of cash acquired		–	4
Acquisition of business – intellectual property		–	(18)
Disposal of business	45	8	–
Loans repaid by associates		–	4
Other loans granted		(8)	–
Net cash outflow on unbundling of THL		(178)	–
Net cash utilised for investment activities – discontinued operations	44	(95)	(479)
Net cash utilised for investment activities		(1 432)	(1 980)
Cash flows from financing activities			
Borrowings raised	43.1	7 306	1 590
Borrowings repaid	43.1	(7 261)	(700)
Principal elements of lease payments	43.2	(131)	–
Shares repurchased	31	(100)	(65)
Treasury shares settled		13	–
Acquisition of non-controlling interests		(15)	(2)
Decrease in amounts due by share scheme participants		–	1
Net cash generated from financing activities – discontinued operations	44	69	29
Net cash (utilised for)/generated from financing activities		(119)	853
Net decrease in cash and cash equivalents		(324)	(265)
Cash and cash equivalents at beginning of the year, net of bank overdrafts		824	1 071
Foreign currency translation		3	18
Cash and cash equivalents at end of the year, net of bank overdrafts	30	503	824
Included in cash and cash equivalents per the balance sheet	30	503	612
Included in the assets of the held for distribution group	30	–	212
		503	824

The accounting policies and notes on page 17 to page 82 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 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 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations as issued by the IFRS Interpretations Committee, and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council ("FRSC"), the Listings Requirements of the JSE and the requirements of the South African Companies Act, No 71 of 2008 and have been prepared under the historical cost convention, as modified by the revaluation to fair value of certain financial instruments and investment property as described in the accounting policies below.

(b) New and amended standards adopted by the group

(i) *New and amended standards adopted by the group*

The group adopted all the new, revised or amended accounting pronouncements as issued by the IASB which were effective for the group from 1 April 2019, the significant pronouncement being IFRS16 *Leases*:

- IFRS 9 *Financial Instruments* amendment;
- IFRS 16 *Leases*;
- IAS 19 *Employee Benefits* amendment;
- IAS 28 *Investments in Associates and Joint Ventures* amendment;
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle; and
- IFRIC 23 *Uncertainty over Income Tax Treatments*.

The adoption of IFRS 16 was applied retrospectively without restating comparative figures. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019 as an adjustment to the opening balance of retained earnings at the date of initial application. The net impact on retained earnings at 1 April 2019 was a decrease of R133 million and is discussed below. No other pronouncements had any material impact on the group.

(ii) *Adjustments recognised on adoption of IFRS 16 – where the group is a lessee*

The standard affected the way the group previously accounted for its operating leases being mostly, in the continuing operations, the Sandton Convention Centre, the Golden Horse Casino land, leases of various properties at the Bingo business sites and offices at certain of the LPM business sites and gaming equipment at the casinos. These rental contracts are typically made for fixed periods of three years to 30 years, but may have extension options as described below. Lease rental contracts in the discontinued operations include some hotel property leases typically for fixed periods of 15 years to 99 years. Up to, and including the 2019 financial year, as a lessee under IAS 17, the group classified leases as operating or finance leases based on its assessment of whether the leases transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the group. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease. The group had no finance leases at 31 March 2019. Refer note 1(f) for accounting policy details.

At 31 March 2019, the group reported it expected right-of-use assets and lease liabilities to be accounted for being R333 million and R569 million respectively for continuing operations, and R712 million expected right-of-use assets for discontinued operations. Subsequent to that year end, changes in lease conditions impacted the initial values by a decrease of R78 million in respect of right-of-use assets and a decrease of R126 million in respect of lease liabilities for continuing operations. This was due to refinements in the amortisation tables and changes in lease agreements that were not taken into account at 31 March 2019. There was a decrease of R39 million in respect of right-of-use assets for discontinued operations mainly due to a refinement of the discount rate. Lease liabilities of R950 million remained as reported for discontinued operations.

Per IFRS 16, right-of-use assets were measured on transition as if the new rules had always been applied since the commencement date, but discounted using respective incremental borrowing rates as of 1 April 2019 and providing for depreciation from commencement date of the lease until transition date. The recognised right-of-use assets are made up as follows:

	Continuing operations	
	31 March 2020 Rm	1 April 2019 Rm
Property	176	210
Gaming equipment	30	45
Right-of-use assets recognised under IFRS 16	206	255

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

(ii) Adjustments recognised on adoption of IFRS 16 – where the group is a lessee continued

	Held for distribution to owners	
	23 May 2019 Rm	1 April 2019 Rm
Property	655	673
Right-of-use assets recognised under IFRS 16	655	673

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the group’s respective incremental borrowing rates as of 1 April 2019. The group’s respective weighted average incremental borrowing rates applied to the lease liabilities on 1 April 2019 ranged between 9.55% and 10.25% for continuing operations and the disposal group’s incremental borrowing rate ranged between 9.75% and 10.25%. Intangible leases not capitalised represent leases which are outside of the scope of IFRS 16 and are accounted for under IAS 38 *Intangible Assets*.

Reconciliation of outstanding commitments under non-cancellable operating lease agreements as at 31 March 2019 to lease liability recognised as at 1 April 2019:

	Continuing operations Rm	Held for distribution to owners Rm
Outstanding commitments at 31 March 2019 under IAS 17, undiscounted	513	1 951
Discounting adjustment using the respective incremental borrowing rates mentioned above	(129)	(980)
Outstanding commitments at 31 March 2019 under IAS 17, discounted	384	971
Adjustment for:		
Short-term leases not capitalised	(4)	(18)
Low-value leases not capitalised	(3)	(3)
Intangible leases not capitalised	(12)	–
Lease extension options capitalised	57	–
Lease modifications	29	–
Other sundry adjustments	(8)	–
Lease liability recognised under IFRS 16 as at 1 April 2019	443	950
Analysed as:		
Non-current portion	307	944
Current portion	136	6
	443	950
Other balance sheet impacts as at 1 April 2019 are:		
Deferred tax assets increase	124 ⁽¹⁾	266
Deferred tax liabilities increase	98 ⁽¹⁾	239
Straight-lining provision decreased	92	186
Non-controlling interests portion thereof	7	–
Retained income decrease	64	69

⁽¹⁾ At 30 September 2019, the group reported the deferred tax on initial adoption of IFRS 16 from continuing operations on a net basis. Subsequently it was noted that the manner of presentation for deferred tax on the adoption of IFRS 16 was not applied consistently in the group. To align both accounting policies the disclosures relating to the deferred tax impact tax on initial adoption from continuing operations has been updated to reflect on a gross basis. There has been no impact on the net deferred tax amount.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

(ii) Adjustments recognised on adoption of IFRS 16 – where the group is a lessee continued

The following amounts have been included in the income statement relating to leases:

	Continuing operations Year ended 31 March 2020 Rm	Discontinued operations Period ended 23 May 2019 Rm
Depreciation charge of right-of-use assets	60	–
Property	48	–
Gaming equipment	12	–
Short-term leases	23	–
Low-value leases	7	–
Variable lease portions	146	–
Interest expense (included in finance cost)	44	16
Also,		
Net operating costs reduced by	14	–
Property rentals reduced by	108	24
Earnings per share increased a result of the adoption of IFRS 16 – cents per share	2	1

Practical expedients applied by the group on transition as permitted by IFRS 16

The group applied the practical expedient per IFRS 16 C3 in that the IFRS 16 definition of a lease would only be applied to assess whether contracts entered into after the date of initial application (1 April 2019) are, or contain, leases, and electing not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made by applying IAS 17 and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. Hence, all contracts previously assessed not to contain leases were not reassessed.

The group applied the recognition exemptions for short-term leases (a lease that, at the commencement date, has a lease term of 12 months or less) and leases of low-value items (mainly small items of office equipment and furniture).

The group used hindsight in determining the lease term if the contracts contained options to extend or terminate the respective leases.

Initial direct costs were excluded from the measurement of the right-of-use asset at the date of initial application.

(iii) Adjustments recognised on adoption of IFRS 16 – where the group is a lessor

Assets leased to third parties under operating leases are included in property, plant and equipment and investment property in the balance sheet. The group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard. Refer note 1(f) for accounting policy details.

(c) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

Subsequent to the disposal of the group's hotel business and the restructure of the group and change in management, the group's reporting lines changed and the precincts grouped under separate regional managers who now report on a regional basis to the Chief Executive Officer ("CEO"). In terms of IFRS 8 *Operating Segments*, the chief operating decision-maker ("CODM") has been identified as the group's CEO.

Due to the changes mentioned above, in order to re-determine the reportable segments, the group used the guidance from IFRS 8 in applying the aggregation criteria being that the casino businesses are all similar in nature, profit generation and class of customer in each province. Furthermore, each province has its own gambling board which governs the respective businesses. In light of the aforementioned, and in order to assess performance and allocate resources, the CODM reviews the businesses by region and thus the group now considers its reportable segments to be geographical, rather than by precinct as previously reported, and has presented a by region segment analysis in note 6. In terms of the quantitative threshold, although Mpumalanga, Western Cape, Eastern Cape and Free State regions do not meet the 10% profit threshold, the group believes it is more appropriate to show these as separate segments because of their differing profiles.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(c) Segmental reporting continued

The group's CEO assesses 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 which are regarded as unusual and are considered to distort the numbers if they were not adjusted. The measure also excludes all headline earnings adjustments. Finance income and finance costs are not included in the results for each operating segment as this is driven by the group's treasury function which manages the cash and debt position of the group.

In terms of IFRS 8, as a result of the change in reportable segments, the comparatives have been restated. Other than these changes, there has been no change in the basis of measurement of segment profit or loss from the last annual financial statements.

(d) Basis of consolidation and business combinations

The consolidated financial statements include the financial information of subsidiary and associate 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.

(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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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

(iii) Associates

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.

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

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

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

(iv) Goodwill

Goodwill is stated at cost less impairment losses and is reviewed for impairment on an annual basis and whenever there is an indication that the goodwill may be impaired. Any impairment identified is recognised immediately in profit or loss and is not subsequently reversed. Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. Each of those CGUs is identified in accordance with the basis on which the businesses are managed from both a business type and geographical basis.

(v) Common control acquisitions

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

A transaction deemed to be a transaction under common control consequently falls outside the scope of IFRS 3 *Business Combinations*. The group's accounting policy is to apply predecessor accounting to common control transactions. Common control accounting is applied and, under the predecessor accounting method, assets and liabilities acquired, including goodwill acquired, are recognised at the predecessor values with the difference between the acquisition value and the aggregate purchase consideration recognised as a separate reserve in equity, a "common control" reserve.

(e) Property, plant and equipment

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

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

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

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(e) Property, plant and equipment continued

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

* These categories have been grouped together under plant and equipment in note 19 Property, plant and equipment

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

(iii) Profit or loss on disposal

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

(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.

(f) Leases

As explained in note 1(b) *New and amended standards adopted by the group*, with effect from 1 April 2019, the group changed its accounting policy for leases where the group is the lessee. The accounting policy is described below and the impact of the change in note 1(b).

(i) The group is a lessee

The group recognises right-of-use assets and corresponding lease liabilities on the balance sheet for leases at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the group uses its respective incremental borrowing rates. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments). Variable lease payments that depend on an index or a rate are initially measured using the index or rate as at the commencement date.

The group is exposed to potential future increases in variable lease payments based on indices and gross gaming win. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Where the group's leases are based on gross gaming win, these payments are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs and are not included in the measurement of the lease liabilities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(f) Leases *continued*

(i) *The group is a lessee* *continued*

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative standalone prices. However, for leases for which the group is a lessee, non-lease components, such as cleaning and maintenance services, are accounted for separately by applying other applicable standards.

The group has no residual value guarantees.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise mainly small items of office equipment and furniture.

(ii) *The group is a lessor*

Assets leased to third parties under operating leases are included in property, plant and equipment and investment property in the balance sheet. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

(iii) *Accounting policy applied until 31 March 2019*

(i) *The group is the lessee*

Leases where the lessor retains substantially all the risks and rewards of ownership were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged or credited to the income statement on a straight-line basis over the period of the lease. The group had no finance leases at 31 March 2019.

(ii) *The group is the lessor*

Assets leased to third parties under operating leases were included in property, plant and equipment and investment property in the balance sheet. Property lease rentals received where the group is the lessor were recognised on a straight-line basis over the term of the lease.

(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 retail and offices and includes furniture, fixtures and equipment.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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.

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

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

(ii) Casino licences and bid costs

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

Casino licences that do not have an expiry date are not amortised as they are considered to have an indefinite life and are tested annually for impairment and whenever there is an indication that the goodwill may be impaired (refer note d(iv)). Casino licences having an expiry date are amortised over the exclusivity period of the respective licence as shown in note 23. Costs associated with unsuccessful casino licence applications are immediately impaired.

(iii) Intellectual property

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

(i) Investments and other financial assets

(i) Classification

The group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value through other comprehensive income ("FVOCI");
- Those to be measured at amortised cost; and
- Those to be measured at fair value through profit or loss ("FVTPL").

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(i) Investments and other financial assets *continued*

(ii) Recognition and derecognition

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

(iii) Measurement

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

Equity investments

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

Debt instruments

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

Derivatives – cash flow hedges

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

(iv) Impairment

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

The group applies the simplified approach to measuring ECL which uses lifetime expected losses to be recognised from initial recognition of its trade receivables.

The balance of the group's financial assets measured at amortised cost comprise loan receivables and cash and cash equivalents to which the general model is applied.

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

(j) Derivative instruments and hedge accounting

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(j) Derivative instruments and hedge accounting continued

Cash flow hedges that qualify for hedge accounting

IFRS 9 *Financial Instruments* provides an accounting policy choice allowing entities to continue with the hedge accounting requirements of IAS 39 *Financial Instruments: Recognition and Measurement* until the macro hedging project is finalised or they can apply IFRS 9. The group has elected to apply IFRS 9.

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

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

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

(k) Fair value measurement

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

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

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

(l) Offsetting financial instruments

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

(m) Inventories

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses. 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; and
- Food and beverage inventories and operating equipment are valued at weighted average cost.

(n) Cash and cash equivalents

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

(p) Impairment of non-financial assets

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

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

(q) Share capital

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

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

(r) Borrowings and finance costs

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

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

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

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

(s) Trade and other payables

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

(t) Provisions

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

The group recognises a provision for bonus plans (note v(iii)) and long-service awards (note v(vii)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(u) Income

Income comprises net gaming win, revenue from contracts with customers and other income:

(i) **Net gaming win**

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

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

(ii) **Revenue from contracts with customers**

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

(iii) **Other income**

Property rental income

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

Dividends received

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

(v) Employee benefits

(i) **Defined contribution plans**

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

(ii) **Termination benefits**

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

(iii) **Bonus plans – short-term incentives**

The group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments and the performance of the respective employees. The criteria are only finalised after the group's year end. The group recognises the liability where an estimate can be made of the amount to be paid based on the rules of the scheme 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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

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

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

(v) Goods or services settled in cash

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

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

(vi) Employee leave entitlement

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

(vii) Long-service awards

The group recognises a liability and an expense for long-service awards where cash is paid to qualifying 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.

(w) 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.

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.

(x) 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. Dividends *in specie* are valued at cost.

(y) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(y) Foreign currency translation continued

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

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

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates, which by definition, will seldom equal the actual results. Judgement also needs to be exercised in applying the group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Principles of critical accounting estimates and assumptions

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

(b) Going concern

The board of directors evaluated the going concern assumption as at 31 March 2020, taking into account the current financial position and their best estimate of the cash flow forecasts in terms of their current knowledge and expectations of ongoing developments of the Covid-19 pandemic, and considered it to be appropriate for the presentation of these financial statements.

The cash flow and liquidity projections for the group were prepared for a period exceeding 12 months from the reporting date on the assumption that the group would be able to commence trading under restrictions in July 2020 and with limited restrictions in October 2020. In the event that cash flow is significantly negative post July 2020, the group may not have sufficient existing funding facilities to remain liquid.

The focus during the lockdown was primarily to eliminate variable operating costs as quickly as possible, reduce fixed costs and cancel non-essential and uncommitted capital expenditure in order to reduce the cash burn during the period the business was prevented from trading.

The main areas of uncertainty are what restrictions will remain in place and for how long and the length of time it will take for trading to ramp up again. In the event that trading is not as expected, the lenders have agreed to deferring interest payments for three quarters to provide the group with additional liquidity.

Following three months of closure the group commenced trading again, in line with the timeline assumed in the projections, from 29 June 2020, albeit under restrictions. The business has developed a robust strategy of enhanced hygiene and social distancing which has enabled it to operate successfully with its loyal customer base under the restrictive trading conditions.

The projections indicate that the funding covenants will be breached for the September 2020, March 2021 and September 2021 measurement periods which, unless waived by the lenders, would require immediate repayment of the gross interest-bearing borrowings (excluding bank overdrafts) amounting to R11.7 billion at 31 March 2020. The amount outstanding at the date of the breach in funding covenants would require immediate repayment at that date.

The lenders have agreed to the waiving of financial covenants initially for the September 2020 measurement period and deferring interest payments for three quarters to provide the group with additional liquidity. The liquidity is expected to be adequate even if the group was not able to commence trade until January 2021.

In the event that the group is not trading as at 1 December 2020 or ceases trading any time thereafter or is not generating positive cash from operations for each month subsequent to December 2020, a capital structure and liquidity plan would be agreed with the lenders, failing which the amount outstanding would require immediate repayment. The waiver of financial covenants for the March 2021 measurement period will require further engagement with the lenders once there is more certainty by the end of February 2021.

As at the date of the financial statements, if cash flow is significantly negative post July 2020, the above conditions give rise to a material uncertainty which may cast significant doubt on the group's ability to continue as a going concern and, therefore may be unable to realise its assets and discharge its liabilities in the normal course of business.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *continued*

(c) Leases

The determination of the respective discount rates

In determining the respective discount rates by the various entities within the group, the entity considers the rate of interest that the respective entity would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Due to the very specific nature of gaming operations, the group's incremental borrowing rate was considered to be the most appropriate rate to commence with and adjusted for the profiles of the respective entities for use in the calculation on initial recognition of the respective lease liabilities. Refer note 34 *Lease liabilities and commitments* for further information.

Determining the lease terms

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. There are no potential future cash outflows. All future cash outflows have been included in the lease liability. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. Refer note 34 *Lease liabilities and commitments* for further information.

(d) 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 22 and 23 of the consolidated financial statements. Significant judgement is required when evaluating the inputs into the value-in-use calculation and therefore this is seen as critical to the estimation uncertainty.

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

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

Unlisted equity investments

The group uses estimates for the discounted cash flow analysis for the valuing of the group's unlisted equity investments at FVOCI financial assets that are not traded in an active market. Refer note 25 for the significant unobservable inputs together with a sensitivity analysis should these significant unobservable inputs change.

(f) Categorisation of unlisted equity investments

With respect to the categorisation of the group's investments in SunWest International (Pty) Limited ("SunWest") and Worcester Casino (Pty) Limited ("Worcester") (refer note 25) the group has pre-emptive rights but no representation on the board of directors of either company and has no operational responsibilities. The group also has no access to any information regarding the companies except for that to which it has statutory rights as a shareholder. These investments are therefore classified as a level 3 fair value measurement and has been accounted for as an equity instrument at FVOCI, and not associate investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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

- (a) The following standards and amendments to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 April 2020 or later periods, which the group has not early adopted. The group has concluded on the impact of these new standards, interpretations and amendments that will be applied from the annual period beginning 1 April 2020, none of which is expected to have a material effect on the consolidated results of operations or financial position of the group. The group is concluding on the impact of the new standards, interpretations and amendments that will be applied from the annual period beginning on or after 1 April 2021.

IFRS 3 (Amendment) Business Combinations

The amendments give clarity on the definition of a business:

- (i) Confirmed that a business must include inputs and a process, and clarified that:
- The process must be substantive; and
 - The inputs and process must together significantly contribute to creating outputs.
- (ii) Narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- (iii) Added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

IFRS 3 amended must be applied for financial years commencing on or after 1 January 2020. The group will apply the new standard from 1 April 2020.

IFRS 17 Insurance Contracts

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

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

IAS 1 (Amendment) Presentation of Financial Statements

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

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

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

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

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

Interest Rate Benchmark Reform

Interest Rate Benchmark Reform resulted in amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Interest Rate Benchmark Reform amendments must be applied for financial years commencing on or after 1 January 2020. The group will apply the amendments from 1 April 2020.

(b) Revised Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

The *Revised Conceptual Framework for Financial Reporting* must be applied for financial years commencing on or after 1 January 2020. The group will apply the new standard from 1 April 2020.

4. RECONCILIATION OF EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY TO HEADLINE EARNINGS AND ADJUSTED HEADLINE EARNINGS	2020		2019	
	Gross Rm	Net ⁽¹⁾ Rm	Gross Rm	Net ⁽¹⁾ Restated ⁽²⁾ Rm
(Loss)/profit attributable to equity holders of the company:				
Continuing operations		(331)		1 640
Discontinued operations		539		(78)
<i>(Less)/add: Continuing operations' adjustments</i>				
Gain on disposal of property, plant and equipment	(6)	(6)	(1)	(1)
Impairment of property, plant and equipment	99	79	21	16
Impairment of right-of-use assets	6	4	–	–
Loss on disposal of investment property	1	1	–	–
Fair value adjustment of investment properties	81	63	8	6
Impairment of goodwill	332	332	–	–
Impairment of intangibles	1 585	1 143	1	1
Gain on disposal of business	(1)	(1)	–	–
<i>(Less)/add: Discontinued operations' adjustments</i>				
Gain on unbundling of subsidiary	(506)	(506)	–	–
Other headline adjustments from discontinued operations ⁽³⁾	–	–	541	334
Share of associates' headline earnings adjustments from discontinued operations	–	–	–	10
Headline earnings		1 317		1 928
<i>Add: Continuing operations' adjustments</i>				
Ineffective portion of cash flow hedge on debt restructure (notes 16, 35)	136	136	–	–
Adjusted headline earnings⁽⁴⁾		1 453		1 928
Adjusted headline earnings from continuing operations		1 420		1 662
Adjusted headline earnings from discontinued operations		33		266
Number of shares in issue (million)		1 046		1 056
Weighted average number of shares in issue (million)		1 056		1 058
Basic and diluted headline earnings per share (cents):				
– Total group		124.7		182.2
– Continuing operations		121.6		157.1
– Discontinued operations		3.1		25.1
Basic and diluted adjusted headline earnings per share (cents):				
– Total group		137.6		182.2
– Continuing operations		134.5		157.1
– Discontinued operations		3.1		25.1

⁽¹⁾ Net of tax and non-controlling interests

⁽²⁾ Restated to exclude all non-headline adjustments from adjusted headline earnings due to the disposal of the group's hotel business and the restructure of the group and change in management as described in note 6 Segmental analysis

⁽³⁾ Refer reconciliation of operating profit to Ebitdar in note 5 for detail

⁽⁴⁾ Adjusted headline earnings are defined as earnings attributable to equity holders of the company adjusted for after tax non-recurring expenditure items which are regarded as unusual and are considered to distort the numbers if they were not adjusted and headline adjustments. This measure is not required by IFRS, is audited, is commonly used in the industry and used by management to make decisions on the application of resources

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

	Continuing operations		Discontinued operations	
	2020 Rm	2019 Restated ⁽¹⁾ Rm	2020 Rm	2019 Restated ⁽¹⁾ Rm
5. RECONCILIATION OF OPERATING PROFIT TO EBITDAR⁽²⁾				
Ebitdar pre-exceptional items is made up as follows :				
Operating profit from operations	1 027	3 129	115	392
Add/(less):				
Property rentals	25	132	11	208
Amortisation and depreciation	881	738	–	306
Long-term incentive (credit)/expense	(37)	3	–	3
	1 896	4 002	126	909
Add/(less): Exceptional losses net of gains				
Headline adjustments	2 097	29	–	541
(Gain)/loss on disposal of property, plant and equipment	(6)	(1)	–	3
Impairment of property, plant and equipment	99	21	–	93
Impairment of right-of-use assets	6	–	–	–
Loss on disposal of investment property	1	–	–	–
Fair value adjustment of investment properties	81	8	–	445
Impairment of goodwill	332	–	–	–
Impairment of intangibles	1 585	1	–	–
Gain on disposal of business	(1)	–	–	–
Ebitdar	3 993	4 031	126	1 450

⁽¹⁾ Restated to exclude all non-headline adjustments from adjusted headline earnings due to the disposal of the group's hotel business and the restructure of the group and change in management as described in note 6 Segmental analysis

⁽²⁾ Refer note 6 for the group's definition of Ebitdar

6. SEGMENTAL ANALYSIS

Subsequent to the disposal of the group's hotel business and the restructure of the group and change in management, the group's reporting lines changed and the precincts grouped under separate regional managers who now report on a regional basis to the Chief Executive Officer ("CEO"). In terms of IFRS 8 *Operating Segments*, the chief operating decision-maker ("CODM") has been identified as the group's CEO.

Due to the changes mentioned above, in order to re-determine the reportable segments, the group used the guidance from IFRS 8 in applying the aggregation criteria being that the casino businesses are all similar in nature, profit generation and class of customer in each province. Furthermore, each province has its own gambling board which governs the respective businesses. In light of the aforementioned, and in order to assess performance and allocate resources, the CODM reviews the businesses by region and thus the group now considers its reportable segments to be geographical, rather than by precinct as previously reported, and has presented a by region segment analysis. In terms of the quantitative threshold, although Mpumalanga, Western Cape, Eastern Cape and Free State regions do not meet the 10% profit threshold, the group believes it is more appropriate to show these as separate segments because of their differing profiles.

The group's CEO assesses 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 which are regarded as unusual and are considered to distort the numbers if they were not adjusted. The measure also excludes all headline earnings adjustments. Prior year Ebitdar has been restated due to expenses treated as exceptional in the prior year of R41 million now being included in Ebitdar. Finance income and finance costs are not included in the results for each operating segment as this is driven by the group's treasury function which manages the cash and debt position of the group. No measure of total assets and liabilities for the reportable segments has been provided as such amounts are not regularly provided to the CODM.

In terms of IFRS 8, as a result of the change in reportable segments and what the group now considers earnings adjustments, the comparatives have been restated. Other than these changes, there has been no change in the basis of measurement of segment profit or loss from the last annual financial statements.

6. SEGMENTAL ANALYSIS continued

Continuing operations

Gaming consists of the group's 13 regional casino precincts, comprising casinos and hotels, generating gaming win and related revenue, together with Galaxy Bingo (Galaxy) and VSlots (Vukani) comprising limited payout machines ("LPMs") and electronic bingo terminals ("EBTs"). Other gaming operations consist mainly of the Sandton Convention Centre and head office costs.

Discontinued operations (refer note 44)

Discontinued operations consisted of the South African hotels division which owns, operates and manages hotels in South Africa and the Offshore hotels division which owns, operates and manages non-South African hotels in other African countries, the Middle East and the Seychelles.

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

	Income		Ebitdar ^{(1) (2) (3)}	
	2020 Rm	2019 Restated ⁽⁴⁾ Rm	2020 Rm	2019 Restated ⁽⁴⁾ Rm
Continuing operations				
Casinos	8 878	8 999	3 368	3 494
Gauteng	4 732	4 882	1 786	1 935
KwaZulu-Natal	2 327	2 313	962	948
Mpumalanga	777	759	274	264
Western Cape	619	604	242	229
Eastern Cape	294	304	73	83
Free State	129	137	31	35
Bingo	933	855	287	238
LPMs	1 658	1 559	456	441
Other gaming operations	217	206	(118)	(142)
Continuing operations	11 686	11 619	3 993	4 031
Discontinued operations⁽⁵⁾				
South African hotels division	548	3 784	104	1 307
Offshore hotels division	100	605	22	143
Discontinued operations	648	4 389	126	1 450
Group, including discontinued operations	12 334	16 008	4 119	5 481

⁽¹⁾ Refer note 5 Reconciliation of operating profit to Ebitdar

⁽²⁾ All casino units are reported pre-internal gaming management fees. The adoption of IFRS 16 had no significant impact on Ebitdar

⁽³⁾ Income and Ebitdar in the South African hotels division and the gaming division includes management fees as noted in note 47.1 Related parties

⁽⁴⁾ Restated for the change in reported segments due to the restructure and reporting of the group to a regional basis, together with the change in adjusted earnings as mentioned above

⁽⁵⁾ Refer note 44 Discontinued operations – unbundling of hotels

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

	Associates		Capital expenditure	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Casinos	41	35	860	1 184
Bingo	–	–	97	153
LPMs	–	–	151	164
Group	41	35	1 108	1 501

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

7. DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	Rooms revenue recognised over time		Food and beverage recognised at a point in time		Other revenue recognised over time		Revenue from contracts with customers	
	2020 Rm	2019 Restated ⁽¹⁾ Rm	2020 Rm	2019 Restated ⁽¹⁾ Rm	2020 Rm	2019 Restated ⁽¹⁾ Rm	2020 Rm	2019 Restated ⁽¹⁾ Rm
Continuing operations								
Casinos	490	490	573	574	323	305	1 386	1 369
Gauteng	257	265	295	303	253	258	805	826
KwaZulu-Natal	71	73	124	122	19	11	214	206
Mpumalanga	107	95	81	77	26	17	214	189
Western Cape	24	26	29	29	10	7	63	62
Eastern Cape	31	31	33	33	14	11	78	75
Free State	–	–	11	10	1	1	12	11
Bingo	–	–	73	73	7	4	80	77
LPMs	–	–	–	–	2	3	2	3
Other gaming operations	–	–	1	1	113	121	114	122
Continuing operations	490	490	647	648	445	433	1 582	1 571
Discontinued operations⁽²⁾								
South African hotels	342	2 346	125	814	46	272	513	3 432
Offshore hotels	64	386	29	176	6	37	99	599
Discontinued operations	406	2 732	154	990	52	309	612	4 031
Group, including discontinued operations	896	3 222	801	1 638	497	742	2 194	5 602

⁽¹⁾ Restated for the change in reported segments due to the restructure and reporting of the group to a regional basis – refer note 6

⁽²⁾ Refer note 44 Discontinued operations – unbundling of hotels

Reconciliation to segmental analysis in note 6:

Continuing operations	11 686	11 619
Revenue from contracts with customers per above	1 582	1 571
Other income (note 8)	258	227
Net gaming win	9 846	9 821
Discontinued operations	648	4 389
Revenue from contracts with customers per above	612	4 031
Property rentals	36	358
Total income per segmental analysis	12 334	16 008

	2020 Rm	2019 Rm
Other revenue is made up as follows:		
Theme Park revenue	136	137
Sandton Convention Centre revenue	89	99
Cinema revenue	78	74
Parking revenue	26	31
Venue hire revenue	24	23
Other sundry revenue	92	69
Other revenue	445	433

	2020 Rm	2019 Rm
8. OTHER INCOME		
Rental income from operating leases – property, plant and equipment (note 19) ⁽¹⁾	110	109
Rental income from operating leases – investment property (note 21) ⁽¹⁾	38	28
Dividends from investments in equity instruments designated at FVOCI (note 25)	110	90
	258	227

⁽¹⁾ Refer note 1(b)

	2020 Rm	2019 Rm
9. GAMING LEVIES AND VAT		
Gaming levies	994	990
VAT	1 154	1 155
	2 148	2 145

	2020 Rm	2019 Rm
10. PROPERTY AND EQUIPMENT RENTALS⁽¹⁾		
Under IFRS 16 <i>Leases</i>		
Short-term leases	23	–
Properties	17	–
Gaming and other equipment	6	–
Low value assets	7	–
Gaming and other equipment	7	–
Variable lease payments not included in lease liabilities	146	–
Properties	8	–
Gaming equipment	138	–
Under IAS 17 <i>Leases</i>	–	291
Properties	–	132
Plant, vehicles and equipment	–	159
	176	291

⁽¹⁾ Refer note 1(b)

	2020 Rm	2019 Rm
11. AMORTISATION AND DEPRECIATION		
Amortisation of intangible assets (note 23)	28	20
Depreciation of property, plant and equipment (note 19)	793	718
Depreciation of right-of-use assets (note 20) ⁽¹⁾	60	–
	881	738

⁽¹⁾ Refer note 1(b)

	2020 Rm	2019 Rm
12. EMPLOYEE COSTS		
Employee costs (including executive directors' remuneration):		
Salaries and wages	2 144	2 181
Long-service award provision reversal (note 37)	(62)	–
Termination benefits	28	12
Pension – defined contribution plans	126	131
Long-term incentive (credit)/expense – cash-settled (note 36.2)	(37)	3
	2 199	2 327

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

	2020 Rm	2019 Rm
13. OTHER OPERATING EXPENSES		
Auditors' remuneration	26	23
Audit fees – current year	23	21
Other services and expenses	3	2
Advertising, marketing and promotional costs	299	328
External consultants	20	27
Food and beverage costs and operating equipment usage	294	286
Impairment charge for bad and doubtful debts, net of recoveries (note 29)	40	17
Information technology-related costs	69	61
LPM site owners' commission	497	460
Management fees (previously "Administration fees") ⁽¹⁾	61	(67)
Monitoring fees for sites	105	99
Net foreign exchange losses/(gains)	5	(1)
Property costs – rates, water and electricity	460	405
Repairs and maintenance expenditure on property, plant and equipment	217	193
Restructuring costs	–	4
Rooms departmental expenses	88	86
Security and surveillance costs	154	149
Share-based payment (credit)/charge for non-controlling interests (note 38)	(12)	9
Transaction costs	–	16
Other operating expenses ⁽²⁾	835	865
Gain on disposal of business (note 45)	(1)	–
Gain on disposal of property, plant and equipment (note 19)	(6)	(1)
Loss on disposal of investment property (note 21)	1	–
	3 152	2 959
⁽¹⁾ Mainly paid to/(received from) THL – refer note 47.1 Related parties		
⁽²⁾ Other operating expenses consists mainly of cleaning, bank charges, insurance, film rentals, gaming licences and corporate social investment and other sundry costs		
14. IMPAIRMENT OF NON-CURRENT ASSETS		
Impairment of property, plant and equipment (note 19)	99	21
Impairment of right-of-use assets (note 20)	6	–
Impairment of goodwill (note 22)	332	–
Impairment of intangibles (note 23)	1 585	1
	2 022	22
15. FINANCE INCOME		
Interest received from banks	36	45
Effective finance income on loans to LPM site owners	4	10
Related party finance income arising on discontinued operations	3	276
Finance income – other	4	2
	47	333
16. FINANCE COSTS		
Finance costs in respect of interest-bearing debt	1 067	1 043
Debt refinancing costs	34	–
Finance costs in respect of lease liabilities	44	–
Effective finance costs on loans to LPM site owners	3	1
Related party finance costs arising on discontinued operations	4	100
Cash flow hedge recycled to profit or loss on debt restructure (note 35)	136	–
Finance costs – other	1	–
	1 289	1 144

17. INCOME TAX EXPENSE

	2020 Rm	2019 Rm
Profit or loss		
Current tax – current year charge	438	545
Current tax – under/(over) provision prior year	8	(2)
Deferred tax – current year (credit)/charge	(365)	101
Deferred tax – under provision prior year	1	–
	82	644
Other comprehensive income		
<i>Tax (credit)/charge relating to components of other comprehensive income on items that may be reclassified subsequently to profit or loss:</i>		
Cash flow hedges – continuing operations	(7)	17
Cash flow hedges – discontinued operations	–	1
<i>Tax (credit)/charge relating to components of other comprehensive income on items that may not be reclassified subsequently to profit or loss:</i>		
Gains on revaluation of owner occupied property reclassified to investment property – continuing operations	–	29
Equity instruments at FVOCI fair value adjustment – continuing operations	(82)	(2)
Remeasurements of post-employment defined benefit liability – discontinued operations	–	1
	(89)	46

	2020 Rm	%	2019 Rm	%
Income tax rate reconciliation				
(Loss)/profit before income tax	(205)		2 325	
Income tax thereon at 28% (2019: 28%)	(57)	(28.0)	651	28.0
<i>Exempt income/credits:</i>				
Dividend income	(31)	(15.1)	(25)	(1.1)
Share of profit of associates and joint ventures	(3)	(1.5)	(2)	(0.1)
<i>Expenses/debits not deductible for tax purposes:</i>				
Amortisation and depreciation	7	3.4	8	0.3
Impairments of current receivables	7	3.4	1	0.1
Impairment of goodwill	93	45.4	–	–
Transaction costs	–	–	5	0.2
Share-based payment charge for non-controlling interests	–	–	2	0.1
Other non-deductible items	3	1.5	–	–
Ineffective portion of cash flow hedge on debt restructure	38	18.5	–	–
<i>Capital gains tax rate differentials:</i>				
Impairments of non-current assets	15	7.3	3	0.2
Gain of disposal of property, plant and equipment	1	0.5	–	–
<i>Other:</i>				
Deferred tax not provided on losses	–	–	3	0.1
Prior year charges/(credits) (net)	9	4.6	(2)	(0.1)
	82	40.0	644	27.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

18. DIVIDENDS DECLARED	2020	2019
	Rm	Rm
Ordinary	870	2 145
Final dividend	594	745
Interim dividend	276	1 400
Dividend <i>in specie</i>	6 951	–
	7 821	2 145
Ordinary		
Final dividend declared on	22 May 2019	23 May 2018
Final dividend paid on	18 June 2019	18 June 2018
Final dividend cents per share	56 cents	70 cents
Interim dividend declared on	20 November 2019	21 November 2018
Interim dividend paid on	17 December 2019	10 December 2018
Interim dividend cents per share	26 cents	132 cents
Dividend <i>in specie</i>⁽¹⁾		
Declared on	23 May 2019	–
Dividend <i>in specie</i> cents per share	658 cents	–

⁽¹⁾ Refer note 44 for details

19. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Rm	Leasehold improvements Rm	Properties under construction Rm	Plant and equipment Rm	Operating equipment Rm	Total Rm
Year ended 31 March 2020						
Opening net carrying amount	6 396	242	21	2 440	55	9 154
Additions	154	23	77	772	24	1 050
Disposal of business (note 45)	–	(3)	–	–	–	(3)
Disposals and operating equipment usage	(1)	–	–	(10)	(18)	(29)
Depreciation charge	(94)	(37)	–	(662)	–	(793)
Impairments	(63)	(2)	(14)	(20)	–	(99)
Other transfers	20	–	(43)	23	–	–
Closing net carrying amount	6 412	223	41	2 543	61	9 280
At 31 March 2020						
Cost	7 423	425	41	5 903	61	13 853
Accumulated depreciation	(1 011)	(202)	–	(3 360)	–	(4 573)
Net carrying amount	6 412	223	41	2 543	61	9 280
Year ended 31 March 2019						
Opening net carrying amount	11 527	732	669	2 884	226	16 038
Additions	96	20	792	796	52	1 756
Acquisition of subsidiary	34	–	–	2	–	36
Capitalisation of borrowing costs	–	–	2	–	–	2
Disposals and operating equipment usage	(2)	(2)	–	(10)	(39)	(53)
Depreciation charge – continuing operations	(74)	(41)	–	(603)	–	(718)
Depreciation charge – discontinued operations	(123)	(28)	–	(147)	–	(298)
Impairments	(81)	(13)	–	(20)	–	(114)
Revaluation on transfer to investment property	130	–	–	–	–	130
Transfers to investment property (note 21)	(310)	–	–	–	–	(310)
Other transfers	969	–	(1 483)	513	1	–
Currency translation	272	–	41	48	8	369
Reclassification to held for distribution to owners	(6 042)	(426)	–	(1 023)	(193)	(7 684)
Closing net carrying amount	6 396	242	21	2 440	55	9 154
At 31 March 2019						
Cost	7 321	454	21	5 500	55	13 351
Accumulated depreciation	(925)	(212)	–	(3 060)	–	(4 197)
Net carrying amount	6 396	242	21	2 440	55	9 154
At 1 April 2018						
Cost	13 181	1 035	669	7 039	226	22 150
Accumulated depreciation	(1 654)	(303)	–	(4 155)	–	(6 112)
Net carrying amount	11 527	732	669	2 884	226	16 038

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 R38 million (2019: credit of R53 million). The group also reviewed the residual values during the year and there were no adjustments to depreciation in the current year (2019: R3 million credit). These changes in estimates are not expected to have a significant effect in respect of the depreciation charge in future periods.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

19. PROPERTY, PLANT AND EQUIPMENT continued

The following land and buildings and plant and equipment at properties with respective carrying amounts were impaired during the year. Impairments are included in impairments of non-current assets in the income statement.

	2020 Rm	2019 Rm
<i>Continuing operations</i>	99	21
Garden Route Casino land due to recoverable amounts assessments	48	–
The Caledon Casino due to impairment of costs relating to the golf estate development land and recoverable amounts assessments	19	–
Sandton Convention Centre mainly due to the uncertain economic outlook as a result of the lockdown	13	–
Land relating to the fourth Mpumalanga casino licence due to recoverable amounts assessments	5	–
Suncoast Casino due to the redevelopment project	–	12
Various casinos and hotel properties due to refurbishments	14	9
<i>Discontinued operations</i>	–	93
GC Nelson Mandela Boulevard as a result of a single year left on the lease agreement	–	19
SS Ikoyi due to revised downward medium-term trading expectations in Nigeria due to the negative impact of reductions in commodity prices negatively affecting occupancies	–	73
SS Ridgeway due to the refurbishment project	–	1
	99	114

Where the group is the lessor

The group rents out retail and commercial office space at its properties.

As at 31 March 2020, the group's gross lettable area at the properties was 72 439m², of which 68 612m² was let.

Rental income is based on fixed, fixed and variable and variable lease agreements concluded with tenants. The majority of the leases are fixed and variable with the fixed rental amounts resetting after a number of years. In the long term, fixed rentals should always exceed variable rental income received. Property rentals (included in other income) earned during the year is as follows:

	2020 Rm	2019 Rm
Rental income from property, plant and equipment operating leases under IFRS 16:	110	–
Fixed	67	–
Variable	43	–
Rental income under IAS 17	–	109
	110	109

The casinos retain the rights to the property rented and mitigates its risk of the underlying property by requiring a deposit or bank guarantee from the lessee and/or personal suretyships. In addition, lessees are required to provide proof of insurance of their assets along with third-party indemnity insurance. Expectations about the future residual values are reflected in the recoverable assessments of the properties.

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

	2020 Rm
Not later than 1 year	61
Between 1 and 2 years	52
Between 2 and 3 years	40
Between 3 and 4 years	23
Between 4 and 5 years	10
	186

20. RIGHT-OF-USE ASSETS

The group leases various properties the most significant being the Sandton Convention Centre, the Golden Horse Casino land, leases of various properties at the Bingo business sites and offices at certain of the LPM business sites as well as gaming equipment at the casinos.

	Properties Rm	Gaming equipment Rm	Total Rm
Year ended 31 March 2020			
Recognised on adoption of IFRS 16 (1 April 2019) ⁽¹⁾	210	45	255
Additions	29	3	32
Depreciation	(48)	(12)	(60)
Remeasurement of lease	(2)	(2)	(4)
Lease termination	–	(4)	(4)
Impairments	(6)	–	(6)
Disposal of business (note 45)	(7)	–	(7)
Closing net carrying amount	176	30	206
At 31 March 2020			
Cost	317	61	378
Accumulated depreciation	(141)	(31)	(172)
Net carrying amount	176	30	206
At 1 April 2019			
Cost	598	65	663
Accumulated depreciation	(388)	(20)	(408)
Net carrying amount	210	45	255

⁽¹⁾ Refer note 1b

During the current year, the property lease at Sandton Convention Centre, with a carrying amount of R6 million, was impaired mainly due to the uncertain economic outlook as a result of the lockdown. Impairments are included in impairments of non-current assets in the income statement.

21. INVESTMENT PROPERTIES

	2020 Rm	2019 Rm
At 1 April	486	5 255
Acquisition and development of investment properties	14	189
Disposals	(3)	–
Transfer of owner occupied property	–	310
Transfers from non-current assets held for sale	–	66
Fair value adjustments recognised in profit or loss in continuing operations	(81)	(8)
Fair value adjustments recognised in discontinued operations	–	(445)
Reclassification to held for distribution to owners	–	(4 881)
At 31 March	416	486

The group rents out retail and commercial office space in its investment properties. In the prior years, the group's main leases were contracts with tenants in respect of its investment properties held in HPF which was included in held for distribution to owners (refer note 44).

The group's investment properties have been categorised as level 3 values based on the inputs to the valuation technique used (refer note 52). The group has elected to measure investment properties at fair value. The fair value of the group's investment properties were independently valued at 31 March 2020 by professionally qualified valuers having the relevant experience.

During the year under review, the group recognised an R81 million (2019: R8 million) fair value loss on investment properties. The fair value has been determined using capitalised values of the projected rental income together with the assessment of development land. Vacancies have been considered based on the historical and current vacancy factors as well as the nature, location, size and popularity of the properties. In the current year, the recent outbreak of Covid-19 has significantly affected the South African economy and the gaming and hospitality industry. This impact has also been taken into account when determining the fair value of the group's investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

21. INVESTMENT PROPERTIES continued

At 31 March 2020 the significant unobservable inputs were as follows:

- Capitalisation rates applied to rental income vary between 9% and 10% (2019: 9%), and
- Vacancy rate applied of between 0% and 20% (2019: 0% and 10%).

Inter-relationship between key unobservable inputs and fair value measurement:

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

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

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

	2020		2019	
	Increase Rm	Decrease Rm	Increase Rm	Decrease Rm
1% change in the capitalisation rate	(42)	45	(41)	51
1% change in the vacancy rate	(3)	4	(5)	5

The investment properties are leased to tenants under operating leases with rentals payable monthly. Rental income is based on fixed lease agreements concluded with tenants.

	2020 Rm	2019 Rm
Amounts recognised in profit or loss for investment properties:		
Rental income from investment property operating leases under IFRS 16:		
Fixed	38	–
Rental income under IAS 17	–	28
Rental income (included in other income note 8)	38	28
Direct operating expenses from property that generated rental income	11	7
Direct operating expenses from property that did not generate rental income	–	–

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

	2020 Rm	2019 Rm
Not later than 1 year	27	32
Between 1 and 2 years	16	24
Between 2 and 3 years	9	13
Between 3 and 4 years	5	7
Between 4 and 5 years	1	2
	58	78

Transfers

During the prior year, the Pivot office building's owner occupation reduced substantially and the building was no longer considered to be owner-occupied. The building was previously classified as owner-occupied property in line with IAS 16 *Property, Plant and Equipment*. This application was made on the basis that the building was significantly occupied by entities within the group. The property was subsequently transferred from property, plant and equipment to investment properties and, in accordance with IAS 16 and IAS 40 *Investment Property*, the property was revalued through OCI to fair value before being transferred as shown in the statement of other comprehensive income and in note 19 in the 2019 comparative numbers.

22. GOODWILL

	2020 Rm	2019 Rm
At 1 April	1 793	2 134
Acquisition of subsidiary	–	13
Impairments	(332)	–
Reclassification to held for distribution to owners	–	(354)
At 31 March	1 461	1 793
Goodwill is allocated and monitored based on the group's CGUs. A summary of the goodwill allocation is as follows per CGU:		
Montecasino	273	273
Suncoast	890	890
Gold Reef City	–	136
Silverstar	–	85
Golden Horse	43	43
Garden Route	19	19
Blackrock	94	94
Mykonos	17	17
The Caledon	64	175
Vukani	61	61
	1 461	1 793

Impairment test for goodwill and casino licences (refer note 23 for casino licences)

The recent outbreak of Covid-19 has significantly affected the South African economy and the gaming and hospitality industry. The closure of all the group's casino precincts during the lockdown and the uncertain economic outlook once the properties open again is anticipated to have a material adverse effect on the group's operations and ability to generate cash flows in the short to medium term. This uncertainty is factored into the impairment testing of goodwill and for the group's intangible assets being casino licences, most of which are indefinite lived.

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

The recoverable amount of the CGUs is determined based on the higher of the fair value less cost of disposal and value in use. These calculations use pre-tax cash flow projections based on five-year forecasts approved by the board of directors. The expected capital cost spend in the CGUs is based on the historical experience of maintaining each property and no expansionary capital expenditure has been forecast in order to preserve cash. Cash flows beyond the five-year period are extrapolated using the estimated long-term growth rates stated below.

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

- Income, operating expenses and Ebitdar margins (trading assumptions) – management determined budgeted income, operating expenses and Ebitdar margin based on past performance and its expectations of market development. Due to the lockdown, it is anticipated that during the 2021 financial year group revenues will be significantly lower, offset by a reduction in variable and fixed costs, the most significant of these being gaming levies and VAT and payroll costs. It will be necessary for the group to implement deep structural changes for the business to be sustainable through this period. The group anticipates a phased approach of the opening of the economy which would continue to pose a severe short-term challenge for trading due to elements like social distancing, restrictions of numbers of gatherings, continued closure of restaurants and bars and the general impact of the weak economy on customers' disposable incomes. The group's forecast models assume a strong recovery in trading during the 2022 financial year off an extremely low base, reaching a new normal trading level one year's growth behind what the group anticipated pre-Covid-19 levels to be. These trading projections are what the group believes the South African economy to achieve based on various economic reports to hand and discussions held with the group's bankers and other professionals;
- Long-term growth rate – cash flows beyond the first five-year period are extrapolated using estimated long-term growth rates in order to calculate the terminal recoverable amount. The growth rate estimations consider risks associated with the entertainment and hospitality industry in which the CGUs operate and are consistent with forecasts included in industry reports specific to the entertainment and hospitality industries in which each CGU operates. Therefore, the group believes that it has not been necessary to revise the rate and has therefore left it unchanged from the prior year; and
- Discount rate – the discount rate is calculated by using a weighted average cost of capital ("WACC") of the respective CGUs. WACC is calculated using a bond risk-free rate and an equity premium adjusted for specific risks relating to the relevant CGUs. The discount rate has increased compared to the prior year due to economic downturn and technical recession resulting from the impact Covid-19 had on the economy which has been factored in to the risk premium and beta which the group believes will return to more normal levels over the medium term;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

22. GOODWILL continued

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

The significant unobservable inputs used in the group's value-in-use calculations as at 31 March 2020 are shown below:

- Expected gaming win declines by (40.0)% and increases by 67%, then 8% and then to 3.0% over the following years (2019: growth ranged between 5.0% and 7.6%);
- Operating expenditure cost declines by (22.0)% and increases by 33%, then to 4.0% over the following years (2019: growth ranged between 5.1% and 7.3%);
- Risk-adjusted discount rate of 17.46% (2019: 13.9%) pre-tax; and
- Long-term growth rate of 5.3% (2019: 5.3%).

Significant estimate: impairment charge

The impairments charge of R332 million shown above arose in the Gold Reef City (R136 million), Silverstar (R85 million) and The Caledon (R111 million) precincts. This was mainly as a result of the Covid-19 implications mentioned above, and also to a lesser extent trading related in both Silverstar and The Caledon precincts. Gold Reef City, Silverstar and Goldfields precincts also had licence impairments due to factors mentioned above (refer note 23). No class of asset other than goodwill and casino licences was impaired. Impairments are included in impairments of non-current assets in the income statement.

Significant estimate: impact of possible changes in key assumptions

The group's impairment reviews are sensitive to changes in the key assumptions described above. Based on the group's sensitivity analysis, a reasonable possible change in a single assumption will not cause a material impairment loss in any of the group's CGUs, as the group's CGUs have significant headroom available between the calculated value-in-use and the goodwill allocated to each CGU, other than the below CGUs. Refer also note 2(d) *Critical accounting estimates and judgements – Estimated impairment of goodwill and indefinite lived intangible assets*.

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

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

⁽¹⁾ Refer above for key assumptions

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

	2020			2019		
	Ebitdar margin %	Long-term growth rate %	Discount rate pre-tax %	Ebitdar margin %	Long-term growth rate %	Discount rate pre-tax %
Montecasino	35.2	5.3	18.3	39.2	5.3	13.9
Suncoast	34.8	5.3	17.6	40.0	5.3	13.9
Gold Reef City	27.6	5.3	17.6	32.9	5.3	13.9
Silverstar	26.2	5.3	17.1	30.2	5.3	13.9
Other gaming operations ⁽¹⁾	27.9	5.3	17.7	30.3	5.3	13.9
Vukani	27.7	5.3	16.8	28.4	4.5	12.2

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

23. OTHER INTANGIBLE ASSETS

	Casino licences and bid costs Rm	Computer software Rm	Intellectual property Rm	Other Rm	Total Rm
Year ended 31 March 2020					
Opening net carrying amount	4 283	51	48	–	4 382
Additions	3	9	–	–	12
Amortisation charge	(5)	(17)	(6)	–	(28)
Impairments	(1 576)	(9)	–	–	(1 585)
Closing net carrying amount	2 705	34	42	–	2 781
At 31 March 2020					
Cost	2 871	141	49	–	3 061
Accumulated amortisation	(166)	(107)	(7)	–	(280)
Net carrying amount	2 705	34	42	–	2 781
Year ended 31 March 2019					
Opening net carrying amount	4 281	68	–	24	4 373
Additions	2	22	–	10	34
Acquisition of businesses	6	–	49	–	55
Amortisation charge – continuing operations	(5)	(14)	(1)	–	(20)
Amortisation charge – discontinued operations	–	(8)	–	–	(8)
Impairment	(1)	–	–	–	(1)
Reclassification to held for distribution to owners	–	(17)	–	(34)	(51)
Closing net carrying amount	4 283	51	48	–	4 382
At 31 March 2019					
Cost	4 444	149	49	–	4 642
Accumulated amortisation	(161)	(98)	(1)	–	(260)
Net carrying amount	4 283	51	48	–	4 382
At 1 April 2018					
Cost	4 526	228	–	29	4 783
Accumulated amortisation	(245)	(160)	–	(5)	(410)
Net carrying amount	4 281	68	–	24	4 373

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

23. OTHER INTANGIBLE ASSETS continued

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

	2020 Rm	2019 Rm	Remaining useful life as at 31 March 2020
<i>Indefinite lives:</i>			
Gold Reef City ⁽¹⁾	1 389	1 765	Indefinite
Silverstar ⁽¹⁾	53	1 112	Indefinite
Golden Horse ⁽¹⁾	554	554	Indefinite
Garden Route ⁽¹⁾	252	252	Indefinite
Goldfields ⁽¹⁾	26	167	Indefinite
Mykonos ⁽¹⁾	215	215	Indefinite
Montecasino	70	70	Indefinite
Suncoast	105	105	Indefinite
Blackrock ⁽²⁾	1	1	Indefinite
Galaxy ⁽³⁾	1	1	Indefinite
Kuruman ⁽⁴⁾	6	6	Indefinite
<i>Definite lives:</i>			
Hemingways	27	29	6 years
Vukani ⁽³⁾	6	6	7 – 11 years
	2 705	4 283	

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

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

⁽³⁾ Acquisition of Gameco during the 2018 financial year end

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

Significant estimate: impairment charge

The impairments charge of R1 576 million in respect of casino licences and bid costs arose in the Gold Reef City (R376 million), Silverstar (R1 059 million) and Goldfields (R141 million) precincts. This was mainly as a result of the Covid-19 implications mentioned in note 22 *Goodwill*, and also, to a lesser extent, trading related in both Silverstar and Gold Reef City precincts. No class of asset other than goodwill and casino licences was impaired. Impairments are included separately in impairments of non-current assets in the income statement. For details of casino licence impairment tests and key assumptions, refer to note 22.

Significant estimate: impact of possible changes in key assumptions

The group's impairment reviews are sensitive to changes in the key assumptions described above. Based on the group's sensitivity analysis, a reasonable possible change in a single assumption will not cause a material impairment loss in any of the group's CGUs, as the group's CGUs have significant headroom available between the calculated values in use and the intangible asset allocated to each CGU, other than the below CGUs. Refer also note 2(d) *Critical accounting estimates and judgements – Estimated impairment of goodwill and indefinite lived intangible assets*.

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

	1 pp decrease in trading assumptions ⁽¹⁾ Rm	1 pp decrease in growth rate assumption ⁽¹⁾ Rm	1 pp increase in discount rate assumption ⁽¹⁾ Rm
Gold Reef City	445	198	266
Silverstar	53	53	53
Goldfields	26	11	14

⁽¹⁾ Refer note 22 for key assumptions

24. INVESTMENTS IN ASSOCIATES

	2020 Rm	2019 Rm
At 1 April	35	513
Share of profit after tax and other interests of associates:		
– Continuing operations	10	7
– Discontinued operations	–	23
Dividends received	(4)	(20)
Reclassification to held for distribution to owners	–	(488)
At 31 March	41	35

The group's interest in associate entities are as follows:

- 49% in Richtrau 292 Proprietary Limited ("Richtrau") which trades as a concept bookstore within the group's Montecasino property. A loan of R7 million (2019: R7 million) to Richtrau is secured by a notarial bond registered over the assets of Richtrau in favour of the group, is interest free and has no fixed terms of repayment. The loan has been fully impaired due to the associate's continuing trading losses and is not considered to be immediately recoverable;
- 50% in TMCTS Management Company Proprietary Limited which operates entertainment venues in eight of the group's properties; and
- 50% in Three Groups Cinemas Proprietary Limited which operates cinemas at the group's Suncoast casino property.

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

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 Rm	2019 Rm
Financial assets at fair value through other comprehensive income comprise investments in equity instruments which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and therefore the group considers this classification relevant. Refer notes 2(e) <i>Critical accounting estimates and judgements – Fair value of financial instruments that are not traded in an active market</i> and 52 <i>Fair value estimation</i> . Dividends received are included in <i>other income</i> (note 8).		
At 1 April	1 266	–
Transfer from available-for-sale financial assets	–	1 275
Fair value adjustment recognised in other comprehensive income	(368)	(9)
At 31 March	898	1 266
Fair value made up as follows:		
SunWest	866	1 228
Worcester	32	38
	898	1 266
Financial assets previously classified as available-for-sale:		
At 1 April	–	1 275
Transfer to financial assets at fair value through other comprehensive income	–	(1 275)
	–	–
Dividends received:		
SunWest	103	86
Worcester	7	4
	110	90

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME continued

SunWest and Worcester casinos

During 2017, aligned with the group's desire to increase its exposure in the Western Cape province, the group entered into a transaction with Sun International Limited ("SI") and Grand Parade Investments Limited ("GPI") for the acquisition of a 20% equity interest in each of SunWest International Proprietary Limited ("SunWest") and Worcester Casino Proprietary Limited ("Worcester"). The group has pre-emptive rights but no representation on the board of directors of either company and has no operational responsibilities. The group also has no access to any information regarding the companies except for that to which it has statutory rights as a shareholder. These investments are classified as a level 3 fair value measurement and has been accounted for as an equity instrument at FVOCI – refer note 52 *Fair value estimation*.

At the end of each reporting period the investment is remeasured and the increase or decrease recognised in other comprehensive income. The asset has been remeasured at 31 March 2020 to R898 million, a R368 million decrease (R1.3 billion at 31 March 2019). A discounted cash flow valuation was used to estimate the fair value. The valuation model considers the present value of net cash flows to be generated from SunWest and Worcester, together with their operating capital expenditure taking into account expected growth in gaming win and other revenue generated from non-gaming related activities. The expected net cash flows are discounted using a risk-adjusted post-tax discount rate. Among other factors, the discount rate estimation considers risks associated with the gaming and hospitality industry in which SunWest and Worcester operates. The reason for the fair value loss is as a result of the recent outbreak of Covid-19 which has significantly affected the South African economy. As discussed in note 22 *Goodwill* it is anticipated that during the 2021 calendar year, revenues in the gaming and hospitality industry will be significantly lower, offset by a reduction in variable and fixed costs, with an assumption of a strong recovery in trading during the 2022 financial year off an extremely low base reaching a new normal trading level one year's growth below pre-Covid-19 forecasts. Refer note 22 for further detail on the significant assumptions made.

The significant unobservable inputs used in the fair value measurement of the group's investment in SunWest and Worcester as at 31 March 2020 are shown below:

- Expected gaming win declines by (40.0)% and increases by 67%, then 8% and then to 3% over the following years (2019: growth ranged between 3.1% and 6.8%);
- Operating expenditure cost declines by (22.0)% and increases by 33%, then to 4.0% over the following years (2019: growth ranged between 5.3% and 5.6%);
- Risk-adjusted discount rate of 14.25% (2019: 11.5%) post-tax; and
- Long-term growth rate of 5.3% (2019: 5.3%).

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

	2020		2019	
	Increase Rm	Decrease Rm	Increase Rm	Decrease Rm
Expected gaming win growth	110	(106)	502	(439)
Operating expenditure cost growth	(84)	81	(224)	207
Risk-adjusted discount rate	(99)	124	(189)	263
Long-term growth rate	93	(75)	150	(108)

26. NON-CURRENT RECEIVABLES

	2020 Rm	2019 Rm
<i>Financial instruments</i>		
Financial assets measured at amortised cost		
Loans to tenants	2	3
Loans to LPM site owners	15	11
Loans to NCI	17	10
Other	4	10
	38	34

Non-current receivables and deposits do not contain significant credit risk and there are no significant receivables past due, not impaired or impaired. The group does not consider non-current receivables significant and therefore no further disclosure is provided in this regard. Refer note 29 *Trade and other receivables* for disclosures in respect of loans to LPM site owners.

27. 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 ⁽¹⁾ Rm	Provisions and accruals Rm	Deferred income Rm	Right-of-use assets and lease liabilities Rm	Tax losses Rm	Items through OCI Rm	Total Rm
Deferred tax liabilities								
Balance at 1 April 2018	2 022	19	(308)	(15)	–	(48)	–	1 670
Income statement expense/(credit)	86	1	(14)	(5)	–	2	–	70
Deferred tax expense relating to components of other comprehensive income	–	–	–	–	–	–	28	28
Currency translation	(15)	–	–	–	–	–	–	(15)
Reclassification to held for distribution to owners	(476)	(7)	204	7	–	42	2	(228)
Balance at 31 March 2019	1 617	13	(118)	(13)	–	(4)	30	1 525
Restatement for change in accounting policy – adoption of IFRS 16 <i>Leases</i> ⁽²⁾	–	–	24	–	(46)	–	–	(22)
Restated balance at 1 April 2019	1 617	13	(94)	(13)	(46)	(4)	30	1 503
Income statement (credit)/expense	(442)	19	20	10	23	1	–	(369)
Deferred tax credit relating to components of other comprehensive income	–	–	–	–	–	–	(1)	(1)
Deferred tax liability at 31 March 2020	1 175	32	(74)	(3)	(23)	(3)	29	1 133
Deferred tax assets								
Balance at 1 April 2018	(8)	(3)	56	5	–	55	37	142
Income statement (expense)/credit	(6)	(1)	2	2	–	5	–	2
Deferred tax expense relating to components of other comprehensive income	–	–	–	–	–	–	(18)	(18)
Acquisition of subsidiary	(4)	–	–	–	–	5	–	1
Acquisition of business	(13)	–	–	–	–	–	–	(13)
Reclassification to held for distribution to owners	10	–	(30)	(6)	–	(46)	1	(71)
Balance at 31 March 2019	(21)	(4)	28	1	–	19	20	43
Restatement for change in accounting policy – adoption of IFRS 16 <i>Leases</i> ⁽²⁾	–	–	–	–	4	–	–	4
Restated balance at 1 April 2019	(21)	(4)	28	1	4	19	20	47
Income statement credit/(expense)	(7)	10	(7)	–	1	(2)	–	(5)
Deferred tax credit relating to components of other comprehensive income	9	–	–	–	–	–	81	90
Deferred tax asset at 31 March 2020	(19)	6	21	1	5	17	101	132
Total net deferred tax liability/(asset)	1 194	26	(95)	(4)	(28)	(20)	(72)	1 001

⁽¹⁾ Includes investment property and prepaid expenditure

⁽²⁾ Refer note 1(b)

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

Deferred tax of R20 million on estimated tax losses of the group's subsidiaries relate mainly to Galaxy Gaming and Entertainment Proprietary Limited, Vukani Gaming Corporation Proprietary Limited, Tsogo Sun Proprietary Limited and Pocatello Investments Proprietary Limited. The directors have considered the future profitability of these entities and, on the basis that they are anticipated to produce taxable income in the foreseeable future, these deferred tax assets are considered fully recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

28. INVENTORIES	2020	2019
	Rm	Rm
Food and beverage	24	26
Operating equipment	28	22
Consumable stores	29	27
	81	75
The cost of food and beverage recognised as an expense and included in other operating expenses	297	291
The cost of operating equipment recognised as an expense and included in other operating expenses	24	22

There were no significant inventories written off during the year.

29. TRADE AND OTHER RECEIVABLES	2020	2019
	Rm	Rm
<i>Financial instruments</i>		
Financial assets measured at amortised cost		
Trade receivables – net	101	102
Trade receivables – gross	125	115
Trade receivables – loss allowance	(24)	(13)
Debt investments – net	86	81
LPM site owner loans – gross	146	120
LPM site owner loans – loss allowance	(60)	(39)
Deposits	113	170
Related party debtor arising on held for distribution to owners	–	53
Other receivables	52	39
	352	445
<i>Non-financial instruments</i>		
Prepayments	102	116
VAT receivable	19	2
Straight-lining of operating leases	15	14
	136	132
Total trade and other receivables	488	577

Trade receivables

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

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

Debt investments

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

29. TRADE AND OTHER RECEIVABLES *continued*

Credit risk – Trade receivables

The group performs ongoing credit evaluations of the financial condition of its customers for both new credit applications and existing customers having credit facilities. These reviews include evaluating previous relations the customer has had with the group, taking into account the length of time and amount of business. New customers are given credit only after meeting strict minimum requirements. The utilisation of credit limits are regularly monitored by reviewing the ageing analysis of these debtors on an ongoing basis. At 31 March 2020, no single customer was in debt in excess of 10% of the total trade receivables balance. The trade receivables are of a strong credit standing.

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

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

Debtor loss allowance calculated under the provision matrix:

The group measures the loss allowance for trade receivables by applying a provision matrix which is permitted by IFRS 9 which is presented below. In accordance with this approach, the loss allowance for trade receivables is determined as the lifetime expected credit losses on trade receivables. Trade receivables are categorised into respective characteristics, namely geographical and business type. The provision matrices have been developed by making use of judgement, past default experience of debtors but also incorporates forward looking information such as general economic conditions of the industry as at the reporting date.

The customer accounts separately identified and risk weighted differently to the general customer listing are those that the group has determined are affected by the following factors used to determine forward looking information:

- The effects of Covid-19 in South Africa;
- GDP in South Africa;
- Vulnerability of state owned enterprises and municipalities at present in South Africa; and
- Ongoing energy crisis facing South Africa.

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

On this basis the loss allowance was determined as follows for trade receivables:

	Current – performing Rm	30 to 60 days past due Rm	60 to 90 days past due Rm	More than 90 days past due Rm	Total Rm
As at 31 March 2020					
Expected loss rate %	8.7	11.4	12.3	44.9	
Gross carrying amount	55	20	12	25	112
Loss allowance	5	2	1	11	19
As at 31 March 2019					
Expected loss rate %	2.3	3.9	28.3	60.9	
Gross carrying amount	82	7	2	13	104
Loss allowance	2	*	*	8	10

* Amount less than R1 million

	2020 Rm	2019 Rm
<i>Tenant debtors – specific trade debtors</i>		
Tenant debtors are specific debtors from the tenanting of retail and office space. The loss allowance for tenanting debtors are long outstanding balances and generally have slower payment terms and are managed on a one-on-one basis.		
Gross carrying amount	13	11
Loss allowance in respect of specific trade debtors	5	3
The closing loss allowance for trade receivables as at 31 March reconciled to the opening loss allowance is as follows:		
At 1 April	13	41
Provision for receivables impairment	18	10
Written off as uncollectible	(7)	(9)
Reclassification to held for distribution to owners	–	(29)
At 31 March	24	13

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

29. TRADE AND OTHER RECEIVABLES continued

Credit risk – LPM site owner loans

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

Exposure to credit risk

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

In terms of IFRS 9, all loans and advances are assessed on a monthly basis to determine whether there has been a significant increase in credit risk. In cases where significant increase in credit risk has occurred an impairment equal to the lifetime expected credit loss is recognised. The group considers a significant increase in credit risk when a site generates a monthly average gross gaming win below R100 000 over a period of six months, R100 000 being the average monthly gross gaming win generated by sites.

The three stage model has been developed by making use of judgement, past default experience of loans but also incorporates forward-looking information such as the impact of the Covid-19 pandemic on the South African economy, ongoing energy crises facing South Africa and geographic location as at the reporting date.

The key inputs used for measuring expected credit losses are:

1	Stage 1: Performing	Up to date. Within terms and not closed. An estimated credit loss is raised on 20% of the amount in arrears if the site generates a monthly average gross gaming win not exceeding R200 000 but greater than R100 000. An estimated credit loss is raised on 10% of the amount in arrears if the site generates in excess of a monthly average gross gaming win of R200 000.
2	Stage 2: Underperforming	Default on loan terms which have not been received in excess of five weeks an estimated credit loss is raised on the amount in arrears. An estimated credit loss is raised on 50% of the amount in arrears if the site generates a month average gross gaming win not exceeding R100 000 but greater than R50 000.
3	Stage 3: Non-performing	Sites that are closed are fully provided for. An estimated credit loss is raised on 90% of the amount in arrears if the site generates a monthly average below R50 000 gross gaming win.

Customer accounts in arrears exceeding 42 days are more likely to default in repayment and therefore through past default experience, the full amount in arrears excluding the VAT portion refundable from SARS was provided for. The average site in Vukani generates R100 000 per month in gross gaming win, it was determined that if a site generates less than the average gross gaming win of R100 000, it is more likely to default in repayment. Based on this and taking into account the Covid-19 pandemic, the estimated credit-loss percentage was based on the likelihood the sites will be able to recover from the pandemic.

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

29. TRADE AND OTHER RECEIVABLES continued

Credit risk – LPM site owner loans continued

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

	2020			
	Expected credit loss as a percentage of gross carrying amount	Gross carrying amount at default	Loss allowance	Carrying amount (net of loss allowance)
Company internal rating:	%	Rm	Rm	Rm
Stage 1: Performing	6	76	(5)	71
Stage 2: Underperforming	55	11	(6)	5
Stage 3: Non-performing	84	59	(49)	10
Total – gross		146	(60)	86

	2019			
	Expected credit loss as a percentage of gross carrying amount	Gross carrying amount at default	Loss allowance	Carrying amount (net of loss allowance)
Company internal rating:	%	Rm	Rm	Rm
Stage 1: Performing	6	62	(4)	58
Stage 2: Underperforming	8	4	–	4
Stage 3: Non-performing	65	54	(35)	19
Total – gross		120	(39)	81

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

Reconciliation of loss allowances

The following tables show the movement in the expected credit losses for LPM site operator loan receivables as at 31 March:

	2020			Total Rm
	Stage 1 Performing Rm	Stage 2 Underperforming Rm	Stage 3 Non-performing Rm	
At 1 April 2019	4	*	35	39
Provisions for loan receivables impairment	3	6	19	28
Write-offs	–	–	(1)	(1)
Recoveries	(2)	–	(4)	(6)
At 31 March 2020	5	6	49	60

	2019			Total Rm
	Stage 1 Performing Rm	Stage 2 Underperforming Rm	Stage 3 Non-performing Rm	
At 1 April 2018	1	*	28	29
Provisions for loan receivables impairment	3	*	14	17
Write-offs	–	–	(1)	(1)
Recoveries	–	–	(6)	(6)
At 31 March 2019	4	*	35	39

* Amount less than R1 million

Credit risk – other receivables and deposits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

30. CASH AND CASH EQUIVALENTS

	2020 Rm	2019 Rm
Cash and cash equivalents measured at amortised cost		
Current accounts	2 803	2 167
Call and fixed deposit accounts	247	202
Cash	12	172
Gross cash and cash equivalents	3 062	2 541
Less: Bank overdrafts included in borrowings (note 33)	(2 559)	(1 929)
Net cash and cash equivalents from continuing operations	503	612
Net cash and cash equivalents included in the held-for-distribution group	-	212
Net cash and cash equivalents per cash flow statement	503	824

Due to the short-term nature of these assets and historical experience, cash and cash equivalents are regarded as having a low probability of default and therefore the related expected credit loss is deemed not significant.

31. ORDINARY SHARE CAPITAL AND PREMIUM

	Number of ordinary shares	Number of treasury shares	Net number of shares	Ordinary share capital Rm	Share premium Rm	Treasury shares Rm	Total Rm
At 1 April 2018	1 147 657 784	(88 468 494)	1 059 189 290	4	6 754	(122)	6 636
Buy-back of ordinary share capital and cancellation of shares	(3 129 377)	-	(3 129 377)	-	(65)	-	(65)
At 31 March 2019	1 144 528 407	(88 468 494)	1 056 059 913	4	6 689	(122)	6 571
Treasury shares cancelled	(83 632 695)	83 632 695	-	-	-	-	-
Treasury shares settled	-	776 699	776 699	-	(4)	20	16
Buy-back of ordinary share capital and cancellation of shares	(10 707 412)	-	(10 707 412)	*	(100)	-	(100)
Share options lapsed	-	(26 943)	(26 943)	-	-	*	*
At 31 March 2020	1 050 188 300	(4 086 043)	1 046 102 257	4	6 585	(102)	6 487

* Amount less than R1 million

The total authorised number of ordinary shares is 1 200 000 000 (2019: 1 200 000 000) with a par value of 2 cents per share (2019: 2 cents per share). The company also has 20 000 000 authorised, unissued preference shares of no par value. All issued shares, other than those related to the Gold Reef Share Scheme and the IFRS 2 *Share-based Payment – equity-settled* (refer note 36.1), are fully paid up.

The company's authorised but unissued ordinary share capital was placed under the control of the directors until the forthcoming AGM. The board of directors has the authority to allot and issue any shares required to be issued for the purpose of carrying out the terms in accordance with the provisions of any share-based incentive scheme established by the company subject to section 38 of the Companies Act of South Africa and the Listings Requirements of the JSE, during the period of two years commencing on the date of the adoption of the special resolution, dated 17 October 2019. The board of directors has also been given, in terms of the Listings Requirements of the JSE, the authority to acquire ordinary shares issued by the company and shall be valid until the company's next AGM, or 15 months from the date of the passing of the special resolution, whichever period is the shorter. The board of directors has been authorised to determine the preferential rights attaching to the future issue of preference shares (subject to the approval of the JSE).

During April 2019 and May 2019, the company cancelled and subsequently delisted 83 632 695 ordinary shares of 2 cents each which were categorised as treasury shares. These shares were held by subsidiary companies of Tsogo Sun Hotels, Gaming and Entertainment Proprietary Limited ("TSHG&E") and were received as a dividend *in specie* by TSHG&E. The company in turn received the shares from TSHG&E, a wholly owned subsidiary of the company, as a dividend *in specie*. The shares cancelled represent 7.3% of the total issued share capital of the company immediately prior to such cancellation.

During the current and prior years, the company acquired an additional 10 707 412 (2019: 3 129 377) ordinary shares and these shares were subsequently cancelled by the respective year ends.

Following the cancellation of the ordinary shares mentioned above, the number of treasury shares that continue to be held by the Gold Reef Share Scheme in the company is 435 558 ordinary shares.

32. OTHER RESERVES

	Available- for-sale investments fair value reserve Rm	Financial assets at FVOCI Rm	PPE revaluation reserve Rm	Surplus arising on change in control in joint venture Rm	Transactions with non- controlling interests Rm	Cash flow hedge reserve Rm	Foreign currency translation reserve Rm	Common control reserve Rm	Total Rm
Balance at 1 April 2018	(9)	–	–	130	744	(95)	344	(3 154)	(2 040)
Cash flow hedges	–	–	–	–	–	45	–	–	45
Cash flow hedges fair value adjustments	–	–	–	–	–	63	–	–	63
Deferred tax on cash flow hedges fair value adjustments	–	–	–	–	–	(18)	–	–	(18)
Currency translation adjustments	–	–	–	–	–	–	170	–	170
Revaluation of owner occupied property reclassified to investment property	–	–	101	–	–	–	–	–	101
Owner occupied property fair value adjustment	–	–	130	–	–	–	–	–	130
Deferred tax on owner occupied property fair value adjustment	–	–	(29)	–	–	–	–	–	(29)
Reclassification on adoption of IFRS 9	9	(9)	–	–	–	–	–	–	–
Financial assets at fair value through OCI fair value reserve	–	(7)	–	–	–	–	–	–	(7)
Equity instruments fair value adjustment at fair value through OCI	–	(9)	–	–	–	–	–	–	(9)
Deferred tax on equity instruments fair value adjustment at fair value through OCI	–	2	–	–	–	–	–	–	2
Common control reserve arising on acquisition of Kuruman Casino (note 46)	–	–	–	–	–	–	–	(42)	(42)
Acquisition of non-controlling interests – Galaxy	–	–	–	–	(1)	–	–	–	(1)
Balance at 31 March 2019	–	(16)	101	130	743	(50)	514	(3 196)	(1 774)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

32. OTHER RESERVES continued

	Available- for-sale investments fair value reserve Rm	Financial assets at FVOCI Rm	PPE revaluation reserve Rm	Surplus arising on change in control in joint venture Rm	Transactions with non- controlling interests Rm	Cash flow hedge reserve Rm	Foreign currency translation reserve Rm	Common control reserve ⁽¹⁾ Rm	Total Rm
Balance at 31 March 2019	–	(16)	101	130	743	(50)	514	(3 196)	(1 774)
Cash flow hedges	–	–	–	–	–	(19)	–	–	(19)
Cash flow hedges fair value adjustments	–	–	–	–	–	(162)	–	–	(162)
Cash flow hedges recycled to profit or loss ⁽²⁾	–	–	–	–	–	136	–	–	136
Deferred tax on cash flow hedges	–	–	–	–	–	7	–	–	7
Currency translation adjustments	–	–	–	–	–	–	(7)	–	(7)
Financial assets at fair value through OCI fair value reserve	–	(286)	–	–	–	–	–	–	(286)
Equity instruments fair value adjustment at fair value through OCI	–	(368)	–	–	–	–	–	–	(368)
Deferred tax on equity instruments fair value adjustment at fair value through OCI	–	82	–	–	–	–	–	–	82
Reallocation of reserves to retained earnings on disposal of THL	–	–	–	(130)	(1 342)	–	–	–	(1 472)
Realisation of reserves on disposal of THL	–	–	–	–	–	1	(507)	–	(506)
Acquisition of non-controlling interests – Galaxy	–	–	–	–	(17)	–	–	–	(17)
Balance at 31 March 2020	–	(302)	101	–	(616)	(68)	–	(3 196)	(4 081)

⁽¹⁾ The common central reserve arose mainly on the group's acquisition of the Bingo and LPM businesses from the HCI group during the 2018 financial year end

⁽²⁾ Refer note 35 Derivative financial instruments

33. INTEREST-BEARING BORROWINGS

	2020 Rm	2019 Rm
Borrowings are made up as follows:		
Financial liabilities measured at amortised cost		
Bank borrowings	5 887	11 605
Corporate bonds (Domestic Medium-term Note Programme)	5 843	–
Bank overdrafts	2 559	1 929
	14 289	13 534
Less: Facility raising fees	–	(10)
	14 289	13 524
Analysed as:		
Non-current portion	11 200	10 072
Current portion	3 089	3 452
	14 289	13 524
Secured	14 289	13 534
Unsecured	–	–
	14 289	13 534
<p>In January 2020, the group finalised the refinancing of its debt programme. The facilities are a combination of new term loans from banking institutions and a Domestic Medium-Term Note Programme. The facilities range from committed overnight facilities to tenors of up to seven years with the majority of the maturities in the three to five-year period. On the date of refinancing, the debt in existence was treated as an extinguishment and the new debt recognised. Refer note 50 <i>Financial risk management</i> for further details on borrowings.</p> <p>The group has mortgage bonds registered over six properties and pledge of cash in certain of the group subsidiaries as security for these borrowings. The following represents the carrying amount of these securities:</p>		
Property, plant and equipment	5 579	5 213
Intangible assets	–	26
Investment property	230	–
Equity instruments at FVOCI	898	1 266
Investment in associates	2	–
Inventories	–	45
Claims and other receivables	242	–
Pledge of cash in bank accounts	298	2 213
Cession of Tsogo Sun Gaming shares (treasury shares)	–	441
	7 249	9 204
The group has the following committed direct facilities excluding bank overdrafts (from banks and corporate bonds):		
Expiring within 1 year	1 374	2 366
Expiring beyond 1 year	11 800	11 052
	13 174	13 418
Undrawn facility of committed direct bank borrowings	1 444	1 813
Weighted average effective interest rates (including cash held in call accounts)	9.11%	9.25%

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 lenders of the above loans ranging between 6.86% and 7.46% (2019: 8.30% and 8.55%). The fair values of the current portion of borrowings approximates their carrying amount. All borrowings bear interest at floating rates (refer note 50.1a(ii)).

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

	Carrying amount		Fair value	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Bank borrowings	5 400	10 072	5 404	11 737
Corporate bonds (Domestic Medium-term Note Programme)	5 800	–	5 804	–
	11 200	10 072	11 208	11 737

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

34. LEASE LIABILITIES AND COMMITMENTS

The reconciliation of lease liabilities is as follows:

	Land and buildings Rm	Gaming equipment Rm	Total Rm
At 1 April 2019 (on adoption of IFRS 16)	390	53	443
Finance costs	40	4	44
Lease payments	(161)	(14)	(175)
Additions	28	4	32
Remeasurement of lease	1	(3)	(2)
Termination of lease	–	(5)	(5)
Disposal of subsidiary	(8)	–	(8)
Effect of modification to lease terms	(6)	–	(6)
At 31 March 2020	284	39	323
Less: Current portion	(78)	(13)	(91)
Non-current portion	206	26	232

	2020 Rm
Total cash flows in respect of leases:	
Principal portion of the lease liabilities (included in cash flows from financing activities)	131
Interest portion of the lease liabilities (included in finance costs cash flows)	44
Short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities (included in cash generated from operations)	176
Total cash outflow for leases	351

The group leases various properties being mostly the Sandton Convention Centre, the Golden Horse Casino land, leases of various properties at the Bingo business sites and offices at certain of the LPM business sites as well as gaming equipment at the casinos. These rental contracts are typically made for fixed periods of three to 30 years, but may have extension options as described below.

Variable lease payments

Some property and gaming equipment leases contain variable payment terms that are linked to indices and gross gaming win respectively. For property, the Golden Horse Casino land lease includes variable lease payments that are included in the lease liability. The lease payment terms, in addition to the annual CPI increase, are based on 4.5% of gross operating profit. A 10% increase in the variable lease liability would increase lease payments by less than R1 million.

Bingo gaming machine leases contain variable payment terms that are linked to gross gaming win generated by the respective machines and these payments are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs and are not included in the measurement of the lease liabilities. A 10% increase in gross gaming win across all sites in the group with such variable lease contracts would increase total lease payments included in operating costs (property and equipment lease rentals) by approximately R12 million. Variable lease payments are included in other operating expenses in note 10 *Property and equipment rentals*.

Extension options and termination options

Extension options and termination options are included in certain property and equipment leases across the group. These are used to maximise operational profitability in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

Extension options and termination options in respect of property leases:

- The Golden Horse Casino land has an extension option with effect from 1 September 2030 which the group is reasonably certain to extend. Hemingways Casino has a cinema lease with an extension option with effect from 21 August 2024 which the group is reasonably certain to extend.

Where the group leases property for Bingo operations:

- If a gaming licence term exceeds the initial property rental term, the group is typically reasonably certain to extend the lease contract (or not terminate the lease contract); and
- For operational properties being leased and more suitable properties have been identified, management is reasonably certain to not extend the property lease contract.

Extension options and termination options in respect of gaming equipment leases:

- For casino gaming equipment leases, the group has the option to terminate without penalties the respective lease contract.

34. LEASE LIABILITIES AND COMMITMENTS *continued*

Residual value guarantees

The group has not provided residual value guarantees in relation to any of its leases as none of its leases contain residual value guarantees.

Leases not yet commenced but committed

The group has not committed to any leases which had not commenced by the reporting date.

Lease commitments

At the balance sheet date the group had outstanding commitments under non-cancellable operating leases which are not capitalised being variable lease payments, short-term leases (leases with a lease term of 12 months or less) and low-value assets (comprising mainly small items of office equipment and furniture). The aggregate undiscounted commitments for short-term leases fall due as follows:

	2020 Rm
Not later than 1 year	63
Later than 1 year and not later than 5 years	28
Later than 5 years	32
	123

Refer note 50.1(c) for the maturity analysis for capitalised leases.

35. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are measured at fair value and comprise interest rate swaps – cash flow hedges.

Net liabilities

Less: Current portion liability

Non-current portion liability (net)

Non-current portion made up as follows:

Asset

Liability

Net liability

	2020 Rm	2019 Rm
Net liabilities	229	68
<i>Less:</i> Current portion liability	(5)	–
Non-current portion liability (net)	224	68
Non-current portion made up as follows:		
Asset	–	3
Liability	(224)	(71)
Net liability	(224)	(68)

For effective hedges, gains and losses are recognised in the hedging reserve directly in other comprehensive income (after tax). Refer also notes 50.1(c) *Liquidity risk* and 52 *Fair value estimation*.

The fair value of the group's derivatives used for hedge accounting is a net liability of R229 million (31 March 2019: R68 million) and is calculated as the present value of the estimated future cash flows based on observable yield curves, which is consistent with the prior year. On refinancing the group's debt effective January 2020, an amount of R136 million was recycled and transferred from the cash flow hedge reserve to profit or loss as the debt it related to was repaid. This charge is included in finance costs (refer note 16).

	2020 Rm	2019 Rm
The notional amounts of the outstanding effective interest rate swap contracts at 31 March were:		
<i>Linked to the three-month JIBAR</i>		
With a fixed rate of 6.93% maturing 30 June 2020	1 500	1 500
With a fixed rate of 8.045% maturing 30 June 2021	1 000	1 000
With a fixed rate of 8.09% maturing 30 June 2021	2 000	2 000
With a fixed rate of 7.80% maturing 30 June 2021	500	500
With a fixed rate of 7.82% maturing 30 June 2021	500	500
With a fixed rate of 6.89% maturing 31 May 2024	3 500	–
	9 000	5 500

SI put option

In terms of the acquisition agreement of the SunWest and Worcester interests (refer note 25), in the event that any party acquires 35% or more of the issued ordinary shares of SI triggering a change in control of the SI group, the group may elect to put its equity interests in SunWest and Worcester to SI. SI can elect to either settle the put option by the issue of new ordinary shares in SI and/or for a cash consideration, based on the aggregate value of the group's interest in SunWest and Worcester. No derivative has been recognised as the fair value of the option is Rnil at 31 March 2020 (Rnil at 31 March 2019).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

36. LONG-TERM INCENTIVE PLANS

The group operates only the Share Appreciation Bonus Plan under 36.2 as a long-term incentive plan with the Executive facility being discontinued during the year:

36.1 Equity-settled – Executive facility (historical discontinued facility)

The remaining participants in the historical scheme tendered their resignations during the year. The scheme has been discontinued with no new allocations/facilities in future.

Following his early retirement J Booyesen has until his normal retirement date on 30 September 2022 to dispose of his 1 825 243 shares and repay the loan. The shares were pledged on 14 March 2019 to the company as security until the loan is repaid.

Following their resignations GD Tyrrell and RB Huddy have until 28 February 2025 and 31 July 2025 respectively to dispose of their 776 699 and 1 048 543 shares respectively and repay the portion of the loans equal to the proceeds on the shares sold. The balance on the loans, if any, will be written off. The shares were pledged to the company on 29 November 2019 as security until the loan is repaid and the dividends have been ceded to the company.

FV Dlamini transferred to Tsogo Sun Hotel Interests Proprietary Limited on the unbundling of the hotel group.

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

The Tsogo Sun Gaming 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:

	2020	2019
Average share price utilised to value the liability	R5.00	R23.50
Number of appreciation units granted and outstanding ('000)	28 279	39 488
Number of appreciation units vested and outstanding ('000)	3 614	19 547

The group recognised a credit of R37 million for the year under review being a reversal of the full provision due to the decline in the company's share price mainly as a result of the effect of Covid-19 as mentioned in note 22 *Goodwill* (2019: R3 million charge). The liability on the group's balance sheet at 31 March 2019 was R43 million, the current portion was R39 million.

37. PROVISIONS

	2020 Rm	2019 Rm
Provisions are made up as follows (refer also note 1(t)):		
At 1 April		
Long-service awards	136	203
Short-term incentives	120	188
Jackpot provisions	2	6
	258	397
(Reversed)/created during the year		
Long-service awards (refer note below)	(52)	22
Short-term incentives	130	178
	78	200
Utilised during the year		
Long-service awards	(10)	(31)
Short-term incentives	(129)	(178)
Jackpot provisions	–	(4)
	(139)	(213)
Reclassification to held for distribution to owners		
Long-service awards	–	(58)
Short-term incentives	–	(68)
	–	(126)
At 31 March		
Long-service awards	74	136
Short-term incentives	121	120
Jackpot provisions	2	2
Total provisions	197	258
Less: Current portion	(127)	(133)
Non-current portion	70	125
Long-service awards		
The group pays its qualifying 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. During the year, in order to reduce costs, the group amended its policy that certain qualifying employees would remain on the Long Service Awards plan and the balance of the employees would no longer be eligible. This resulted in a net credit to profit or loss of R52 million, of which R62 million was in respect of the reversal of the non-qualifying staff portion of the provision.		
Movement in unfunded obligation:		
Benefit obligation at 1 April	136	203
Interest cost	14	20
Service cost	13	18
Actuarial gain	(17)	(16)
Liability release due to termination of certain scheme participants	(62)	–
Reclassification to held for distribution to owners	–	(58)
Benefits paid	(10)	(31)
Benefit obligation at 31 March	74	136
The amounts recognised in the income statement are as follows:		
Interest cost	14	20
Current service cost	13	18
Actuarial gain	(17)	(16)
Liability release due to termination of certain scheme participants	(62)	–
	(52)	22

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

37. PROVISIONS <small>continued</small>	2020 Rm	2019 Rm
Long-service awards <small>continued</small>		
The principal actuarial assumptions used for accounting purposes are:		
Discount rate	8.70%	9.20%
Inflation rate	4.20%	5.40%
Salary increase rate	4.70%	5.90%
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	74	136
Experience adjustment on plan obligations	–	–
There are no plan assets in respect of the long-service award liability.		

38. OTHER NON-CURRENT LIABILITIES	2020 Rm	2019 Rm
<i>Financial instruments</i>		
Capital creditors	16	21
Gross	27	31
Less: Current portion	(11)	(10)
<i>Non-financial instruments</i>		
Share-based payment to non-controlling interests	2	14
Straight-lining of operating leases	–	37
Gross	–	92
Less: Current portion	–	(55)
Non-current portion	18	72

Capital creditors is the deferred portion of the purchase price of the concluded agreements that the group entered into during the prior year with TAB-Austria ("TAB") to acquire the intellectual property rights to the Golden Island Casino LPMs for Africa, which include the processes, formulae, methods and information controlled and owned by TAB, currently being manufactured by TAB.

The share-based payment liability is the fair value of the transfer of portions of shareholding, in terms of the gaming licence conditions in Leitlho SPV (Kuruman Casino) (20%) to B-BBEE shareholders by December 2034. The prior year share-based payment liability in relation to Galaxy Bingo Tonga and Galaxy Bingo Hazyview vested in the current financial year. A fair value share-based payment credit of R12 million (2019: R9 million charge) was recognised in operating costs during the year (refer note 13).

The straight-lining provision of operating leases was reversed on adoption of IFRS 16 – refer note 1(b).

39. TRADE AND OTHER PAYABLES

	2020 Rm	2019 Rm
Trade and other payables for continuing operations are made up as follows:		
<i>Financial instruments:</i>		
Trade and other payables	661	944
Trade payables	168	255
Accrued expenses	170	191
Advance deposits	15	39
Derivative financial instruments current portion (note 35)	5	–
Deferred income (refer below)	21	20
Related party creditor arising on held for distribution group	–	91
Other payables ⁽¹⁾	282	348
<i>Non-financial instruments:</i>	249	497
VAT payable	17	73
Leave pay liability	64	87
Payroll related payables	39	68
Gaming levies	2	42
Long-term incentive liabilities current portion (note 36.2)	–	39
Provisions current portion (note 37)	127	133
Straight-lining of operating leases current portion (note 38)	–	55
	910	1 441
<i>Deferred income</i>		
The group accounts for its gaming customer reward programmes (gaming win) in terms of IFRS 9 <i>Financial Instruments</i> and is made up as follows:		
At 1 April	20	19
Created during the year	160	160
Forfeitures during the year	(12)	(7)
Utilised during the year	(147)	(152)
At 31 March	21	20

⁽¹⁾ Other payables include capital expenditure creditors, unallocated deposits received, Smartcard gaming credits due to customers and other sundry payables

The expected timing of the recognition of deferred income is within one year (2019: one year) and is considered current.

The carrying amounts of the group's trade and other payables are assumed to approximate their fair values due to the short-term nature of trade and other payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

	2020 Rm	2019 Rm
40. CASH GENERATED FROM OPERATIONS		
(Loss)/profit before tax from operations	(205)	2 325
<i>Adjusted for finance income and costs, share of profit of equity accounted entities, dividends received and non-cash movements:</i>		
Finance income	(47)	(333)
Finance costs	1 289	1 144
Share of profit of associates	(10)	(7)
Dividends received from investments in equity instruments designated at FVOCI	(110)	(90)
Amortisation and depreciation	881	738
Impairment charge for bad and doubtful debts, net of recoveries	40	20
Operating equipment usage	42	41
Straight-lining of operating leases	–	(42)
Other lease adjustments	(5)	–
Movement in provisions	207	288
Long-term incentive (credit)/expense	(37)	3
Share-based payment (credit)/charge for non-controlling interests	(12)	9
Gain on disposal of property, plant and equipment	(6)	(1)
Impairment of non-current assets (note 14)	2 022	22
Fair value adjustment on investment properties	81	8
Loss on disposal of investment property	1	–
Gain on disposal of business	(1)	–
Other non-cash moves and adjustments	(4)	(13)
Cash generated from operations before working capital movements	4 126	4 112
<i>Working capital movements</i>		
Increase in inventories	(31)	(21)
Decrease/(increase) in trade and other receivables	23	(110)
Decrease in payables and provisions	(572)	(212)
Cash generated from operations	3 546	3 769
41. INCOME TAX PAID		
Tax asset at 1 April	20	4
Current tax provided	(446)	(543)
Tax asset at 31 March	(39)	(20)
	(465)	(559)
42. DIVIDENDS PAID TO THE COMPANY'S SHAREHOLDERS		
<i>Ordinary</i>		
Unclaimed dividends owing to shareholders at 1 April	(4)	(1)
Dividends declared	(870)	(2 145)
Dividend contribution by discontinued operations	–	5
Unclaimed dividends owing to shareholders at 31 March	2	4
	(872)	(2 137)

43. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

43.1 Changes in interest-bearing borrowings

Changes arising from interest-bearing borrowings for the year under review, excluding bank overdrafts from short-term borrowings of R2 559 million (2019: R1 929 million), are as follows:

	Long-term borrowings 2020 Rm	Short-term borrowings 2020 Rm	Total 2020 Rm
At 1 April 2019	10 072	1 523	11 595
Borrowings raised – cash portion	5 856	1 450	7 306
Borrowing facilities received – non-cash ⁽¹⁾	5 344	–	5 344
Borrowings repaid – cash portion	(5 800)	(1 461)	(7 261)
Borrowing facilities settled – non-cash ⁽¹⁾	(4 272)	(1 072)	(5 344)
Interest accrued	–	80	80
Debt raising fees	–	10	10
At 31 March 2020	11 200	530	11 730

	Long-term borrowings 2019 Rm	Short-term borrowings 2019 Rm	Total 2019 Rm
At 1 April 2018	9 777	923	10 700
Borrowings raised	1 590	–	1 590
Borrowings repaid	–	(700)	(700)
Reclassification to short term	(1 276)	1 276	–
Other	(19)	24	5
At 31 March 2019	10 072	1 523	11 595

⁽¹⁾ At the time of the debt refinancing, certain borrowings in place were settled by lenders offsetting between themselves and therefore the cash did not flow through the group's bank accounts at the time the group received the new borrowing facilities and likewise the existing borrowings were settled

43.2 Changes in lease liabilities

Changes arising from lease liabilities for the year under review are as follows:

	Non-current portion 2020 Rm	Current portion 2020 Rm	Total 2020 Rm
At 1 April 2019	297	146	443
New leases raised	32	–	32
Principal elements of lease payments	(92)	(39)	(131)
Remeasurement of lease	(5)	(3)	(8)
Termination of lease	–	(5)	(5)
Disposal of business	–	(8)	(8)
At 31 March 2020	232	91	323

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

44. DISCONTINUED OPERATIONS – UNBUNDLING OF HOTELS

As reported in the prior year, the group unbundled its entire Tsogo Sun Hotels Limited (“THL”) shareholding to Tsogo Sun Gaming Limited (“Tsogo Sun”) (previously Tsogo Sun Holdings Limited) shareholders registered as such in the Tsogo Sun register at the close of business on the record date, Friday, 14 June 2019, by way of a distribution *in specie* to Tsogo Sun shareholders of one THL share for every Tsogo Sun share held, reflected as being held by that Tsogo Sun shareholder on the record date. The board approved the dividend distribution on 23 May 2019, being the effective disposal date. The listing of the entire issued share capital of THL in the “Travel and Leisure” sector on the main board of the JSE was effective from the commencement of trade on Wednesday, 12 June 2019. As of the distribution date, Tuesday, 18 June 2019, Tsogo Sun and THL were independent public companies, the shares of which are listed on the JSE and have separate public ownership, boards of directors and management.

In terms of the unbundling, all inter-company loan balances, which were not in the ordinary course of business, were settled between Tsogo Sun and THL, including the treasury loan owed by THL to Tsogo Sun. The remaining inter-company balances incurred in the ordinary course of business are not significant.

Therefore, in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the profits from discontinued operations have been disclosed separately. Profit attributable from discontinued operations:

	Period ended 23 May 2019 Rm	Year ended 31 March 2019 Rm
Revenue	648	4 389
Expenses	(522)	(3 038)
Fair value adjustment of investment properties ⁽¹⁾	–	(445)
Property rentals	(11)	(208)
Amortisation and depreciation ⁽²⁾	–	(306)
Operating profit	115	392
Net finance costs	(59)	(417)
Share of profit of associates and joint venture	8	15
Profit/(loss) before tax	64	(10)
Income tax expense	(6)	(49)
Profit/(loss) for the period from discontinued operations after income tax	58	(59)
Profit on disposal of subsidiary after income tax (see below)	506	–
Profit/(loss) for the period from discontinued operations	564	(59)

⁽¹⁾ There were no changes to the significant unobservable inputs which were identified since the previous financial year end and therefore no adjustment to the fair value was deemed necessary

⁽²⁾ In terms of IFRS 5, an entity shall not depreciate or amortise a non-current asset while it is classified as part of a disposal group classified as held for disposal

	Period ended 23 May 2019 Rm	Year ended 31 March 2019 Rm
Net cash flows attributable to discontinued operations for:		
Net cash (utilised in)/generated from operating activities	(48)	524
Net cash utilised for investment activities	(95)	(479)
Net cash generated by financing activities	69	29
Net cash (utilised in)/generated by discontinued operations	(74)	74

	As at 23 May 2019 Rm
Profit on disposal of subsidiary	
Net asset value distributed to owners	(9 766)
Non-controlling interest (“NCI”)	2 815
Net asset value after NCI	(6 951)
Reserves realised on unbundling	(506)
Reclassification of foreign currency translation reserve to profit or loss	(507)
Reclassification of cash flow hedge reserve to profit or loss	1
	(7 457)
Dividend <i>in specie</i> distributed (at cost) ⁽¹⁾	6 951
Profit on disposal of subsidiary after income tax	(506)

⁽¹⁾ The group has elected to use cost to value the dividend *in specie* rather than at fair value

45. BUSINESS DISPOSAL

The group disposed of its 51% holding in Galaxy Gaming Zone 4 EC Proprietary Limited with effect from 31 May 2019 as the business was no longer viable due to the difficulty to manage as a result of the remote location.

The carrying value of net assets and liabilities disposed is as follows:

	Rm
<i>Non-current assets:</i>	
Property, plant and equipment	3
Right-of-use asset	7
<i>Current liabilities:</i>	
Lease liability	(8)
Fair value of identifiable net assets acquired	2
Less: Non-controlling interests disposed	5
Net assets disposed	7
Less: Purchase consideration received in cash – investing activities	(8)
Gain on disposal of subsidiary	(1)
Net inflow of cash on disposal	
Disposal consideration received	8
Cash balances disposed of	–
Net inflow of cash on disposal	8

46. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Acquisition of NCI by Galaxy

During July 2019, the group acquired an additional 3% in EC Gaming Uitenhage thereby increasing the group's shareholding to 32%.

During December 2019, the group acquired an additional 10% and 5% in Galaxy Bingo Hazyview and Galaxy Bingo Tonga respectively, thereby increasing the group's shareholding to 60% in each of the entities.

During March 2020, the group acquired an additional 41% in Galaxy Gaming Limpopo thereby increasing the group's shareholding to 70% in the entity.

The acquisitions were at a cost of R20 million in aggregate and no further disclosure has been supplied as these transactions are considered not significant to the group.

47. RELATED PARTIES

The company's ultimate controlling shareholder is HCI (a company listed on the JSE) which, at the balance sheet date, directly and indirectly owned 49.7% (2019: 49.3%) of the company's issued share capital (excluding treasury shares). HCI directly owned 10.0% (2019: 9.7%) and is the majority shareholder of THC Investments (RF) Proprietary Limited ("THC") and THC directly owned 39.7%. These percentage shareholdings exclude treasury shares.

HCI is also the ultimate controlling shareholder of THL (refer note 44 *Discontinued operations – Unbundling of hotels*). All of the group's hotel properties, which are situated at certain of the casino precincts, are managed by THL which charges management fees and royalties to the group, together with administration fees. Also, after the split of the group, certain departments were shared which resulted in additional management fees charged to and by THL.

HCI has a majority shareholding in Gripp Advisory Services Proprietary Limited ("Gripp") which is responsible for the internal audit function within the group.

In accordance with the Eastern Cape Gambling Board's licence conditions, an Eastern Cape-based Black Enterprise, Muji Investments Proprietary Limited ("Muji"), is a vehicle distributor that was appointed to the group whereby Vukani Gaming Eastern Cape (a subsidiary of the group) procures motor vehicles from Muji for the licence period. Muji and Vukani have a common director appointed to their boards.

The rental and management fee and royalty agreements concluded with THL are in terms of the agreement at the time of the unbundling of the hotel division. Tsogo Sun Casinos Proprietary Limited ("TSC") entered into a lease agreement with Southern Sun Hotel Interests Proprietary Limited ("SSHI") in respect of leased premises comprising 4 000m² of office space in Palazzo Towers East and Palazzo Towers West, property owned by the group. The lease commenced on 1 April 2019 and shall continue for an indefinite term of years for a nominal amount. SSHI is not permitted to sublet any portion of the leased premises and should a change in shareholding of SSHI or THL occur of 35% or greater the lease may be terminated by TSC.

The group's significant transactions with related parties shown below were all made on terms equivalent to those that prevail in arm's length transactions. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

47. RELATED PARTIES continued

47.1 Transactions with related parties

	2020 Rm	2019 Rm
Dividends paid to HCI	85	191
Dividends paid to TIH	–	322
Dividends paid to TIHC	340	548
Dividends paid to other related parties of HCI	28	4
Dividend <i>in specie</i> to HCI (102.7 million THL shares)	676	–
Dividend <i>in specie</i> to TIHC (415.2 million THL shares)	2 730	–
Hotel management fees and royalties paid to THL ⁽¹⁾	50	–
Management fees paid to THL for shared services ⁽¹⁾	18	–
Management fees charged to THL for shared services ⁽¹⁾	(14)	–
Fees paid to THL for administration services of hotels	53	–
Internal audit fees paid to Gripp	21	19
Vehicles purchased from Muji	32	4
Finance income from THL	(3)	–
Finance costs to THL	4	–

⁽¹⁾ Shown within management fees in note 13 Other operating expenses

47.2 Amounts owing to related parties

	2020 Rm	2019 Rm
Trading accounts net amount owing to THL	11	–

47.3 Discontinued operations

Details of discontinued operations included in note 44.

47.4 Key management compensation

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

47.4.1 Executive directors

	Year ended 31 March 2020				
	Basic remuneration R'000	Benefits R'000	Short-term incentives ⁽²⁾ R'000	Termination benefits R'000	Total paid R'000
CG du Toit ⁽¹⁾	4 571	428	–	–	4 999
J Booysen ⁽¹⁾	1 858	214	5 118	8 064	15 254
RB Huddy	4 067	538	2 199	–	6 804
Total remuneration	10 496	1 180	7 317	8 064	27 057

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

⁽¹⁾ J Booysen retired on 30 June 2019 and CG du Toit appointed as executive director on 1 June 2019 and as CEO on 1 July 2019

⁽²⁾ Short-term incentives paid relate to the achievement against target for 2019

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

47. RELATED PARTIES continued

47.4 Key management compensation continued

47.4.2 Non-executive directors

	Directors' fees for the year ended 31 March	
	2020 R'000	2019 R'000
JA Copelyn	1 106	1 044
MSI Gani	655	617
MJA Golding	320	300
BA Mabuza	655	617
VE Mphande	320	300
JG Ngcobo ⁽¹⁾	200	381
Y Shaik	493	462
R Watson ⁽²⁾	206	–
	3 955	3 721

⁽¹⁾ Resigned as non-executive director 31 May 2019

⁽²⁾ Appointed as non-executive director to the board 1 June 2019

47.4.3 Other key management and prescribed officers

	Basic remuneration R'000	Benefits R'000	Short-term incentives ⁽¹⁾ R'000	Long-term incentives R'000	Termination benefits R'000	2020 Total R'000
Continuing operations						
C Du Toit ⁽³⁾	723	75	2 270	–	–	3 068
G Joseph ⁽⁴⁾	2 992	558	1 255	–	228	5 033
G Lunga ⁽⁵⁾	2 422	520	859	–	–	3 801
B Mogiba ⁽⁶⁾	2 141	334	–	–	–	2 475
GD Tyrrell ⁽⁷⁾	1 954	598	–	–	–	2 552
C Wannell ⁽⁸⁾	98	20	–	–	–	118
Discontinued operations						
MN von Aulock ⁽⁹⁾	1 840	148	2 678	–	–	4 666
R Nadasen ⁽¹⁰⁾	649	129	986	216	–	1 980
	12 819	2 382	8 048	216	228	23 693

	Basic remuneration R'000	Benefits R'000	Short-term incentives ⁽²⁾ R'000	Long-term incentives R'000	2019 Total R'000
Continuing operations					
C du Toit ⁽³⁾	2 411	–	–	–	2 411
G Joseph ⁽⁴⁾	3 048	528	1 055	–	4 631
Discontinued operations					
MN von Aulock ⁽⁹⁾	5 191	435	–	–	5 626
R Nadasen ⁽¹⁰⁾	2 450	483	1 063	–	3 996
RF Weilers ⁽¹¹⁾	2 045	92	2 494	288	4 919
	15 145	1 538	4 612	288	21 583

⁽¹⁾ Short-term incentives paid relate to the achievement against target for 2019

⁽²⁾ Short-term incentives paid relate to the achievement against target for 2018

⁽³⁾ Appointed as Chief Operating Officer – Alternative Gaming 1 June 2018 and as an executive director 1 June 2019

⁽⁴⁾ Employment ended 18 March 2020. Termination benefit relates to leave pay settlement

⁽⁵⁾ Financial Director – Casino Gaming – prescribed officer from the unbundling of THL on 23 June 2019

⁽⁶⁾ Chief Executive Officer – Vukani – prescribed officer from the unbundling of THL on 23 June 2019

⁽⁷⁾ Company Secretary and Legal Officer – prescribed officer from the unbundling of THL on 23 June 2019. Resigned effective 28 February 2020

⁽⁸⁾ Appointed Company Secretary and Legal Officer 1 March 2020

⁽⁹⁾ Appointed as CEO – Hotels 1 June 2018 – No longer a prescribed officer from the unbundling of THL on 23 June 2019

⁽¹⁰⁾ No longer a prescribed officer from the unbundling of THL on 23 June 2020

⁽¹¹⁾ Retired on 30 September 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

48. FUTURE CAPITAL EXPENDITURE

	2020 Rm	2019 Rm
Authorised by directors but not yet contracted for:		
Property, plant and equipment	144	1 330
Investment property	2	31
Intangible assets: software	27	23
	173	1 384
Authorised by directors and contracted for:		
Property, plant and equipment	107	231
Investment property	–	43
Intangible assets: software	–	3
	107	277
Total	280	1 661

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 R187 million (2019: R185 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 R23 million (2019: R20 million) for utility expenses. Landlord rental guarantees amounting to R4 million (2019: R4 million) have also been provided through bank guarantees.

50. FINANCIAL RISK MANAGEMENT

50.1 Financial risk factors

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

Risk management process

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

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

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

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

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

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

50. FINANCIAL RISK MANAGEMENT continued

50.1 Financial risk factors continued

(a) Market risk

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

(i) Currency risk

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

The group is not exposed to significant foreign exchange risk 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

During the year, the group concluded a refinancing of its debt programme – refer notes 33 and 35.

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

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

The group manages its interest rate risk by using floating-to-fixed interest rate swaps. Interest rate swaps have the economic effect of converting floating rate borrowings to fixed rates. Where the group raises long-term borrowings at floating rates, it swaps a portion of 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. For the swap entered into during the year under review of R3.5 billion, the settlement dates coincide with the dates on which interest is payable on the underlying debt and settlement occurs on a net basis, settlement dates being February, May, August and November annually. The balance of swaps of R5.5 billion are still settled on a net basis based on the interest settlement dates of the extinguished debt being March, June, September and December annually.

Group policy requires that between 25% and 75% of its net borrowings (net borrowings = gross borrowings net of cash and cash equivalents) are to be in fixed rate instruments over a 12-month rolling period. As at 31 March 2020, 77% (2019: 47%) of consolidated gross borrowings and 80% (2019: 50%) of consolidated net borrowings were in fixed rates taking into account interest rate swaps. The hedged portion exceeded the guidelines at year end as R1.5 billion in hedges were due to mature in June 2020. The hedge ratio is monitored on an ongoing basis taking into account the interest rate cycle.

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

- The credit or debit value adjustment on the interest rate swaps which is not matched by borrowings;
- Differences in critical terms between the interest rate swaps and borrowings; and
- Costs of hedging (including the costs of adjusting an existing hedging relationship).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

50. FINANCIAL RISK MANAGEMENT continued

50.1 Financial risk factors continued

(a) Market risk continued

(ii) Interest-rate risk continued

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

	2020 Rm	2019 Rm
Carrying amount (liability)	229	68
Notional amount (note 35)	9 000	5 500
Maturity dates (note 35)	Various	Various
Hedge ratio	77%	47%
Increase/(decrease) in the fair value of the outstanding hedging swap liability since 1 April	162	(61)
Cash flow hedges recycled to profit or loss on debt restructure	(136)	–
Weighted average hedged rate for the year (%)	7.39%	7.71%

Fixed interest rate swaps ranged from 6.89% to 8.09% as at 31 March 2020 referenced against the three-month JIBAR of 5.61%, as well as one-month JIBAR of 5.352% (2019: fixed interest rate swaps ranged from 6.93% to 8.09% as at 31 March 2019 referenced against the three-month JIBAR of 7.15%, as well as one-month JIBAR of 6.975%.)

At 31 March floating rate borrowings that are not hedged are linked/referenced to various rates the carrying amounts of which are as follows:

	2020 Rm	2019 Rm
Linked to the Rand Overnight Deposit Index	451	251
Linked to three-month JIBAR	2 279	5 854
	2 730	6 105

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

	Carrying amount	
	2020 Rm	2019 Rm
Variable rate instruments		
Financial assets	–	–
Financial liabilities	11 730	11 605
	11 730	11 605

There were no fixed rate instruments. 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 R27 million (2019: R61 million), including the effects of the interest rate swaps. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2019.

(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 25).

50. FINANCIAL RISK MANAGEMENT continued

50.1 Financial risk factors continued

(b) Credit risk

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

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

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

For banks and financial institutions, only group audit and risk committee approved parties are accepted (on behalf of the board). The group has policies that limit the amount of credit exposure to any bank and financial institution. The group limits its exposure to banks and financial institutions by setting credit limits based on their credit ratings and generally only with reputable financial institutions with strong credit ratings. 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.

The credit quality ratings of banks and financial institutions that the group deposits funds with is Ba1.

Refer note 29 *Trade and other receivables* for further credit risk analysis in respect of trade and other receivables.

(c) Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. Although current liabilities exceed current assets at 31 March 2020, 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 2020, the group had 11% (2019: 14%) 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, and are therefore excluded:

	2020 Rm	2019 Rm
Debt at 1 April	(11 605)	(13 635)
Reclassified to held for distribution to owners	-	3 183
Net increase in debt during the year	(205)	(1 160)
Accrued interest	80	7
Debt at 31 March	(11 730)	(11 605)
Credit facilities	13 174	13 418
Headroom available	1 444	1 813

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

50 FINANCIAL RISK MANAGEMENT continued

50.1 Financial risk factors continued

(c) Liquidity risk continued

The group sources its funding from a syndicate of six large South African banks and institutions thereby reducing liquidity concentration risk. The facilities comprise a mix of short, medium and long-term tenure, with utilisations and available facilities as follows:

	2020 facility			2019 facility		
	Total Rm	Utilisation Rm	Available Rm	Total Rm	Utilisation Rm	Available Rm
Demand facilities (overdrafts)	174	–	174	169	–	169
364-day notice facilities	1 200	450	750	1 197	251	946
Term facilities matured 30 June 2019	–	–	–	1 000	1 000	–
Term facilities matured 30 June 2020	–	–	–	6 852	6 852	–
Term facilities maturing 30 June 2021	–	–	–	4 200	3 502	698
Term facilities maturing 30 November 2021	1 500	900	600	–	–	–
Term facilities maturing 30 November 2022	2 900	2 900	–	–	–	–
Term facilities maturing 30 November 2023	2 950	2 950	–	–	–	–
Term facilities maturing 30 November 2024	3 200	3 200	–	–	–	–
Term facilities maturing 30 November 2025	600	600	–	–	–	–
Term facilities maturing 30 November 2026	650	650	–	–	–	–
Accrued interest	–	80	(80)	–	–	–
	13 174	11 730	1 444	13 418	11 605	1 813

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

	Less than 1 year Rm	Between 1 and 2 years Rm	Between 2 and 5 years Rm	Over 5 years Rm
At 31 March 2020				
Bank borrowings	899	1 307	4 486	740
Corporate bonds	461	461	6 101	633
Lease liabilities	105	75	103	208
Bank overdrafts	2 559	–	–	–
Derivative financial instruments	5	144	80	–
Other non-current liabilities	11	5	–	–
Trade and other payables	661	–	–	–
	4 701	1 992	10 770	1 581

	Less than 1 year Rm	Between 1 and 2 years Rm	Between 2 and 5 years Rm	Over 5 years Rm
At 31 March 2019				
Bank borrowings	2 528	7 051	3 582	–
Bank overdrafts	1 929	–	–	–
Derivative financial instruments	–	19	49	–
Other non-current liabilities	10	10	2	–
Trade and other payables	944	–	–	–
	5 411	7 080	3 633	–

Gross cash inflows and outflows in respect of the group's derivative financial instruments are not significant 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:

	Amortised cost Rm	Financial assets at FVOCI 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 2020								
<i>Financial assets</i>								
Financial assets at FVOCI	–	898	–	–	–	898	898	–
Non-current receivables	38	–	–	–	–	38	38	–
Trade and other receivables	352	–	–	–	136	488	–	488
Cash and cash equivalents	3 062	–	–	–	–	3 062	–	3 062
<i>Financial liabilities</i>								
Interest-bearing borrowings	–	–	–	14 289	–	14 289	11 200	3 089
Lease liabilities	–	–	–	323	–	323	232	91
Derivative financial instruments	–	–	224	–	–	229	224	–
Other non-current liabilities	–	–	–	16	2	18	18	–
Trade and other payables	–	–	5	656	249	910	–	910

	Amortised cost Rm	Financial assets at FVOCI 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 2019								
<i>Financial assets</i>								
Financial assets at FVOCI	–	1 266	–	–	–	1 266	1 266	–
Non-current receivables	34	–	–	–	–	34	34	–
Derivative financial instruments	–	–	3	–	–	3	3	–
Trade and other receivables	445	–	–	–	132	577	–	577
Cash and cash equivalents	2 541	–	–	–	–	2 541	–	2 541
<i>Financial liabilities</i>								
Interest-bearing borrowings	–	–	–	13 534	(10)	13 524	10 072	3 452
Derivative financial instruments	–	–	71	–	–	71	71	–
Other non-current liabilities	–	–	–	21	51	72	72	–
Trade and other payables	–	–	–	944	497	1 441	–	1 441

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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. Debt funding excludes lease liabilities.

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

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound equity position. The group's debt capacity and optimal gearing levels are determined by the cash flow profile of the group and are measured through applicable ratios such as net debt to Ebitda 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;
- Net debt:Ebitda required to be less than 3.0 times; and
- Loan to value of less than 40% (measured from September 2020).

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. Refer also notes 2(b) *Going concern* and 54 *Events occurring after the balance sheet date*.

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

	2020 Rm	2019 Rm
Total borrowings (note 33)	14 289	16 894
Continuing operations	14 289	13 524
Discontinued operations (note 44)	–	3 370
Less: Cash and cash equivalents (note 30)	(3 062)	(2 948)
Continuing operations	(3 062)	(2 541)
Discontinued operations (note 44)	–	(407)
Guarantees by the group's bankers (note 49)	214	209
Net debt, including guarantees	11 441	14 155
Ebitda (refer note below)	3 871	5 141
Net debt:Ebitda (times)	2.96	2.75

Ebitda made up as follows:

	2020 Rm	2019 Rm
Ebitdar per note 5	3 993	5 481 ⁽¹⁾
Less: Property rentals	(25)	(340)
IFRS 16 benefit (note 1(b)(ii))	(122)	–
Add: Finance transaction costs (included in note 16)	25	–
Ebitda per lender covenant calculation	3 871	5 141

⁽¹⁾ Restated (refer note 5)

52. FAIR VALUE ESTIMATION OF FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY

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

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

Financial instruments in level 1

The group has no level 1 financial instruments.

Financial instruments in level 2

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

The group has the following level 2 financial instruments (note 35):

	2020 Rm	2019 Rm
Derivative financial instruments – interest rate swaps liability (net)	229	68

Financial instruments and investment property in level 3

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

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

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

	2020 Rm	2019 Rm
Equity instruments at FVOCI (note 25)	898	1 266
Investment properties (note 21)	416	486
	1 314	1 752

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

53. OFFSETTING

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

	2020 Rm	2019 Rm
<i>Interest rate swap derivatives</i>		
Gross interest rate swap – asset	–	(3)
Gross interest rate swap – liability	229	71
Net liability if offset	229	68
<i>Current bank accounts</i>		
Gross bank balances	2 954	2 230
Gross bank overdrafts	(2 559)	(1 929)
Net bank balance if offset	395	301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

54. EVENTS AFTER THE REPORTING PERIOD

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

54.1 Events occurring after the balance sheet date

Subsequent to year end, the full impact of Covid-19 continues to be experienced globally. The group's operations will continue to be affected by the response to the ongoing outbreak which was declared a pandemic by the World Health Organisation in March 2020. South Africa, like many countries around the world, implemented restrictive governmental measures to control the spread of the virus, which included a national lockdown commencing on 27 March 2020, which was expected to last for a period of three weeks. The nationwide lockdown was later extended to end April 2020. Certain sectors of the economy returned in a phased manner from 1 May 2020, however the Tsogo Sun Gaming group was required to remain closed and only commenced trading on 29 June 2020, albeit under restrictions.

In terms of IAS 10 *Events After the Reporting Period*, non-adjusting post-balance sheet events are events after the reporting period that are indicative of a condition that arose after the reporting date ended 31 March 2020. Those events that provide evidence of conditions that existed at the end of the reporting period are adjusting events. The group completed the impairment testing of its goodwill, intangible assets and financial assets through OCI based on the assumption of a six week lockdown period based on management's best estimate at reporting date. The lockdown extension beyond six weeks was considered to be a non-adjusting event in terms of IAS 10. The key assumptions have been included in notes 22, 23 and 25 to these consolidated financial statements, indicating the impact on the financial statements should the situation deteriorate further.

The cash flow and liquidity projections for the group indicate that the funding covenants will be breached for the September 2020, March 2021 and September 2021 measurement periods unless waived by the lenders. The lenders have agreed to the waiving of the financial covenants for the initial September 2020 measurement period which provides covenant certainty to March 2021 and will assess additional waivers when required. This is considered a non-adjusting event as the breach has not yet occurred.

As the situation continues to evolve with changes in governmental regulations and evolving business and consumer reactions thereto, as at the date of these financial statements the directors of the company considered that the financial effects of Covid-19 on the group's consolidated financial statements cannot be reasonably estimated for further financial impacts.

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:

	Place of business	Ownership as at 31 March		Share of profit for the year 31 March		Accumulated non-controlling interests as at 31 March	
		2020 %	2019 %	2020 Rm	2019 Rm	2020 Rm	2019 Rm
<i>Continuing operations</i>							
Tsogo Sun Emonti Proprietary Limited	South Africa	35	35	8	11	144	142
Various Galaxy non-controlling interests	South Africa	Various	Various	25	18	(12)	(15)
Various Vukani non-controlling interests	South Africa	Various	Various	12	12	(6)	(10)
Other non-controlling interests				-	-	-	(9)
				45	41	126	108
<i>Discontinued operations</i>							
				25	19	-	2 941
Total group				70	60	126	3 049

55. SUBSIDIARIES HAVING MATERIAL NON-CONTROLLING INTERESTS *continued*

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

	Tsogo Sun Emonti Proprietary Limited	
	2020 Rm	2019 Rm
Summarised balance sheets as at 31 March		
Non-current assets	361	356
Current assets	120	114
Total assets	481	470
Non-current liabilities	45	27
Current liabilities	27	36
Total liabilities	72	63
Net assets	409	407
Summarised income statements for the year ended 31 March		
Revenue	294	307
Profit before income tax	33	46
Income tax expense	(10)	(14)
Total comprehensive income	23	32
Dividends paid to non-controlling interests	5	6
Summarised cash flows for the year ended 31 March		
Cash generated from operations	55	96
Interest received	8	6
Finance costs paid	-	(1)
Income tax paid	(11)	(21)
Dividends paid	(15)	(18)
Net cash generated from operations	37	62
Net cash utilised for investment activities	(32)	(24)
Net cash utilised for financing activities	(17)	(34)
Net (decrease)/increase in cash and cash equivalents	(12)	4
Cash and cash equivalents at beginning of the year	16	12
Cash and cash equivalents at end of the year	4	16

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

56. SUBSIDIARY COMPANIES

The following information relates to the company's material interests in its principal subsidiaries. All these subsidiary companies have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group, which is 100%.

Subsidiary	Issued share capital		Effective holding		Carrying value	
	2020 Rm	2019 Rm	2020 %	2019 %	2020 Rm	2019 Rm
<i>Direct shareholding:</i>						
Akani Egoli Management Proprietary Limited	*	*	100	100	*	*
Akani Egoli Proprietary Limited	*	*	100	100	123	985
Akani Msunduzi Proprietary Limited	*	*	100	100	46	136
Akani Msunduzi Management Proprietary Limited	*	*	100	100	*	*
Aldiss Investments Proprietary Limited	*	*	100	100	*	*
Garden Route Casino Proprietary Limited	*	*	100	100	221	221
Gold Reef Management Proprietary Limited	*	*	100	100	98	98
Goldfields Casino and Entertainment Centre Proprietary Limited	*	*	100	100	58	165
Silverstar Casino Proprietary Limited	*	*	100	100	21	973
Tsogo Sun Alternative Gaming Investments Proprietary Limited	4 759	4 759	100	100	3 735	3 735
Tsogo Sun Hotels, Gaming and Entertainment Proprietary Limited	*	*	100	100	8 788	16 594
West Coast Leisure Proprietary Limited	*	*	100	100	63	63
<i>Indirect shareholding:</i>						
Galaxy Gaming and Entertainment Proprietary Limited	*	*	100	100	–	–
Tsogo Sun Gaming Investments Proprietary Limited	*	*	100	100	–	–
Tsogo Sun Proprietary Limited	*	*	100	100	–	–
Vukani Gaming Corporation Proprietary Limited	*	*	100	100	–	–
					13 153	22 970

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. All subsidiaries shown above are incorporated, and have their place of business, in South Africa. A register detailing 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.

ANALYSIS OF SHAREHOLDING

as at 31 March 2020

	Number of shareholders	%	Number of shares	%
Portfolio size				
Range				
1 – 1 000	1 989	52.65	467 209	0.04
1 001 – 5 000	824	21.81	2 067 890	0.20
5 001 – 10 000	185	4.90	1 365 707	0.13
10 001 – 50 000	260	6.88	6 622 010	0.63
50 001 – 100 000	96	2.54	7 241 813	0.69
100 001 – and more	424	11.22	1 032 423 671	98.31
	3 778	100.00	1 050 188 300	100.00
Shareholder spread				
Public	3 772	99.84	510 503 065	48.61
Individuals	2 732	72.31	607 723	0.06
Banks and insurance companies	78	2.06	48 822 528	4.65
Pension funds and medical aid societies	220	5.82	62 244 796	5.93
Collective investment schemes and mutual funds	150	3.97	211 141 866	20.11
Other corporate bodies	592	15.68	187 686 152	17.86
Non-public	6	0.16	539 685 235	51.39
Directors ⁽¹⁾	3	0.08	19 135 273	1.82
Gold Reef Share Scheme ⁽²⁾	1	0.03	435 558	0.04
Majority shareholders (10% of issued share capital or more)	2	0.05	520 114 404	49.53
	3 778	100.00	1 050 188 300	100.00
Major shareholders owning 1% or more of total number of shares in issue:				
TIHC Investments (RF) Proprietary Limited			415 182 027	39.53
Hosken Consolidated Investments Limited			104 932 377	9.99
Allan Gray Balanced Fund			46 650 198	4.44
Citiclient Nominees no 8 NY GW			34 151 795	3.25
Alexander Forbes Investments Limited			25 487 192	2.43
SBSA ITF Prudential SA Equity Fund			24 347 606	2.32
Old Mutual Life Assurance Co SA Limited			18 021 047	1.72
JPMC-Vanguard BBH Lending Account			16 105 281	1.53
Geomer Investments Proprietary Limited			15 872 978	1.51

⁽¹⁾ At 31 March 2020 1 973 836 shares were indirectly held (2019: 1 973 836 shares indirectly held) by JA Copelyn, Non-Executive Director and Chairman, 1 048 543 shares directly held (2019: 1 048 543 directly held) by RB Huddy, executive director and CFO and 16 112 894 shares indirectly held (2019: 16 112 894 shares indirectly held) by MJA Golding, Non-Executive Director. All the aforementioned held shares are beneficially held with the exception of the indirectly held shares by JA Copelyn and MJA Golding and no other director holds shares in the company. There has been no other change to directors' shareholdings between the balance sheet date and the date of these consolidated financial statements. Certain of the directors are nominees of HCI and they (or their associates) may have an indirect interest in the company as a result of these interests in HCI

⁽²⁾ Treasury shares

	Number of shares
There are 4 086 043 treasury shares made up as follows:	
Treasury shares per above held by the Gold Reef Share Scheme	435 558
Treasury shares allocated as part of the executive facility (refer note 36.1 to the consolidated financial statements)	3 650 485
	4 086 043

GLOSSARY

AGM	Annual General Meeting
the board	The board of directors of Tsogo Sun Gaming Limited
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash-generating unit
CIPC	Companies and Intellectual Property Commission
COO	Chief Operating Officer
Companies Act	The Companies Act of South Africa 2008, as amended
Ebitda	Earnings before interest, tax, depreciation and amortisation and exceptional items
Ebitdar	Earnings before interest, tax, depreciation, amortisation and property rentals and exceptional items
Ebitdar margin	This is calculated by expressing Ebitdar as a percentage of revenue
EBTs	Electronic Bingo Terminals
Gameco	Niveus Invest 19 Limited, the holding company of certain gaming businesses acquired from the Niveus group
GDP	Gross domestic product
Gold Reef	Gold Reef Resorts Limited
FVOCI	Fair value through other comprehensive income
HCI	Hosken Consolidated Investments Limited
HEPS	Headline earnings per share
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
JIBAR	Johannesburg Interbank Agreed Rate
JSE	JSE Limited, or as the context dictates, the trading platform operated by the JSE Limited
LPMs	Limited Payout Machines
NCI	Non-controlling interests
Net debt	Gross debt (including borrowings and overdrafts) net of gross cash and cash equivalents
OCI	Other comprehensive income
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
SunWest	SunWest International Proprietary Limited
the group	Tsogo Sun Gaming Limited and its subsidiaries and associates
THL	Tsogo Sun Hotels Limited
TIH	Tsogo Investment Holding Company Proprietary Limited
TIHC	TIHC Investments (RF) Proprietary Limited
Tsogo Sun or the company	Tsogo Sun Gaming Limited
VAT	Value Added Tax
WACC	Weighted average cost of capital
Worcester	Worcester Casino Proprietary Limited

B-BBEE ANNUAL COMPLIANCE REPORT

BROAD-BASED BLACK ECONOMIC EMPOWERMENT COMMISSION
COMPLIANCE REPORT BY SPHERE OF GOVERNMENT/PUBLIC ENTITIES/ORGANS OF STATE
(in terms of Section 13G(1) of the Act)

FORM: B-BBEE 1

SECTION A: DETAILS OF ENTITY

Name of entity/organisation: Tsogo Sun Gaming Limited

Registration number: 1989/002108/06

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

Telephone number: 011 510 7406

Email address: candy.tohill@tsogosun.com

Indicate type of entity/organisation: Casino and Gaming Operators

Industry/sector: Tourism

Relevant code of good practice: Tourism Charter

Name of verification agency: Empowerdex

Name of technical signatory: Patience Dozwa

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

B-BBEE elements	Target score including	Bonus points	Actual score achieved
Ownership	<i>e.g. 25 points</i>	27.00	27.00
Management control	<i>e.g. 19 points</i>	19 + 2	13.36
Skills development	<i>e.g. 20 points</i>	20 + 5	21.67
Enterprise and supplier development	<i>e.g. 40 points</i>	40 + 2	36.13
Socio-economic development	<i>e.g. 5 points</i>	5 + 3	8.00
Total score	<i>e.g. 109 points</i>	111 + 12	106.16
Priority elements achieved	<i>YES/NO and specify them</i>	Yes, all achieved	
Empowering supplier status	<i>YES/NO and specify them</i>	Yes	
Final B-BBEE status level	<i>One</i>		

* 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

Accounting policy: (your accounts are done?) Monthly

Has the attached financial statements and annual report been approved by the entity? Yes

PLEASE ATTACH THE FOLLOWING:

1. Copy of annual financial statement including balance sheet and income and expenditure report Attached

2. Annual report Attached

Entity annual turnover: R11 686 million

