# CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022


TSOGO SUN
GAMING


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# Contents

## CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2022

# Statement of responsibility by the board of directors

for the year ended 31 March 2022

The company's directors are required by the Companies Act of South Africa, 71 of 2008, as amended, to maintain adequate accounting records and to prepare financial statements for each financial year that 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 Johannesburg Stock Exchange, 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 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 directors are also responsible for the controls over, and the security of the company's website and, where applicable, for establishing and controlling the process for electronically distributing annual reports and other financial information to the company's shareholders and to the Companies and Intellectual Property Commission.

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. 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. On the basis of this review, and in light of the current financial position and existing borrowing facilities, the directors consider the going concern method to be appropriate for the presentation of the financial statements. Refer to note 3(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 pages 07 to 11. 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.

# Directors' approval of the consolidated financial statements

for the year ended 31 March 2022

The preparation of the consolidated financial statements set out on page 01 to page 81 has been supervised by the Chief Financial Officer, G Lunga CA(SA). These consolidated financial statements were approved by the board of directors on 29 July 2022 and are signed on its behalf by:

**CG du Toit**
*Chief Executive Officer*

**G Lunga**
*Chief Financial Officer*

# Chief Executive Officer and Chief Financial Officer responsibility statement

for the year ended 31 March 2022

Each of the directors, whose names are stated below, hereby confirm that:

- the annual financial statements, set out on pages 01 to 81, fairly present in all material respects the financial position, financial performance and cash flows of Tsogo Sun Gaming Limited in terms of IFRS;
- to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to Tsogo Sun Gaming Limited and its consolidated subsidiaries have been provided to effectively prepare the financial statements of Tsogo Sun Gaming Limited;
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies; and
- we are not aware of any fraud involving directors.

**CG du Toit**
*Chief Executive Officer*

**G Lunga**
*Chief Financial Officer*

29 July 2022

# Declaration by the Company Secretary

In terms of section 88(2)(e) of the Companies Act of South Africa, 71 of 2008, as amended ("the Act"), we confirm that for the year ended 31 March 2022, 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*

29 July 2022

# Report of the audit and risk committee

for the year ended 31 March 2022

## COMMITTEE MANDATE AND TERMS OF REFERENCE

In terms of the Companies Act of South Africa, 71 of 2008, as amended ("the Act"), 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 Act and in terms of the committee's terms of reference and as set out in the corporate governance report. In this connection, and with specific regard to the preparation of the annual financial statements, the committee has:

- Evaluated the independence and effectiveness of the external auditors, PricewaterhouseCoopers Inc., and is satisfied that the external auditors are independent of the group having given due consideration to the parameters enumerated under section 92 of the Act. 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 Johannesburg Stock Exchange ("JSE"). The committee accordingly nominates PricewaterhouseCoopers Inc. as independent auditors to continue in office until the next annual general meeting. 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 53 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 Act, the Auditing Profession Act, 2005 and the Listings Requirements of the JSE;
- Evaluated and is satisfied with the quality of the external audit and reports issued by the external auditors;
- Considered and pre-approved all audit and non-audit services provided by the external auditors, ensuring that the independence of the external auditors is not compromised;
- Reviewed and assessed the group's risk identification, measurement and control systems and their implementation;
- Reviewed and approved the group accounting policies;
- Considered all significant transactions and accounting matters that occurred during the year and evaluated whether the accounting treatment is in terms of IFRS;
- Considered the impact of auditing, regulatory and accounting developments during the year, particularly the implications of new, revised or amended accounting pronouncements as issued by the IASB which were effective for the group from 1 April 2022;
- Evaluated and is satisfied with the implementation of the combined assurance framework and plan;
- Considered and evaluated the group's assessment of the CEO and CFO responsibility statement as required by the Listings Requirements of the JSE;
- The audit and risk committee was kept updated on how the group was monitoring the debt covenants;
- Evaluated and is satisfied with the effectiveness of the outsourced internal audit function;
- Considered the reappointment of the outsourced internal audit service provider and is satisfied with their independence and ability to effectively complete the internal audit plan; and
- 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.

## 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 G Lunga, 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 2022 and based on the information provided to the committee, the committee recommends the adoption of the consolidated financial statements by the board.

**F Mall**
*Chairperson: Audit and risk committee*

29 July 2022

# Directors' report

for the year ended 31 March 2022

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, entertainment and hospitality 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.

2 **STATE OF AFFAIRS AND PROFIT 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 profit after tax for the year under review from operations amounted to R1 434 million (2021: R28 million). 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 the directors' approval to the accompanying consolidated financial statements for the year ended 31 March 2022. Refer also to note 3(b) *Critical accounting estimates and judgements – Going concern* in the consolidated financial statements. Separate company financial statements have been prepared and are publicly available on the company's website, www.tsogosungaming.com, and at the registered office of the company.

3 **SOLVENCY AND LIQUIDITY TEST**

The payments of future dividends will depend on the directors' ongoing assessment of the group's earnings, financial position, cash needs, future earnings prospects and other future factors.

Before declaring dividends, the directors apply the solvency and liquidity test and assess whether the company would satisfy the solvency and liquidity test immediately after payment of said dividend.

4 **DIVIDENDS**

The board has decided to postpone its decision of the possible declaration of a dividend in respect of the year ended 31 March 2022, until the board meeting to be held in August 2022.

5 **DIRECTORATE**

The directorate during the year under review was as follows:

**Executive**

| | |
|---|---|
| CG du Toit (CEO) | |
| G Lunga (CFO) | Appointed as CFO and to the board of directors 1 October 2021 |
| A Hoyer (CFO) | Resigned 30 September 2021 |

**Non-executive**

JA Copelyn[1] (Chairperson)
Y Shaik[1] [3]

**Independent non-executive**

BA Mabuza[1] [2] [3] (Lead Independent)
MJA Golding
F Mall[2]
VE Mphande[1] [3]
RD Watson[1] [2] [3]

*[1] HR and remuneration committee*
*[2] Audit and risk committee*
*[3] Social and ethics committee*

## 6 DIRECTORS' EMOLUMENTS

Refer to note 43.3 in the consolidated financial statements for details of the directors' emoluments.

## 7 COMPANY SECRETARY

The Company Secretary is Tsogo Sun Casino Management Company Proprietary Limited, the business and postal addresses are as follows:

| **Business address** | **Postal address** |
|---|---|
| Palazzo Towers East | Private Bag X200 |
| Montecasino Boulevard, Fourways, 2191 | Bryanston, 2021 |

The board has considered the competence, qualifications and experience of the employees of the Company Secretary, Tsogo Sun Casino Management Company Proprietary Limited, who perform the company secretarial services on its behalf, and are satisfied that such employees are suitably competent, qualified, experienced and independent, and have adequately and effectively performed the roles and duties of a company secretary. None of the employees of the Company Secretary are directors of the company.

## 8 AUDITORS

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90 of the Companies Act of South Africa, 71 of 2008, as amended ("the Act"), until the forthcoming annual general meeting ("AGM").

## 9 CONTROLLING SHAREHOLDER AND SHAREHOLDER ANALYSIS

The company's ultimate controlling shareholder is Hosken Consolidated Investments Limited (a company listed on the JSE) which, at the balance sheet date, directly and indirectly owned 49.7% (2021: 49.7%) of the company's issued share capital (excluding treasury shares). Refer to note 43 *Related parties* and the shareholder analysis in the consolidated financial statements for further detail.

## 10 SHARE CAPITAL

There was no change to the company's share capital during the year under review. Refer to note 30 *Share capital and premium* in the consolidated financial statements for further details.

The company's authorised but unissued ordinary share capital was placed under the control of the directors until the forthcoming AGM. The board 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 Act 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 1 December 2021. 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).

## 11 ASSOCIATES AND SUBSIDIARIES

Refer to note 23 in the consolidated financial statements for details of investments in associates, note 52 for details of subsidiary companies with material non-controlling interests and note 53 for details of subsidiaries.

## 12 EVENTS AFTER THE REPORTING PERIOD

Refer to note 50 in 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 consolidated financial statements, not otherwise dealt with within the financial statements, that would affect the operations or results of the group significantly.

## 13 APPOINTMENT OF DEBT OFFICER

In terms of the Debt Listings Requirements of the JSE, Egbert Loubser, the Group Treasurer, was appointed as the company's debt officer with effect from 1 November 2020. The board has considered, and is satisfied with, the competence, qualifications and experience of the Debt Officer.

# 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 (the Company) and its subsidiaries (together the Group) as at 31 March 2022, 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 80 comprise:

- the consolidated balance sheet as at 31 March 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

#### Basis for opinion

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

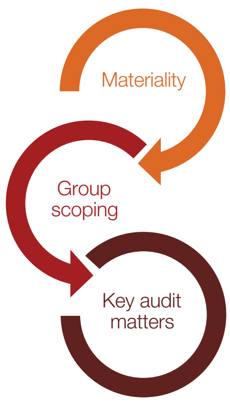
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

#### Our audit approach

**Overview**




**Overall group materiality**

- R89.4 million, which represents 1% of consolidated income for the year ended 31 March 2022.

**Group audit scope**

- 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.
- In total there are 10 components which were deemed to be significant based on their financial significance to the Group results and risk.
- For non-significant components we performed either full scope audit procedures or analytical review procedures based on the associated risk of the component.

**Key audit matters**

- Impairment assessment of goodwill and intangible assets with indefinite useful lives; and
- Valuation of the Investments in SunWest International Proprietary Limited ("SunWest") and Worcester Casino Proprietary Limited ("Worcester").

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** | R89.4 million |
| **How we determined it** | 1% of consolidated income. |
| **Rationale for the materiality benchmark applied** | We chose consolidated income as the benchmark because, in our view, it is the benchmark against which the performance of the Group can be consistently measured in circumstances of volatile year-on-year earnings due to the impact of the COVID-19 pandemic and related lockdown restrictions that were placed on the industry.<br><br>We chose 1% which is consistent with quantitative materiality thresholds used for Group's operating within this industry. |

### 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 investment holding companies domiciled in South Africa.

The consolidated financial statements are a consolidation of the Group's operating businesses, investment holding companies and centralised functions (each considered to be a 'component' for purposes of our group scoping). We performed full scope audits, in accordance with determined materiality, on all significant components in terms of their financial significance to the Group results and risk. In total there are 10 components which were deemed to be significant components. For non-significant components we performed either full scope audit procedures due to statutory audit requirements or analytical review procedures based on the associated risk of the respective component.

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.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Impairment assessment of goodwill and intangible assets with indefinite useful lives***<br>*The Group recognised goodwill with a carrying value of R1.5 billion, which arose from business combinations undertaken in prior years. 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 R3.1 billion, which included an impairment reversal charge of R298 million in the current financial year. International Accounting Standards ("IAS") 36 – Impairment of Assets requires management to conduct an annual impairment test, or more frequently if there is an indication of impairment, to assess the recoverability of the carrying value of goodwill and the indefinite life intangible assets.*<br><br>*The gaming, entertainment and hospitality industry has continued to be negatively impacted by the COVID-19 pandemic in the current financial year. The Group continued to trade under regulatory restrictions imposed through government lockdown levels that resulted in the closure of all the Group's casino precincts from 28 June 2021 to 25 July 2021.*<br><br>*In determining the recoverable amounts of the respective cash generating units ("CGUs") that goodwill and intangible assets with indefinite useful lives 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 risk-adjusted discount rate to determine the discounted cash flow analysis for each of the individual CGUs, being the individual casino precincts.*<br><br>*Significant judgement and estimation were applied by management when performing these calculations to determine whether any impairment or impairment reversal is required. The key assumptions and unobservable inputs applied in the valuation models for the CGUs are disclosed in notes 21 and 22 to the consolidated financial statements.*<br><br>*The impairment assessment of goodwill and intangible assets with indefinite useful lives was considered to be a matter of most significance to the current year audit due to the following:*<br>• *the significant judgement and estimation applied by management in their assumptions; and*<br>• *the magnitude of the impairment reversal recognised as well as the magnitude of the carrying values of goodwill and intangible assets with indefinite useful lives in relation to the consolidated financial statements.*<br><br>*These matters are disclosed in the following notes to the consolidated financial statements:*<br>• *Note 13: Impairment reversal of non-current assets;*<br>• *Note 21: Goodwill;*<br>• *Note 22: Other intangible assets;*<br>• *Note 3: Critical accounting estimates and judgements (d), Estimated impairment of goodwill and indefinite lived intangible assets and impairment reversals of indefinite lived intangible assets;*<br>• *Note 1: Summary of significant accounting policies, (d) Basis of consolidation and business combinations, (iv) Goodwill; and*<br>• *Note 1: Summary of significant accounting policies, (h) Intangible assets, (i) Casino licences and bid costs.* | *Our audit addressed this key audit matter as follows:*<br><br>*Management's cash flow forecasts used in their impairment models were agreed to the latest director approved five-year strategic plan. No material exceptions were noted.*<br><br>*For those CGUs that contribute more than 5% to group revenue, have the possibility of casino licence reversals due to prior year impairments of casino licences, as well as for the group as a whole, we assessed the reasonableness of the budgeting process adopted in deriving the five-year strategic plan, by comparing the current year actual results to the 2022 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 within an acceptable range consistent with the historical actual results and obtained corroboration from management where the budgeted numbers significantly differed from actuals.*<br><br>*We assessed the reasonableness of the impacts of COVID-19 that were incorporated by management into their cash flow forecasts by evaluating management's net gaming win forecasts against the actual historic net gaming win for each CGU. We considered management's determined net gaming win forecasts to be reasonable based on these procedures.*<br><br>*We assessed the reasonableness of the cash outflows used in the discounted cash flow analysis through discussions with management to understand the basis for the assumptions used in respect of cash outflows and corroborated their explanations against historic performance as well as other strategic initiatives implemented by management. We assessed the cash outflows to be reasonable.*<br><br>*We utilised our 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 adjusted for specific risks relating to the relevant CGUs, debt/equity ratios as well as the beta of comparable companies. This was compared to the discount rates used by management. We further applied these independently sourced and calculated inputs to management's forecasts and compared the recoverable amount of each CGU to the results of our independent calculations. We found management's valuation to be within an acceptable range of our independent calculations.*<br><br>*Making use of our valuations expertise, the reasonableness of the terminal growth rate was assessed 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.*<br><br>*We tested the mathematical accuracy of the discounted cash flow model and made use of our valuations expertise to assess the discounted cash flow model's compliance with market practice and the applicable requirements of IAS 36. We did not note any aspect which required further consideration.*<br><br>*We assessed the reasonableness of the discount rates, long-term growth rates and forecasted cash flows by performing a sensitivity analysis to determine the impact that a change in discount rates, long-term growth rates and forecast cash flows would have on the discounted cash flow analysis and the resultant recoverable amount. We compared the results of our sensitivity analysis to management's impairment results in order to identify those CGUs considered sensitive to a change in assumptions for disclosure purposes. We did not note any aspects requiring further consideration.* |

| | |
|---|---|
| ***Valuation of the Investments in SunWest International Proprietary Limited ("SunWest") and Worcester Casino Proprietary Limited ("Worcester")***<br>*The investment in SunWest and Worcester 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.*<br><br>*The fair value of these investments amounted to R814 million as at 31 March 2022 and management recognised a fair value gain of R139 million in other comprehensive income during the year under review.*<br><br>*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 24 to the consolidated financial statements.*<br><br>*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:*<br>• *The significant judgement and estimation applied by management in determining the fair value; and*<br>• *The magnitude of the investments in relation to the financial statements for the year ended 31 March 2022.*<br><br>*These matters are disclosed in the following notes to the consolidated financial statements:*<br>• *Note 24: Financial assets at fair value through other comprehensive income; and*<br>• *Note 3: Critical accounting estimates and judgements (e), Fair value of financial instruments that are not traded in an active market.* | *Our audit addressed this key audit matter as follows:*<br><br>*We obtained an understanding of management's process for determining the forecasted results for the SunWest and Worcester Investmentsand assessed the reasonableness of the forecasted results by performing the following procedures:*<br>• *We assessed the reasonableness of the budgeting process adopted in determining the forecast results by comparing the historical actual published results for SunWest and Worcester to the figures included in the prior period's forecasts.*<br>• *We considered the appropriateness of the base year used by management in their forecast by comparing the estimated performance of SunWest and Worcester against the performance of comparable casinos within the Tsogo Sun Gaming Limited Group based on size and location. We found management's base year to be reasonable.*<br>• *We held discussions with management to understand the basis for the assumptions used in respect of cash outflows used in their discounted cash flow analysis and corroborated this against historic performance as well as other comparable companies. We did not note any aspect which required further consideration.*<br>• *The assumptions have been assessed for reasonability by comparing this against past performance, actual reported results of SunWest and Worcester as well as comparable casinos within the Tsogo Sun Gaming Limited Group.*<br><br>*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.*<br><br>*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.*<br><br>*We tested the mathematical accuracy of the discounted cash flow model and assessed the model against market practice and the applicable requirements of IFRS 13. We did not note any aspect which required further consideration.*<br><br>*We further assessed the reasonableness of the discount rates, long-term growth rates and forecasted cash flows by performing sensitivity analyses to determine the impact that a change in discount rates, long-term growth rates and forecast cash flows would have on the discounted cash flow analysis and the valuation. We compared the results of our sensitivity analysis to management's valuation results in order to identify if SunWest and Worcester were considered sensitive to a change in assumptions for disclosure purposes. We did not note any aspect which required further consideration* |

## Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled *"Consolidated Annual Financial Statements for the year ended 31 March 2022 Tsogo Sun Gaming"*, the document titled *"Company Annual Financial Statements for the year ended 31 March 2022 Tsogo Sun Gaming"* and the document titled *"Tsogo Sun Gaming Integrated Annual Report 2022"*, 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. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not 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, 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 for 53 years.

PricewaterhouseCoopers Inc.

**PricewaterhouseCoopers Inc.**
Director: S Murugen
Registered Auditor
Johannesburg, South Africa

29 July 2022

# Consolidated income statement

for the year ended 31 March

| | Notes | 2022<br>Rm | 2021<br>Rm |
|---|---|---|---|
| Net gaming win | 1(v) | **7 779** | 5 253 |
| Food and beverage revenue | 7 | **365** | 141 |
| Rooms revenue | 7 | **303** | 125 |
| Other revenue | 7 | **219** | 73 |
| Other income | 8 | **272** | 94 |
| **Income** | | **8 938** | 5 686 |
| Gaming levies and Value Added Tax | 9 | **(1 708)** | (1 138) |
| Employee costs | 10 | **(1 489)** | (1 032) |
| Other operating expenses | 11 | **(2 580)** | (1 745) |
| Amortisation and depreciation | 12 | **(783)** | (844) |
| Impairment reversal of non-current assets | 13 | **298** | 129 |
| Impairment of non-current assets | 14 | **(10)** | (12) |
| Fair value adjustment of investment properties | 20 | **10** | (67) |
| **Operating profit** | | **2 676** | 977 |
| Finance income | 15 | **26** | 19 |
| Finance costs | 16 | **(792)** | (963) |
| Share of profit/(loss) of associates | 23 | **2** | (8) |
| **Profit before income tax** | | **1 912** | 25 |
| Income tax (expense)/credit | 17 | **(478)** | 3 |
| **Profit for the year** | | **1 434** | 28 |
| **Profit attributable to:** | | | |
| Equity holders of the company | | **1 405** | 21 |
| Non-controlling interests | | **29** | 7 |
| | | **1 434** | 28 |
| Basic and diluted earnings attributable to the ordinary equity holders of the company per share (cents) | 4 | **134.3** | 2.0 |

The accounting policies and notes on page 17 to page 80 form an integral part of these consolidated financial statements.

# Consolidated statement of comprehensive income

for the year ended 31 March

| | Notes | 2022 Rm | 2021 Rm |
|---|---|---|---|
| **Profit for the year** | | **1 434** | 28 |
| **Other comprehensive income for the year, net of tax** | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | **137** | (29) |
| Cash flow hedges fair value adjustment | | **189** | (41) |
| Deferred tax relating to items that may subsequently be reclassified to profit or loss | | **(52)** | 12 |
| **Items that may not be reclassified subsequently to profit or loss:** | | **139** | (296) |
| Equity instruments at fair value through OCI fair value adjustment | 24 | **139** | (223) |
| Deferred tax relating to items that may not subsequently be reclassified to profit or loss | 17 | **–** | (73) |
| **Total comprehensive income/(loss) for the year** | | **1 710** | (297) |
| **Total comprehensive income/(loss) attributable to:** | | | |
| Equity holders of the company | | **1 681** | (304) |
| Non-controlling interests | | **29** | 7 |
| | | **1 710** | (297) |

The accounting policies and notes on page 17 to page 80 form an integral part of these consolidated financial statements.

# Consolidated balance sheet

as at 31 March

| | Notes | 2022 Rm | 2021 Rm |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 18 | **8 109** | 8 560 |
| Right-of-use assets | 19 | **237** | 224 |
| Investment properties | 20 | **374** | 350 |
| Goodwill | 21 | **1 461** | 1 461 |
| Other intangible assets | 22 | **3 183** | 2 903 |
| Investments in associates | 23 | **27** | 33 |
| Financial assets at fair value through OCI | 24 | **814** | 675 |
| Non-current receivables | 25 | **50** | 52 |
| Deferred income tax assets | 26 | **92** | 130 |
| | | **14 347** | 14 388 |
| **Current assets** | | | |
| Inventories | 27 | **70** | 81 |
| Trade and other receivables | 28 | **392** | 531 |
| Current income tax assets | | **73** | 100 |
| Cash and cash equivalents | 29 | **852** | 516 |
| | | **1 387** | 1 228 |
| Assets classified as held for sale | 39 | **46** | 59 |
| **Total current assets** | | **1 433** | 1 287 |
| **Total assets** | | **15 780** | 15 675 |
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the company** | | | |
| Ordinary share capital and premium | 30 | **6 487** | 6 487 |
| Other reserves | 31 | **(4 185)** | (4 461) |
| Retained income/(accumulated losses) | | **850** | (555) |
| Total shareholders' equity | | **3 152** | 1 471 |
| Non-controlling interests | | **120** | 113 |
| **Total equity** | | **3 272** | 1 584 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Interest-bearing borrowings | 32 | **7 400** | 10 300 |
| Lease liabilities | 33 | **295** | 266 |
| Derivative financial instruments | 34 | **82** | 228 |
| Deferred income tax liabilities | 26 | **1 259** | 1 107 |
| Long-term incentive liabilities | 35 | **88** | 25 |
| Provisions | 36 | **10** | 8 |
| Other non-current liabilities | 37 | **–** | 9 |
| | | **9 134** | 11 943 |
| **Current liabilities** | | | |
| Interest-bearing borrowings | 32 | **2 351** | 1 007 |
| Lease liabilities | 33 | **42** | 40 |
| Trade and other payables | 38 | **961** | 1 068 |
| Current income tax liabilities | | **20** | 33 |
| | | **3 374** | 2 148 |
| **Total liabilities** | | **12 508** | 14 091 |
| **Total equity and liabilities** | | **15 780** | 15 675 |

The accounting policies and notes on page 17 to page 80 form an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity

for the year ended 31 March

| | Attributable to equity holders of the company | | | | | |
|---|---|---|---|---|---|---|
| | Ordinary share capital and premium Rm | Other reserves[1] Rm | Retained income/ (accumulated losses) Rm | Total Rm | Non-controlling interests Rm | Total equity Rm |
| **Balance at 1 April 2020** | 6 487 | (4 081) | (576) | 1 830 | 126 | 1 956 |
| Total comprehensive income | – | (325) | 21 | (304) | 7 | (297) |
| Profit for the year | – | – | 21 | 21 | 7 | 28 |
| Cash flow hedges, net of tax | – | (29) | – | (29) | – | (29) |
| Equity instruments at FVOCI, net of tax | – | (296) | – | (296) | – | (296) |
| Acquisition of common control entity | – | (35) | – | (35) | (18) | (53) |
| Acquisition of non-controlling interests | – | (20) | – | (20) | 6 | (14) |
| Ordinary dividends | – | – | – | – | (8) | (8) |
| **Balance at 31 March 2021** | 6 487 | (4 461) | (555) | 1 471 | 113 | 1 584 |
| Total comprehensive income | **–** | **276** | **1 405** | **1 681** | **29** | **1 710** |
| Profit for the year | **–** | **–** | **1 405** | **1 405** | **29** | **1 434** |
| Cash flow hedges, net of tax | **–** | **137** | **–** | **137** | **–** | **137** |
| Equity instruments at FVOCI, net of tax | **–** | **139** | **–** | **139** | **–** | **139** |
| Ordinary dividends | **–** | **–** | **–** | **–** | **(22)** | **(22)** |
| **Balance at 31 March 2022** | **6 487** | **(4 185)** | **850** | **3 152** | **120** | **3 272** |

[1] *Refer to note 31 for details of other reserves*

The accounting policies and notes on page 17 to page 80 form an integral part of these consolidated financial statements.

# Consolidated cash flow statement

for the year ended 31 March

| | Notes | 2022 Rm | 2021 Rm |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 40 | **3 185** | 1 676 |
| Finance income | | **20** | 17 |
| Finance costs | | **(1 184)** | (565) |
| Income tax paid | 41 | **(326)** | (110) |
| Dividends paid to non-controlling interests | | **(16)** | (7) |
| Dividends received | | **62** | – |
| Net cash generated from operating activities | | **1 741** | 1 011 |
| **Cash flows from investment activities** | | | |
| Purchase of property, plant and equipment | | **(252)** | (145) |
| Proceeds from disposals of property, plant and equipment | | **14** | 33 |
| Proceeds from disposals of assets classified as held for sale | | **16** | – |
| Proceeds from insurance claims for capital assets | | **20** | – |
| Additions to investment properties | | **(14)** | (1) |
| Purchase of intangible assets | | **(1)** | (15) |
| Common control acquisition, net of cash acquired | | **–** | (44) |
| Other loans granted | | **(2)** | (3) |
| Other loans repaid | | **–** | 1 |
| Net cash utilised for investment activities | | **(219)** | (174) |
| **Cash flows from financing activities** | | | |
| Borrowings raised | 42.1 | **–** | 650 |
| Borrowings repaid | 42.1 | **(1 170)** | (1 500) |
| Principal elements of lease payments | 42.2 | **(31)** | (24) |
| Acquisition of non-controlling interests | | **–** | (8) |
| Decrease in amounts due by share scheme participants | | **1** | – |
| Net cash utilised for financing activities | | **(1 200)** | (882) |
| Net increase/(decrease) in cash and cash equivalents | | **322** | (45) |
| Cash and cash equivalents at beginning of the year, net of bank overdrafts | | **458** | 503 |
| **Cash and cash equivalents at end of the year, net of bank overdrafts** | 29 | **780** | 458 |

The accounting policies and notes on page 17 to page 80 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, the Listings Requirements of the Johannesburg Stock Exchange ("JSE") and the requirements of the South African Companies Act of South Africa 71 of 2008, as amended ("the Act"), 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

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 2021, the significant pronouncements being the Interest Rate Benchmark Reform amendments. No pronouncement had any material impact on the group.

***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* issued by the IASB, and are effective for periods commencing on or after 1 January 2021. As at 31 March 2022, there were no changes to any of the interest rate benchmarks that the group is exposed to. The Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates with alternative risk-free rates to improve market efficiency and mitigate systemic risk across financial markets. The South African Reserve Bank has indicated their intention to move away from Johannesburg Interbank Agreed Rate ("JIBAR") and to create an alternative reference rate for South Africa. This reform is at various stages globally, a suitable alternative for South Africa is only expected to be announced in a few years' time. Accordingly, there is uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the group. The group will continue to assess the impact of interest rate benchmark reform as the revised benchmark rates are published.

### (c) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). In terms of IFRS 8 *Segment Reporting*, the CODM has been identified as the group's Chief Executive Officer ("CEO").

The group's CEO assesses the performance of the operating segments based on earnings before interest, taxation, depreciation, amortisation and exceptional items ("EBITDA") (refer to note 6 *Segment Reporting* in respect of the group's definition of EBITDA). 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. Control exists where the group has the ability to direct or dominate decision-making in an entity, regardless of whether this power is actually exercised.

The group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

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

#### *(i) Subsidiaries continued*

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.

Intergroup balances, and any unrealised gains and losses or income and expenses arising from intergroup 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.

#### *(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.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

### (e) Property, plant and equipment

Property, plant and equipment is 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 valuators. 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.

#### *(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 18* 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.

### (f) Leases

#### *(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.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

### (f) Leases *continued*

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

Assets and liabilities arising from leases 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.

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 stand-alone 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 applies the concessions practical expedient only to rent concessions occurring as a direct consequence of the COVID-19 pandemic, and only if all of the following conditions are met:
(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(b) Any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
(c) There is no substantive change to other terms and conditions of the lease.

When the group makes this election any change in lease payments resulting from the rent concession are accounted for in the same way it would account for the change applying IFRS 16 *Leases* as if the change were not a lease modification.

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 expenses over the lease term on the same basis as lease income.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

### (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.

### (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 group's 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) 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 to note 1(d)(iv)). Casino licences having an expiry date are amortised over the exclusivity period of the respective licences. Costs associated with unsuccessful casino licence applications are immediately impaired.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

### (h) Intangible assets *continued*

#### *(ii) 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.

#### *(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"); and
- Those to be measured at amortised cost.

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

For financial assets measured at fair value, gains and losses will be recorded in 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. The group has no financial assets measured at fair value through profit or loss.

#### *(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 financial 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 to note 1(j).

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

### (i) Investments and other financial assets *continued*

#### *(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 comprises 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.

#### *Cash flow hedges that qualify for hedge accounting*

IFRS 9 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 is 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. Any ineffective portion of gains and losses on derivatives used to manage cash flow interest rate risk is recognised in profit or loss.

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.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

### (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 sale

Assets and liabilities classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Such disposal groups are classified as held for sale if their carrying amount will be recovered through a sale 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 sale or distribution which must have been initiated and should be expected to be completed within one year from the date of classification as held for sale. No depreciation or amortisation is recognised on assets classified as held for sale.

### (p) Impairment and impairment reversals 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. Where there is an impairment reversal, the original impairment is reversed to the maximum amount impaired, excluding goodwill as noted in note 1(d)(iv). An impairment loss is recognised immediately in profit or loss.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

**(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 (both of which have historically been discontinued) 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, when applicable, 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 are recognised in profit or loss in the period in which they are incurred.

**(s) Insurance and reinsurance contracts**

***(i) Classification***

Insurance contracts are those contracts that transfer significant insurance risk in respect of related parties insured by the group, refer to note 46. Such contracts may also transfer financial risk. As a general guideline, the group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

***(ii) Recognition and measurement***

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

Provision for claims is made on a prudent basis for the estimated final cost of all claims that had not been settled at the reporting date, less amounts already paid. Provisions are made at each reporting date on the basis of available information for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the company. The estimated cost of claims includes expenses to be incurred in settling claims. The company's own assessors or contracted external assessors individually assess claims. The group takes all reasonable steps to ensure that it has up to date reports from brokers regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove different from the original liability established.

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

Provision is made for claims arising from insured events that occurred before the close of the accounting period, but which had not been reported to the company at that date, the incurred but not reported reserve ("IBNR"). The estimation of the IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the company, where the information about the claim event is available. IBNR claims may not become apparent to the insurer until many months after the event that gave rise to the claims incurred.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

### (s) Insurance and reinsurance contracts *continued*

#### *(ii) Recognition and measurement continued*

Contracts entered into by the group with reinsurers under which the group is compensated for losses on one or more contracts issued by the group and that meet the classification requirements for insurance contracts (as detailed above) are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Income received from insurance contracts entered into by the group under which the contract holder is another insurer (inwards reinsurance) is included with premium income. The benefits to which the group is entitled under its reinsurance contracts held are recognised as assets. These assets consist of short-term balances due from reinsurers on settled claims, as well as estimates (classified as reinsurance assets) that are calculated based on the gross outstanding claims and IBNR provisions. The amounts that will be recoverable from reinsurers are estimated based upon the gross provisions, having due regard to collectability. The group assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement.

The recoverability of reinsurance recoveries is assessed having regard to market data on the financial strength of each of the reinsurers. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in profit or loss when due. Amounts recovered from reinsurers in profit or loss reflect the amounts received or receivable from reinsurers in respect of those claims incurred during the period.

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

### (t) Trade and other payables

Trade and other payables, excluding insurance and reinsurance contracts as mentioned in note 1(s), 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.

### (u) Provisions

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

The group recognises a provision for bonus plans (note 1(w)(iii)) and long-service awards (note 1(w)(vii)).

### (v) 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 electronic gaming machines win derived by the gaming operations. 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 betting transactions, all income is recognised in profit or loss immediately, at fair value.

In the gaming industry, where the nature of betting transactions in respect of table games makes it difficult to separate bets placed by customers and winnings paid to customers, it follows that gaming operations experience practical difficulties reflecting output tax separately from input tax. Accordingly, South African Revenue Service issued Binding General Ruling 59 ("BGR 59"), in accordance with the revised Section 72 of the Value Added Tax ("VAT") Act decision process. BGR 59 allows gaming operators to account for VAT, in respect of table games, by applying the tax fraction to the gross gaming revenue as stipulated in the provincial gaming regulations. The gross gaming revenue is defined as the difference between the amount of money wagered by customers, and the amount of money returned to such customers by the gaming operator as direct winnings from the gambling activities in which the persons participated.

In respect of electronic gaming machines, the aggregate amount of bets placed over a time-period and the aggregate amount of winnings pay-outs over the same time period are recorded by a central monitoring system, as approved by the relevant provincial gaming board. Based on this, operators of electronic gaming machines are required to account for output tax on the aggregate bets placed; and input tax deductions on the aggregate winnings pay-outs, for each tax period.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

### (v) Income *continued*

#### *(i) Net gaming win continued*

Provincial gaming levies are calculated by applying the tax fraction to the net betting transaction for both table games and electronic gaming machines.

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 gaming levies 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 food and beverage and hotel rooms and also earns revenue in the form of Theme Park entrance fees, conferencing and venue hire, parking revenues, ticket sales and other hotel sundry revenues. Revenue from contracts with customers is recognised when control of the goods or services is 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, conferencing and venue hire, parking revenues, ticket sales and other 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 concluded that it is generally 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 stand-alone 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.

***Insurance income***

Insurance income in respect of loss of earnings is recognised in profit or loss as part of other income when the group's right to receive payments is established.

### (w) Employee benefits

#### *(i) Defined contribution plans*

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

#### *(ii) 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.

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

Where 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. The group's share-based payments – equity-settled schemes have historically been discontinued – refer to note 1(q).

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

**(w) Employee benefits** *continued*

***(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***

A liability and an expense are recognised for long-service awards where cash is paid to qualifying employees at certain milestone dates in their careers. The valuation to determine the liability is performed annually. This liability is included in "Provisions" in the balance sheet.

**(x) Income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

The current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. The group's liability for current taxation is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full using the liability method, in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements, except where the temporary difference arises from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither accounting nor taxable profit or loss.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it is probable that future taxable profit will be available against which the temporary differences (including carried forward tax losses) can be utilised.

Deferred tax is measured at the tax rates expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income taxes relate to income taxes levied by the same taxation authority on either the taxable entity, or different taxable entities where there is an intention to settle the balances on a net basis.

**(y) Dividend distributions**

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

**(z) Functional and presentation currency**

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

## 2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE

**(a)** Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are effective in future accounting periods of the group. 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 2022, none of which are 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 2023. The most significant of these, which the group has decided not to early adopt, are shown below:

**IFRS 17 *Insurance Contracts***
Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.

Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contracts, including those with a coverage period of one year or less.

For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.

The group does not anticipate a material impact on the group's insurance arrangements of the application of IFRS 17 due to the insurance captive no longer writing third-party short-term insurance (refer to note 46.3 *Insurance and reinsurance risk*).

IFRS 17 must be applied for financial years commencing on or after 1 January 2023.

**IAS 1 (Amendment) *Presentation of Financial Statements***
The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment.

IAS 1 amended must be applied for financial years commencing on or after 1 January 2023.

**Narrow scope amendments to IAS 1, Practice Statement 2 *Making Materiality Judgements* and IAS 8 *Accounting Policies, Changes in Estimates and Errors***
The amendments aim to improve accounting policy disclosures by giving guidance to entities in deciding which accounting policies to disclose in their financial statements and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

The narrow scope amendments to IAS 1, Practice Statement 2 and IAS 8 must be applied for financial years commencing on or after 1 January 2023.

**IAS 12 (Amendment) *Income Taxes***
The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

IAS 12 amended must be applied for financial years commencing on or after 1 January 2023.

**IAS 37 (Amendment) *Provisions, Contingent Liabilities and Contingent Assets***
The amendment clarifies which costs an entity includes in assessing whether a contract will be loss making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of "costs to fulfil a contract". Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

IAS 37 amended must be applied for financial years commencing on or after 1 January 2022.

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

**(b)** The following annual improvements from the 2018 – 2020 reporting cycle, which are applicable to the group, have been published that are mandatory for the group's accounting periods beginning 1 April 2022, which the group has not early adopted and are not expected to have a material effect on the consolidated results of operations or financial position of the group:

- IFRS 9 *Financial Instruments* has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation; and
- IFRS 16 *Leases* amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.

## 3 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

Despite over two years of various restrictions and closures affecting the business, the group was within its original net leverage covenants for the 12 months ended 31 March 2022. The group experienced a strong recovery in the second half of the year under review, following the lockdown imposed from 28 June 2021 to 25 July 2021. The net debt to adjusted EBITDA ratio for the year, as measured for covenant purposes, amounted to 2.89 times, the required covenant being less than 3.0 times. The additional conditions that arose as a result of the covenant reset fell away from 1 April 2022, including reporting to the lenders on a monthly basis, the requirement of a business plan if a material part of the business is locked down for 30 days cumulatively, the limitations around permitted acquisitions and no further quarterly margin ratchet. At the date of this report, the directors are not aware of any circumstances whereby the group should not be able to achieve the original covenant requirements for September 2022.

The cash flow and liquidity projections for the group were prepared for a period exceeding 12 months from the reporting date and included performing sensitivity analyses. Based on the forecast performed, the directors are of the opinion that the group has sufficient access to liquidity and facilities to fund operations for the ensuing 12 months. Although current liabilities exceed current assets at 31 March 2022, the group's forecast reflects that it will generate sufficient cash flows during the period to meet all trading liability obligations.

The group reduced its net interest-bearing debt and guarantees significantly from the R10.9 billion at 31 March 2021 to R9.0 billion at 31 March 2022 under difficult, restrictive trading conditions. The group's focus remains on reducing its medium to long-term debt levels, thereby reducing risk and funding costs.

Also, subsequent to the reporting date as from 23 June 2022, the National State of Disaster, together with all remaining COVID-19 restrictions, were lifted. This further puts the group in a stronger position as there are no longer limitations on people in a gathering and no social distancing measures that need to be adhered to.

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

## 3 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 group entities for use in the calculation on initial recognition of the respective lease liabilities; and
- makes adjustments specific to the lease, e.g. term and type of asset being leased.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) that has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

This resulted in the group's incremental borrowing rate applied ranging from 7.3% to 9.6% (2021: 9.0% to 9.6%).

***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 as all extension options that the group is reasonably certain to extend have been capitalised to the lease liability. The assessment is reviewed if a significant event or a significant change in circumstances occurs that affects this assessment and that is within the control of the lessee.

Refer to note 33 *Lease liabilities and commitments* for further information.

**(d) Estimated impairment of goodwill and indefinite lived intangible assets and impairment reversals of 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 the higher of "value-in-use" and "fair value less costs of disposal" calculated for each CGU. These calculations require the use of estimates as noted in notes 21 and 22 of the consolidated financial statements. Significant judgement is required when evaluating the inputs into the calculations 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, which includes making adjustments on publicly reported information to arrive at an estimated base year for the forecast cash flows.

***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 to note 24 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 Proprietary Limited ("SunWest") and Worcester Casino Proprietary Limited ("Worcester") (refer to note 24) 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 level 3 fair value measurements and have been accounted for as equity instruments at FVOCI, and not associate investments.

# Notes to the consolidated financial statements *continued*

| 4 RECONCILIATION OF EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY TO HEADLINE EARNINGS | **2022** | | 2021 | |
|---|---|---|---|---|
| | **Gross Rm** | **Net[(1)] Rm** | Gross Rm | Net[(1)] Rm |
| Profit attributable to equity holders of the company | | **1 405** | | 21 |
| *(Less)/add:* Headline adjustments | | | | |
| Gain on disposal of property, plant and equipment | **(2)** | **(2)** | (30) | (22) |
| Gain on disposal of assets classified as held for sale | **(11)** | **(8)** | – | – |
| Impairment of property, plant and equipment | **10** | **7** | 12 | 10 |
| Fair value adjustment of investment properties | **(10)** | **(8)** | 67 | 52 |
| Impairment reversal of intangibles | **(298)** | **(227)** | (129) | (93) |
| Insurance claims for capital assets | **(20)** | **(14)** | – | – |
| **Headline earnings/(loss)** | | **1 153** | | (32) |
| Number and weighted average number of shares in issue (million) | | **1 046** | | 1 046 |
| Basic and diluted headline earnings per share (cents) | | **134.3** | | 2.0 |
| Basic and diluted headline earnings/(loss) per share (cents) | | **110.2** | | (3.1) |

[(1)] *Net of tax and non-controlling interests*

| 5 RECONCILIATION OF OPERATING PROFIT TO EBITDA | **2022 Rm** | 2021 Rm |
|---|---|---|
| EBITDA pre-exceptional items is made up as follows: | | |
| Operating profit from operations | **2 676** | 977 |
| *Add:* Amortisation and depreciation | **783** | 844 |
| | **3 459** | 1 821 |
| *Add/(less):* Exceptional (gains)/losses | | |
| Headline adjustments | **(331)** | (80) |
| Gain on disposal of property, plant and equipment | **(2)** | (30) |
| Gain on disposal of assets classified as held for sale | **(11)** | – |
| Impairment of property, plant and equipment | **10** | 12 |
| Fair value adjustment of investment properties | **(10)** | 67 |
| Impairment reversal of intangibles | **(298)** | (129) |
| Insurance claims for capital assets | **(20)** | – |
| **EBITDA** | **3 128** | 1 741 |

Refer to note 6 *Segment information* in respect of the group's definition of EBITDA.

## 6 SEGMENTAL ANALYSIS

The group's reporting lines and precincts are grouped under separate regional managers who report on a regional basis to the CEO. In terms of IFRS 8 *Operating Segments*, the CODM has been identified as the group's CEO.

For casinos, in order to assess performance and allocate resources, the CODM reviews the businesses by region and thus the group considers its reportable segments to be geographical and has presented a segmental analysis by region. The group applies 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 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.

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

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

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.

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** | | **EBITDA[(1) (2)]** | |
|---|---|---|---|---|
| | **2022 Rm** | 2021 Rm | **2022 Rm** | 2021 Rm |
| Casinos | **6 388** | 4 074 | **2 622** | 1 487 |
| Gauteng | **3 291** | 2 124 | **1 317** | 750 |
| KwaZulu-Natal | **1 806** | 1 103 | **796** | 430 |
| Mpumalanga | **507** | 340 | **192** | 127 |
| Western Cape | **494** | 316 | **230** | 129 |
| Eastern Cape | **204** | 130 | **61** | 35 |
| Free State | **86** | 61 | **26** | 16 |
| Bingo | **711** | 476 | **168** | 103 |
| LPMs | **1 687** | 1 086 | **510** | 297 |
| Other group operations | **152** | 50 | **(172)** | (146) |
| Group | **8 938** | 5 686 | **3 128** | 1 741 |

(1) *Refer to note 5* Reconciliation of operating profit to EBITDA

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

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

| | **Associates** | | **Capital expenditure** | |
|---|---|---|---|---|
| | **2022 Rm** | 2021 Rm | **2022 Rm** | 2021 Rm |
| Casinos | **27** | 33 | **135** | 65 |
| Bingo | **–** | – | **113** | 82 |
| LPMs | **–** | – | **113** | 64 |
| Other gaming operations | **–** | – | **4** | 1 |
| Group | **27** | 33 | **365** | 212 |

## 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. The table below presents revenue by segment which excludes net gaming win and other income, which are included in the segmental analysis in note 6 as these are accounted for under different accounting policies (refer to note 1(v)). Disaggregation of revenue from contracts with customers for the year under review is as follows:

| | Food and beverage recognised at a point in time | | Rooms revenue recognised over time | | Other revenue recognised over time | | Revenue from contracts with customers | |
|---|---|---|---|---|---|---|---|---|
| | **2022 Rm** | 2021 Rm | **2022 Rm** | 2021 Rm | **2022 Rm** | 2021 Rm | **2022 Rm** | 2021 Rm |
| Casinos | **315** | 118 | **303** | 125 | **209** | 66 | **827** | 309 |
| Gauteng | **149** | 50 | **118** | 44 | **178** | 48 | **445** | 142 |
| KwaZulu-Natal | **78** | 29 | **68** | 24 | **10** | 7 | **156** | 60 |
| Mpumalanga | **38** | 17 | **76** | 39 | **9** | 5 | **123** | 61 |
| Western Cape | **28** | 13 | **20** | 11 | **6** | 4 | **54** | 28 |
| Eastern Cape | **18** | 7 | **21** | 7 | **5** | 1 | **44** | 15 |
| Free State | **4** | 2 | | – | **1** | 1 | **5** | 3 |
| Bingo | **50** | 23 | **–** | – | **5** | 2 | **55** | 25 |
| LPMs | **–** | – | **–** | – | **3** | 2 | **3** | 2 |
| Other group operations | **–** | – | **–** | – | **2** | 3 | **2** | 3 |
| Group | **365** | 141 | **303** | 125 | **219** | 73 | **887** | 339 |

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Reconciliation to segmental analysis in note 6: | | |
| Net gaming win | **7 779** | 5 253 |
| Revenue from contracts with customers per above | **887** | 339 |
| Other income (note 8) | **272** | 94 |
| Total income per segmental analysis | **8 938** | 5 686 |

| | **2022 Rm** | 2021 Rm |
|---|---|---|
| Other revenue is made up as follows: | | |
| Theme Park | **110** | 24 |
| Cinemas | **29** | 5 |
| Other hotel revenue | **10** | 6 |
| Venue hire | **8** | 2 |
| Parking | **7** | 3 |
| Other revenue[1] | **55** | 33 |
| | **219** | 73 |

[1] *Other revenue consists mainly of entrance fees, prescribed and unclaimed credits and other sundry revenue*

## 8 OTHER INCOME

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Rental income from operating leases – property, plant and equipment (note 18) | **67** | 52 |
| Rental income from operating leases – investment property (note 20) | **36** | 40 |
| Dividends from investments in equity instruments designated at FVOCI (note 24) | **54** | – |
| Business interruption insurance proceeds received | **111** | – |
| Insurance premiums from insurance business (net) | **4** | 2 |
| Premium income from insurance underwriting business | **12** | 29 |
| Reinsurance premiums | **(8)** | (27) |
| | **272** | 94 |

## 9 GAMING LEVIES AND VAT

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Gaming levies | **788** | 521 |
| VAT | **920** | 617 |
| | **1 708** | 1 138 |

## 10 EMPLOYEE COSTS

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Employee costs (including executive directors' remuneration): | | |
| Salaries and wages | **1 419** | 1 019 |
| Long service award provision reversal (note 36) | **(8)** | (54) |
| Termination benefits | **13** | 30 |
| Pension – defined contribution plans | **2** | 12 |
| Long-term incentive expense – cash-settled (note 35.2) | **63** | 25 |
| | **1 489** | 1 032 |

## 11 OTHER OPERATING EXPENSES

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Auditors' remuneration | **24** | 24 |
| Audit fees – current year | **23** | 20 |
| Other services and expenses | **1** | 4 |
| Advertising, marketing and promotional costs | **220** | 88 |
| External consultants | **29** | 22 |
| Food and beverage costs and operating equipment usage | **179** | 81 |
| Bad debts written off, net of recoveries | **11** | 12 |
| Expected credit loss allowances, net of reversals | **(11)** | 20 |
| Information technology-related costs | **97** | 68 |
| Insurance claims from insurance business (net) | **2** | 9 |
| Insurance claims expense | **3** | 12 |
| Reinsurance claims recoveries | **(1)** | (3) |
| LPM site owners' commission | **503** | 328 |
| Management fees[1] | **38** | 21 |
| Monitoring fees for sites | **103** | 67 |
| Property and equipment lease rentals | **117** | 90 |
| *Short-term leases* | **21** | 18 |
| Properties | **16** | 14 |
| Gaming and other equipment | **5** | 4 |
| *Low-value assets* | **6** | 4 |
| Gaming and other equipment | **6** | 4 |
| *Variable lease payments not included in lease liabilities* | **90** | 68 |
| Properties | **5** | 3 |
| Gaming equipment | **85** | 65 |
| Property and equipment lease concessions | **(14)** | (67) |
| Properties | **(4)** | (55) |
| Gaming equipment | **(10)** | (12) |
| Property costs – rates, water and electricity | **433** | 376 |
| Repairs and maintenance expenditure on property, plant and equipment | **150** | 105 |
| Rooms departmental expenses | **53** | 27 |
| Security and surveillance costs | **102** | 82 |
| Other operating expenses[2] | **577** | 422 |
| Gain on disposal of property, plant and equipment | **(2)** | (30) |
| Gain on disposal of assets classified as held for sale | **(11)** | – |
| Insurance claims for capital assets | **(20)** | – |
| | **2 580** | 1 745 |

[1] *Mainly paid to THL – refer to note 43.1* Related parties
[2] *Other operating expenses consists mainly of cleaning, bank charges, gaming licences, film rentals, corporate social investment and other sundry costs*

## 12 AMORTISATION AND DEPRECIATION

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Depreciation of property, plant and equipment (note 18) | **711** | 771 |
| Depreciation of right-of-use assets (note 19) | **52** | 48 |
| Amortisation of intangible assets (note 22) | **20** | 25 |
| | **783** | 844 |

## 13 IMPAIRMENT REVERSAL OF NON-CURRENT ASSETS

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Impairment reversal of intangible assets (note 22) | **298** | 129 |

## 14 IMPAIRMENT OF NON-CURRENT ASSETS

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Impairment of property, plant and equipment (note 18) | **10** | 12 |

## 15 FINANCE INCOME

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Interest received from banks | **20** | 17 |
| Effective finance income on loans to LPM site owners | **4** | 1 |
| Finance income – other | **2** | 1 |
| | **26** | 19 |

## 16 FINANCE COSTS

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Finance costs in respect of interest-bearing debt | **757** | 928 |
| Finance costs in respect of lease liabilities | **31** | 33 |
| Effective finance costs on loans to LPM site owners | **4** | 1 |
| Finance costs – other | **–** | 1 |
| | **792** | 963 |

## 17 INCOME TAX EXPENSE

| | 2022 Rm | 2021 Rm |
|---|---|---|
| **Profit or loss** | | |
| Current tax – current year charge | **347** | 104 |
| Current tax – over provision prior year | **(7)** | (22) |
| Deferred tax – current year charge/(credit) | **188** | (69) |
| Deferred tax – over provision prior year | **(6)** | (16) |
| Deferred tax – change in corporate tax rate[1] | **(44)** | – |
| | **478** | (3) |
| **Other comprehensive income** | | |
| *Tax charge/(credit) relating to components of other comprehensive income on items that may be reclassified subsequently to profit or loss:* | **52** | (12) |
| Cash flow hedges | **52** | (12) |
| *Tax charge relating to components of other comprehensive income on items that may not be reclassified subsequently to profit or loss:* | **–** | 73 |
| Equity instruments at FVOCI fair value adjustment[2] | **–** | 73 |
| | **52** | 61 |

[1] *On 23 February 2022, the Minister of Finance announced a 1% decrease in the corporate tax rate for all companies with a tax year ending on or after 31 March 2023. The new tax rate of 27% was substantively enacted by 31 March 2022 and has therefore been applied to all deferred tax balances that are expected to reverse after 1 April 2022*

[2] *During the prior year, the deferred tax on the group's equity instruments at FVOCI was reversed due to the future profitability of the respective holding entity not being anticipated to produce taxable income in the foreseeable future and therefore the deferred tax asset was no longer considered fully recoverable. No deferred tax was raised during the year under review for the same reason*

| | 2022 Rm | 2022 % | 2021 Rm | 2021 % |
|---|---|---|---|---|
| **Income tax rate reconciliation** | | | | |
| Profit before income tax | **1 912** | | 25 | |
| Income tax thereon at 28% (2021: 28%) | **536** | **28.0** | 7 | 28.0 |
| *Exempt income/credits:* | | | | |
| Dividend income | **(15)** | **(0.8)** | – | – |
| Share of (profit)/loss of associates | **(1)** | **(0.1)** | 2 | 8.0 |
| *Expenses/debits not deductible for tax purposes:* | | | | |
| Amortisation and depreciation | **5** | **0.3** | 9 | 36.0 |
| Impairment of current receivables | **–** | **–** | 5 | 20.0 |
| Impairment of non-current assets | **–** | **–** | 4 | 16.0 |
| Other non-deductible items | **3** | **0.2** | 1 | 4.0 |
| *Capital gains tax rate differentials:* | | | | |
| Gain on disposal of property, plant and equipment | **(1)** | **(0.1)** | – | – |
| *Other:* | | | | |
| Deferred tax not provided on losses | **8** | **0.4** | 7 | 28.0 |
| Over provision prior year | **(13)** | **(0.7)** | (38) | (152.0) |
| Deferred tax – change in corporate tax rate | **(44)** | **(2.2)** | – | – |
| | **478** | **25.0** | (3) | (12.0) |

## 18 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 2022** | | | | | | |
| Opening net carrying amount | **6 276** | **216** | **2** | **2 017** | **49** | **8 560** |
| Additions | **7** | **27** | **4** | **243** | **7** | **288** |
| Reclassification from held for sale (net) (note 39) | **9** | **–** | **–** | **–** | **–** | **9** |
| Disposals and operating equipment usage | **–** | **(11)** | **–** | **(5)** | **(11)** | **(27)** |
| Depreciation charge | **(112)** | **(28)** | **–** | **(571)** | **–** | **(711)** |
| Impairments | **(5)** | **–** | **–** | **(5)** | **–** | **(10)** |
| Transfers | **(1)** | **1** | **(2)** | **2** | **–** | **–** |
| **Closing net carrying amount** | **6 174** | **205** | **4** | **1 681** | **45** | **8 109** |
| **At 31 March 2022** | | | | | | |
| Cost | **7 402** | **447** | **4** | **5 613** | **45** | **13 511** |
| Accumulated depreciation | **(1 228)** | **(242)** | **–** | **(3 932)** | **–** | **(5 402)** |
| **Net carrying amount** | **6 174** | **205** | **4** | **1 681** | **45** | **8 109** |
| **Year ended 31 March 2021** | | | | | | |
| Opening net carrying amount | 6 412 | 223 | 41 | 2 543 | 61 | 9 280 |
| Additions | 5 | 12 | 17 | 97 | 3 | 134 |
| Acquisition of subsidiary | – | 2 | – | 1 | – | 3 |
| Reclassification to held for sale | (59) | – | – | – | – | (59) |
| Disposals and operating equipment usage | – | – | – | (4) | (11) | (15) |
| Depreciation charge | (109) | (21) | – | (641) | – | (771) |
| Impairments | (2) | – | (7) | (3) | – | (12) |
| Transfers | 29 | – | (49) | 24 | (4) | – |
| **Closing net carrying amount** | 6 276 | 216 | 2 | 2 017 | 49 | 8 560 |
| **At 31 March 2021** | | | | | | |
| Cost | 7 396 | 442 | 2 | 5 590 | 49 | 13 479 |
| Accumulated depreciation | (1 120) | (226) | – | (3 573) | – | (4 919) |
| **Net carrying amount** | 6 276 | 216 | 2 | 2 017 | 49 | 8 560 |
| **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 |

During each reporting period, the group reassesses the useful lives and residual values of its property, plant and equipment. Adjustments to depreciation in respect of the reassessed useful lives and residual values are made prospectively. The adjustment to useful lives resulted in a credit to the depreciation charge of R43 million (2021: credit of R44 million). The effect of the change in the useful lives in future periods is considered impracticable to estimate. The reassessment of residual values resulted in a debit to the depreciation charge during the year of R7 million (2021: debit of R7 million) and will result in a debit charge of R8 million in the following year.

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

## 18 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 "Impairment of non-current assets" in the income statement.

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Buildings due to recoverable amounts assessments | **5** | – |
| LPM machines written off due to KZN and Gauteng July 2021 riots | **3** | – |
| Various casinos and hotel properties written off due to obsolescence | **2** | 3 |
| Write off of project costs relating to Somerset West land | **–** | 7 |
| Land relating to the fourth Mpumalanga casino licence due to recoverable amounts assessments | **–** | 2 |
| | **10** | 12 |

**Where the group is the lessor**

The group rents out retail space at its properties.

As at 31 March 2022, the group's gross lettable area at the properties was 79 141m$^2$ (2021: 73 653m$^2$), of which 68 051m$^2$ (2021: 64 610m$^2$) was let.

Rental income is based on fixed, fixed and variable and variable lease agreements concluded with tenants. Variable rentals are mainly based on the turnover amounts of the respective tenants. The majority of the leases are fixed and variable with the fixed rental amounts resetting after a number of years. Property rentals (included in other income note 8) earned during the year is as follows:

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Rental income from property operating leases under IFRS 16 is as follows: | | |
| Fixed | **28** | 31 |
| Variable | **39** | 21 |
| | **67** | 52 |

Lease concessions granted by the group to its tenants (operating leases) amounted to R4 million (2021: R15 million) and these have been accounted for as new leases effective from the date of modification.

The casinos retain the rights to the properties rented and mitigate their risk of the underlying properties by requiring deposits or bank guarantees from the lessees 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:

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Not later than 1 year | **52** | 53 |
| Between 1 and 2 years | **39** | 51 |
| Between 2 and 3 years | **29** | 38 |
| Between 3 and 4 years | **13** | 26 |
| Between 4 and 5 years | **5** | 11 |
| | **138** | 179 |

## 19 RIGHT-OF-USE ASSETS

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

| | Properties Rm | Gaming equipment Rm | Total Rm |
|---|---|---|---|
| **Year ended 31 March 2022** | | | |
| Opening net carrying amount | **207** | **17** | **224** |
| Additions | **61** | **–** | **61** |
| Depreciation | **(41)** | **(11)** | **(52)** |
| Remeasurement of leases | **7** | **–** | **7** |
| Lease terminations | **(3)** | **–** | **(3)** |
| **Closing net carrying amount** | **231** | **6** | **237** |
| **At 31 March 2022** | | | |
| Cost | **448** | **58** | **506** |
| Accumulated depreciation | **(217)** | **(52)** | **(269)** |
| **Net carrying amount** | **231** | **6** | **237** |
| **Year ended 31 March 2021** | | | |
| Opening net carrying amount | 176 | 30 | 206 |
| Additions | 61 | 1 | 62 |
| Depreciation | (36) | (12) | (48) |
| Remeasurement of leases | 3 | – | 3 |
| Lease terminations | (2) | (2) | (4) |
| Acquisition of subsidiary | 5 | – | 5 |
| **Closing net carrying amount** | 207 | 17 | 224 |
| **At 31 March 2021** | | | |
| Cost | 386 | 58 | 444 |
| Accumulated depreciation | (179) | (41) | (220) |
| **Net carrying amount** | 207 | 17 | 224 |
| **At 31 March 2020** | | | |
| Cost | 317 | 61 | 378 |
| Accumulated depreciation | (141) | (31) | (172) |
| **Net carrying amount** | 176 | 30 | 206 |

## 20 INVESTMENT PROPERTIES

| | 2022 Rm | 2021 Rm |
|---|---|---|
| At 1 April | **350** | 416 |
| Additions to investment properties | **14** | 1 |
| Fair value adjustment recognised in profit or loss | **10** | (67) |
| **At 31 March** | **374** | 350 |

The group rents out commercial office space at its investment properties. The group's investment properties have been categorised as level 3 values based on the inputs to the valuation technique used – refer to note 48. The group has elected to measure investment properties at fair value. Fair values are estimated triennially by an independent appointed valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. For the intervening years, the fair values are estimated by management.

During the year under review, the group recognised a R10 million fair value gain (2021: R67 million fair value loss) on investment properties. The fair value of the group's investment properties is determined using capitalised values of the projected rental income together with assessments of development land. Vacancies are considered based on the historical and current vacancy factors as well as the nature, location, size and popularity of the properties. The outbreak of COVID-19 continued to negatively impact the South African economy resulting in increased vacancy rates. This impact has also been taken into account when determining the fair value of the group's investment properties. The fair value gain was mainly as a result of the decreased capitalisation rates, offset by the increase in the vacancy rates.

At 31 March 2022 the significant unobservable inputs were as follows:
- Capitalisation rates applied to rental income vary between 9.25% and 9.50% (2021: varied between 10.0% and 10.5%); and
- Vacancy rates applied of between 10% and 15% (2021: 5% and 10%).

Inter-relationships between key unobservable inputs and estimated fair value measurement are shown below. The estimated fair value would increase/(decrease) if:
- Expected rental income was higher/(lower);
- Expected vacancy rate was lower/(higher); and
- The capitalisation rate was lower/(higher).

The table below indicates the sensitivities of the aggregate investment property portfolio by increasing or decreasing value inputs by 1pp as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Increase Rm | Decrease Rm | Increase Rm | Decrease Rm |
| 1pp change in projected rental income | **3** | **(3)** | 4 | (4) |
| 1pp change in the capitalisation rate | **(29)** | **36** | (27) | 33 |
| 1pp change in the vacancy rate | **(4)** | **4** | (4) | 4 |

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

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Amounts recognised in profit or loss for investment properties | | |
| Rental income from operating leases (fixed) (included in other income note 8) | **36** | 40 |
| Direct operating expenses from property that generated rental income | **(15)** | (17) |

There were no direct operating expenses from property that did not generate rental income.

## 20 INVESTMENT PROPERTIES *continued*

Refer to note 18 *Property, plant and equipment* for reference as to how the group manages risk for the rights it retains in the underlying assets.

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 (there are no variable rentals):

| | **2022 Rm** | 2021 Rm |
|---|---|---|
| Not later than 1 year | **27** | 22 |
| Between 1 and 2 years | **19** | 16 |
| Between 2 and 3 years | **12** | 7 |
| Between 3 and 4 years | **6** | 2 |
| Between 4 and 5 years | **2** | – |
| | **66** | 47 |

## 21 GOODWILL

Goodwill is allocated and monitored based on the group's CGUs. There were no impairments to goodwill during the year under review (2021: no impairments). A summary of the goodwill allocation is as follows per CGU:

| | **2022 Rm** | 2021 Rm |
|---|---|---|
| Montecasino | **273** | 273 |
| Suncoast | **890** | 890 |
| Golden Horse | **43** | 43 |
| Garden Route | **19** | 19 |
| Mykonos | **17** | 17 |
| The Caledon | **64** | 64 |
| Blackrock | **94** | 94 |
| Vukani | **61** | 61 |
| | **1 461** | 1 461 |

**Impairment test for goodwill and casino licences (refer to note 22 for casino licences)**

Goodwill and casino licences are allocated and monitored based on the group's CGUs. The COVID-19 pandemic continued to negatively affect the South African economy and the gaming, entertainment and hospitality industry. The group's ability to trade during the year under review was adversely impacted by the closure of the group's businesses from 28 June 2021 to 25 July 2021. The country moved to adjusted alert level 2 lockdown on 13 September 2021 and to level 1 on 1 October 2021, resulting in the businesses gaining an extra hour of peak time trading with each adjustment. The gaming businesses were still required to close at midnight until 30 December 2021 when the curfew was lifted. The group's properties continued to trade under capacity limitations during the last quarter of the financial year. The group, however, still managed to achieve strong recoveries in income and EBITDA compared to the prior year, but still trading below pre-COVID-19 levels. These factors are taken into account in the impairment testing of goodwill and intangibles, being mainly casino licences, most of which are indefinite lived.

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

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

## 21 GOODWILL *continued*

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

In light of the COVID-19 impact, the key assumptions used for value-in-use calculations were reviewed by management at the year end and estimated as follows:

- Trading assumptions – management forecast income, operating expenses and EBITDA margins are based on past and current performance and its expectations of market developments, taking into account the COVID-19 pandemic and the regulatory restrictions. The COVID-19 vaccine takeup has not been as high as anticipated, however it is expected that the COVID-19 pandemic will not be as severe as experienced in the third wave. A potential for a milder fifth wave has been considered in the forecast cash flows. Management has continued to focus on cost reductions and operational efficiencies during the year under review, resulting in a significantly reduced cost base compared to pre-COVID-19 levels. As the group gradually returns to a normal state after continuous restrictions affecting the business over an extended period, certain expenses, some of which are beyond the group's control (such as utility costs), will continue to increase, offsetting some of the savings initiatives achieved. Taking the aforementioned into account, the group's forecast models assume a strong recovery in trading during the 2023 financial year off a low base, mainly due to the lifting of trading restrictions and cost savings initiatives which result in improved EBITDA margins compared to pre-COVID-19 levels. As a result of this, forecast EBITDA has higher growth rates for 2023, levelling off to normal levels with effect from 2024;
- Risk-adjusted discount rate – the discount rate is calculated by using a weighted average cost of capital ("WACC") of the respective CGUs. WACC is calculated using a bond risk-free rate and an equity premium adjusted for specific risks relating to the relevant CGUs (share beta and small stock premium). The pre-tax discount rates have reduced marginally in comparison with the prior year due to a lower risk-free rate and the group's lower cost of debt. The group believes the discount rate will return to more normal levels over the medium term; and
- Long-term growth rate – cash flows beyond the first five-year period are extrapolated using estimated long-term growth rates in order to calculate the terminal recoverable amount. The growth rate estimations consider risks associated with the gaming, entertainment and hospitality industry in which the CGUs operate and are consistent with forecast information specific to the gaming, entertainment and hospitality industries in which each CGU operates. The group considers the long-term growth rate unchanged at 4.7% compared to 31 March 2021 due to the negative effects of COVID-19, offset by the gradual lifting of trading restrictions, the reopening of the economy and the effects of the government's vaccination programme.

Based on the above, the significant unobservable inputs used in the group's value-in-use calculations for the CGUs as at 31 March 2022 are shown below:

- Expected net gaming win for the respective CGUs increases on average by 26% for the 2023 financial year, then levels out to normal trading growths of 3% over the following years (2021: Expected net gaming win for the respective CGUs increased on average by 7% for the 2023 financial year and then levelled out to normal trading growths of 3% over the following years);
- Expected operating expenditure costs increase on average by 22% for the 2023 financial year, then levels out to normal trading growths of 4% (2021: Expected operating expenditure costs increased on average by 9% for the 2023 financial year and then levelled out to normal trading growths of 4%);
- Long-term growth rate of 4.7% – unchanged; and
- Discount rates (pre-tax) as shown in the table below.

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

| CGU | **2022** EBITDA margin (average) % | **2022** Discount rate pre-tax % | 2021 EBITDA margin (average) % | 2021 Discount rate pre-tax % |
|---|---|---|---|---|
| Montecasino | **41.3** | **18.5** | 40.2 | 19.0 |
| Suncoast | **36.8** | **18.3** | 36.3 | 18.7 |
| Gold Reef City | **33.4** | **18.5** | 33.8 | 18.7 |
| Silverstar | **35.4** | **19.5** | 33.5 | 19.7 |
| Other gaming operations[1] | **37.9** | **20.1** | 39.9 | 20.4 |
| Vukani | **31.1** | **23.9** | 27.6 | 24.6 |

[1] *Includes the balance of the group's casino properties which have an allocation of goodwill*

**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 any impairment loss in any of the group's CGUs, as the group's CGUs have significant headroom available between the calculated values-in-use and the goodwill allocated to each CGU. Refer also to note 3(d) *Critical accounting estimates and judgements – Estimated impairment of goodwill and indefinite lived intangible assets.*

**Significant estimate – impairment charges**

Taking into account the revised assumptions, no further impairments to goodwill were deemed necessary since the previous reporting date (2021: no goodwill impairments recognised). This was mainly due to the five-year forecast cash flows reflecting a marginal improvement compared to those expected at 31 March 2021, together with the decrease in the respective discount rates.

## 22 OTHER INTANGIBLE ASSETS

| | Casino licences and bid costs Rm | Computer software Rm | Intellectual property Rm | Total Rm |
|---|---|---|---|---|
| **Year ended 31 March 2022** | | | | |
| Opening net carrying amount | **2 842** | **24** | **37** | **2 903** |
| Additions | **2** | **–** | **–** | **2** |
| Amortisation charge | **(5)** | **(10)** | **(5)** | **(20)** |
| Impairment reversals | **298** | **–** | **–** | **298** |
| **Closing net carrying amount** | **3 137** | **14** | **32** | **3 183** |
| **At 31 March 2022** | | | | |
| Cost | **4 565** | **149** | **49** | **4 763** |
| Accumulated amortisation | **(176)** | **(135)** | **(17)** | **(328)** |
| Accumulated impairments | **(1 252)** | **–** | **–** | **(1 252)** |
| **Net carrying amount** | **3 137** | **14** | **32** | **3 183** |
| **Year ended 31 March 2021** | | | | |
| Opening net carrying amount | 2 705 | 34 | 42 | 2 781 |
| Additions | 12 | 3 | – | 15 |
| Acquisition of subsidiary | 1 | 2 | – | 3 |
| Amortisation charge | (5) | (15) | (5) | (25) |
| Impairment reversals | 129 | – | – | 129 |
| **Closing net carrying amount** | 2 842 | 24 | 37 | 2 903 |
| **At 31 March 2021** | | | | |
| Cost | 4 563 | 146 | 49 | 4 758 |
| Accumulated amortisation | (171) | (122) | (12) | (305) |
| Accumulated impairments | (1 550) | – | – | (1 550) |
| **Net carrying amount** | 2 842 | 24 | 37 | 2 903 |
| **At 1 April 2020** | | | | |
| Cost | 4 550 | 141 | 49 | 4 740 |
| Accumulated amortisation | (166) | (107) | (7) | (280) |
| Accumulated impairments | (1 679) | – | – | (1 679) |
| **Net carrying amount** | 2 705 | 34 | 42 | 2 781 |

## 22 OTHER INTANGIBLE ASSETS *continued*

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

| | Carrying amount | | Remaining useful life | |
|---|---|---|---|---|
| | **2022 Rm** | 2021 Rm | **2022** | 2021 |
| *Indefinite lives:* | | | | |
| Montecasino[1] | **70** | 70 | **Indefinite** | Indefinite |
| Suncoast[1] | **105** | 105 | **Indefinite** | Indefinite |
| Gold Reef City[1] [2] | **1 567** | 1 418 | **Indefinite** | Indefinite |
| Silverstar[1] [2] | **289** | 147 | **Indefinite** | Indefinite |
| Golden Horse[2] | **554** | 554 | **Indefinite** | Indefinite |
| Garden Route[2] | **252** | 252 | **Indefinite** | Indefinite |
| Mykonos[2] | **215** | 215 | **Indefinite** | Indefinite |
| Goldfields[2] | **40** | 33 | **Indefinite** | Indefinite |
| Blackrock[1] | **1** | 1 | **Indefinite** | Indefinite |
| Galaxy[3] | **13** | 13 | **Indefinite** | Indefinite |
| Kuruman[4] | **6** | 6 | **Indefinite** | Indefinite |
| *Definite lives:* | | | | |
| Hemingways[5] | **20** | 23 | **4 years** | 5 years |
| Vukani[3] | **4** | 4 | **5 – 19 years** | 11 – 20 years |
| Bet.co.za[6] | **1** | 1 | **15 years** | 16 years |
| | **3 137** | 2 842 | | |

[1] *Relate to additional gaming positions*
[2] *Relate to the casinos acquired on the reverse acquisition of Gold Reef during the 2011 financial year*
[3] *Acquisition of the Bingo and LPM businesses as a common control acquisition during the 2018 financial year, and an acquisition of a Bingo Witbank licence during the 2021 financial year (R12 million)*
[4] *Acquisition of Kuruman as a common control transaction during the 2019 financial year*
[5] *Relates to corporate social investment spend*
[6] *Acquisition of Bet.co.za as a common control transaction during the 2021 financial year*

### Significant estimate – impairment charges and reversals

Taking into account the revised assumptions as described in note 21 *Goodwill*, the group recognised impairment reversals of R298 million made up of the Gold Reef City (R149 million), Silverstar (R142 million) and Goldfields (R7 million) precincts (2021: R129 million impairment reversals in respect of licences arising in the Gold Reef City (R29 million), Silverstar (R94 million) and Goldfields (R6 million) precincts). This was mainly due to the five-year forecast cash flows reflecting a marginal improvement compared to those expected at 31 March 2021, together with the decrease in the discount rate mentioned in note 21. Where applicable, impairment and impairment reversals are included in "Impairment of non-current assets" and "Impairment reversals 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 in note 21. 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 to note 3(d) *Critical accounting estimates and judgements – Estimated impairment of goodwill and indefinite lived intangible assets.*

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

| | **2022** | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **1pp decrease in trading assumptions[1] Rm** | **1pp decrease in growth rate assumption[1] Rm** | **1pp increase in discount rate assumption[1] Rm** | 1pp decrease in trading assumptions[1] Rm | 1pp decrease in growth rate assumption[1] Rm | 1pp increase in discount rate assumption[1] Rm |
| Gold Reef City | **–** | **(23)** | **(88)** | – | (133) | (196) |

[1] *Refer to note 21 for key assumptions*

## 23 INVESTMENTS IN ASSOCIATES

| | 2022 Rm | 2021 Rm |
|---|---|---|
| At 1 April | **33** | 41 |
| Share of profit/(loss) after tax and other interests of associates | **2** | (8) |
| Dividends received | **(8)** | – |
| At 31 March | **27** | 33 |

The group's interest in unlisted associate entities is as follows:
- 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 a cinema complex at the group's Suncoast casino property.

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

## 24 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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 to notes 3(e) *Critical accounting estimates and judgements – Fair value of financial instruments that are not traded in an active market* and 48 *Fair value estimation*. Dividends received are included in other income (note 8).

| | 2022 Rm | 2021 Rm |
|---|---|---|
| At 1 April | **675** | 898 |
| Fair value adjustment recognised in other comprehensive income | **139** | (223) |
| At 31 March | **814** | 675 |
| Fair value made up as follows: | | |
| SunWest | **784** | 648 |
| Worcester | **30** | 27 |
| | **814** | 675 |
| Dividends received from: | | |
| SunWest | **50** | – |
| Worcester | **4** | – |
| | **54** | – |

### SunWest and Worcester casinos

Previously the group entered into a transaction with Sun International Limited ("SI") and Grand Parade Investments Limited for the acquisition of a 20% equity interest in each of SunWest and 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.

At the end of each reporting period, the group's 20% equity interest in each of SunWest and Worcester is remeasured, recognising the increase or decrease in other comprehensive income. The assets have been remeasured at 31 March 2022 to R814 million (2021: R675 million), a R139 million increase. A discounted cash flow valuation was used to estimate the fair values. The valuation models consider the present value of net cash flows to be generated from SunWest and Worcester, together with their operating capital expenditures taking into account expected growths in net gaming win and other revenues generated from non-gaming related activities. These cash flow forecasts are aligned to the financial reporting periods of the respective entities, being 12 months to December each year. 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, entertainment and hospitality industry in which SunWest and Worcester operate. The fair value gain is as a result of the forecast cash flows increasing over what was estimated for the prior year based on casino operations reporting a recovery as lockdown restrictions gradually eased, together with recurring cost savings embedded during the entities' December 2020 and 2021 year ends, resulting in margins being maintained at historical levels. The cash flow forecasts used in the valuation anticipate that during SunWest and Worcester's December 2022 reporting period there will be a recovery in trading off a low base for December 2021 with relatively high gaming growth in 2023 and reaching normal growth rate levels from the 2024 December reporting period.

## 24 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *continued*

**SunWest and Worcester casinos** *continued*

The significant unobservable inputs used in the fair value measurement of the group's investment in SunWest and Worcester are shown below (based on the respective entities' December financial year ends):

- Expected income, including net gaming win, hotel rooms revenue and other income increases by 45% for 2022, and gradually levels out to normal trading growths of 3% over the following years (2021: Expected income, including net gaming win, hotel rooms revenue and other income increased by 13% for 2022, 11% for 2023 and then levelled out to normal trading growths of 3% over the following years);
- Expected operating expenditure costs increase by 24% and then levels out to normal trading growths of between 3% and 4% for the following years (2021: Expected operating expenditure costs increased by 7% for 2022, 17% for 2023 and then levelled out to normal trading growths of 4%);
- Risk-adjusted discount rate of 14.65% (2021: 14.83%) post-tax; and
- Long-term growth rate of 4.7% (2021: 4.7%).

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

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Increase Rm | Decrease Rm | Increase Rm | Decrease Rm |
| Expected gaming win growth | **79** | **(75)** | 48 | (47) |
| Operating expenditure cost growth | **(39)** | **38** | (36) | 35 |
| Risk-adjusted discount rate | **(76)** | **92** | (68) | 83 |
| Long-term growth rate | **69** | **(56)** | 60 | (49) |

## 25 NON-CURRENT RECEIVABLES

| | 2022 Rm | 2021 Rm |
|---|---|---|
| *Financial instruments* | | |
| Financial assets measured at amortised cost | | |
| Loans to tenants | **3** | 2 |
| Loans to LPM site owners | **31** | 31 |
| Loans to NCI | **11** | 14 |
| Other | **5** | 5 |
| | **50** | 52 |

Non-current receivables and deposits do not contain significant credit risk and there are no significant receivables past due not impaired. Refer to note 28 *Trade and other receivables* for information in respect of loans to LPM site owners. The group does not consider the remaining non-current receivables significant and therefore no further disclosure is provided in this regard.

## 26 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 | Debt finance costs 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 2020** | 1 175 | 32 | – | (74) | (3) | (23) | (3) | 29 | 1 133 |
| Income statement expense/(credit) | 119 | (38) | – | 31 | 3 | 10 | (151) | – | (26) |
| **Balance at 31 March 2021** | **1 294** | **(6)** | **–** | **(43)** | **–** | **(13)** | **(154)** | **29** | **1 107** |
| Income statement expense/(credit) | **74** | **25** | **–** | **(9)** | **(1)** | **2** | **107** | **–** | **198** |
| Change in corporate tax rate | **(50)** | **–** | **–** | **2** | **–** | **–** | **2** | **–** | **(46)** |
| **Deferred tax liability at 31 March 2022** | **1 318** | **19** | **–** | **(50)** | **(1)** | **(11)** | **(45)** | **29** | **1 259** |
| ***Deferred tax assets*** | | | | | | | | | |
| **Balance at 1 April 2020** | (19) | (2) | 8 | 21 | 1 | 5 | 17 | 101 | 132 |
| Income statement credit/(expense) | 48 | (3) | 20 | (6) | – | 3 | (3) | – | 59 |
| Deferred tax expense relating to components of other comprehensive income | – | – | – | – | – | – | – | (61) | (61) |
| **Balance at 31 March 2021** | 29 | (5) | 28 | 15 | 1 | 8 | 14 | 40 | 130 |
| Income statement credit/(expense) | **6** | **1** | **(6)** | **13** | **1** | **6** | **(4)** | **–** | **17** |
| Deferred tax expense relating to components of other comprehensive income | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(53)** | **(53)** |
| Change in corporate tax rate | **–** | **–** | **(1)** | **(1)** | **–** | **(1)** | **–** | **1** | **(2)** |
| **Deferred tax asset at 31 March 2022** | **35** | **(4)** | **21** | **27** | **2** | **13** | **10** | **(12)** | **92** |
| **Total net deferred tax liability** | **1 283** | **23** | **(21)** | **(77)** | **(3)** | **(24)** | **(55)** | **41** | **1 167** |

[(1)] *Includes investment properties and prepaid expenditure*

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 R55 million on estimated tax losses of the group's subsidiaries relate mainly to Tsogo Sun Casinos Proprietary Limited and subsidiary entities of Galaxy Bingo due to the trading effects of the COVID-19 pandemic. The directors have considered the future profitability of these entities and, based on cash flow projections extending beyond a period of 12 months, they are anticipated to produce taxable income in the foreseeable future, these deferred tax assets are considered fully recoverable. There were no significant unutilised tax losses for which no deferred tax asset was recognised.

## 27 INVENTORIES

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Food and beverage | **20** | 18 |
| Operating equipment | **24** | 42 |
| Consumable stores | **26** | 21 |
| | **70** | 81 |
| The cost of food and beverage recognised as an expense and included in other operating expenses | **(145)** | (56) |
| The cost of operating equipment recognised as an expense and included in other operating expenses | **(25)** | (29) |

There were no significant inventories written off during the year.

## 28 TRADE AND OTHER RECEIVABLES

| | 2022 Rm | 2021 Rm |
|---|---|---|
| *Financial instruments* | | |
| Financial assets measured at amortised cost | | |
| Trade receivables – net | **78** | 59 |
| Trade receivables – gross | **98** | 87 |
| Trade receivables – loss allowance | **(20)** | (28) |
| Debt investments – net | **80** | 68 |
| LPM site owner loans – gross | **149** | 137 |
| LPM site owner loans – loss allowance | **(69)** | (69) |
| Reinsurance recoveries | **10** | 183 |
| Deposits | **82** | 86 |
| Other receivables | **47** | 31 |
| | **297** | 427 |
| *Non-financial instruments* | | |
| Prepayments | **80** | 71 |
| VAT receivable | **1** | 3 |
| Straight-lining of operating leases | **14** | 30 |
| | **95** | 104 |
| Total trade and other receivables | **392** | 531 |

### Trade receivables

Trade receivables comprise a widespread customer base mostly in respect of the hotel, conferencing and tenanting 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.

***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 is regularly monitored by reviewing the aging analysis of these debtors on an ongoing basis. At 31 March 2022, no single customer was in debt in excess of 10% of the total trade receivables balance. The COVID-19 pandemic continued to negatively affect the trade receivables credit standing.

Management closely monitors credit limits that are exceeded and management anticipates that any losses from non-performance by these counterparties which have not been provided for, will be immaterial.

## 28 TRADE AND OTHER RECEIVABLES *continued*

### Trade receivables *continued*

***Debtor loss allowance calculated under the provision matrix***

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables by applying a provision matrix 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 group also has customer accounts in respect of tenant debtors which are separately identified and risk weighted differently to the general customer listing and are managed on an individual basis.

The following are factors used to determine forward-looking information:

- The effects of COVID-19 in SA;
- Gross domestic product in SA;
- Vulnerability of state owned enterprises and municipalities at present in SA;
- Ongoing energy crisis facing SA; and
- Increase in SA's unemployment rate.

Trade receivables are written off when there is no reasonable expectation of recovering additional cash. The following are the indicators of default:

- The failure of a debtor to engage in a repayment plan once the account falls into arrears;
- Failure to make payments after the institution and/or conclusion of legal proceedings; and/or
- Business rescue and/or liquidation of the debtor entity.

The point at which the debtor entity has been liquidated and no further distributions are possible, is when the respective debt is written off. The creation of the provisions is offset by the release of provisions for impaired receivables and has been included in other operating expenses in the income statement (note 11) due to the amounts not being material.

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 2022** | | | | | |
| Expected loss rate % | **(6.7)** | **(7.5)** | **(57.9)** | **(77.8)** | |
| Gross carrying amount | **56** | **4** | **1** | **10** | **71** |
| Loss allowance | **(4)** | ***** | ***** | **(8)** | **(12)** |
| **As at 31 March 2021** | | | | | |
| Expected loss rate % | (3.3) | (22.1) | (45.7) | (78.8) | |
| Gross carrying amount | 40 | 3 | 1 | 17 | 61 |
| Loss allowance | (1) | (1) | * | (13) | (15) |

* *Amount less than R1 million*

## 28 TRADE AND OTHER RECEIVABLES *continued*

**Trade receivables** *continued*

***Tenant debtors – specific trade receivables***

Tenant debtors are specific trade receivables from the tenanting of retail and office space. The loss allowances for tenanting debtors are in respect of long outstanding balances that generally have slower payment terms and are managed on a one-on-one basis.

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Gross carrying amount | **27** | 26 |
| Loss allowance in respect of specific trade debtors | **(8)** | (13) |

The closing loss allowance for trade receivables as at 31 March reconciled from the opening loss allowance is as follows:

| | 2022 Rm | 2021 Rm |
|---|---|---|
| At 1 April | **28** | 24 |
| Written off as uncollectable | **(7)** | (7) |
| Loss allowance recognised during the year | **12** | 26 |
| Unused amounts reversed | **(13)** | (15) |
| At 31 March | **20** | 28 |

**Debt investments**

The group's debt investments at amortised cost comprise mainly short-term loans to LPM site owners by Vukani as well as payments on behalf of site owners that are payable once site licences are approved. Debt investments, other than personal suretyships, are unsecured, interest free and repayable in weekly instalments.

***Credit risk – LPM site owner loans***

Debt investments comprise amounts due from LPM site owners as shown below. The maximum exposure to credit risk at the reporting date is the carrying value of the loan receivables as shown above. The group does not hold any collateral as security. The loan receivables are discounted at the prevailing prime interest rate. Deferred differences are recognised in profit and loss (finance income):

- Site owner loans: R139 million with a loss allowance of R66 million (2021: R129 million with a loss allowance of R64 million), comprise amounts due from LPM site owners resulting in 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 3 and 36 months, are unsecured, interest free and are repayable in weekly instalments; and
- Payments on behalf of site owners: R10 million with a loss allowance of R3 million (2021: R8 million with a loss allowance of R5 million) comprise amounts due from LPM site owners resulting in initial costs incurred to get the gaming sites approved by the gambling boards.

***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. 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 is measured based on a 12 month expected credit loss and loans in stages 2 and 3 are based on a lifetime expected credit losses.

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. For LPM site owner loans, it was determined that if a site generates less than the average gross gaming win of R135 000 (2021: R91 000), it is more likely to default in repayment due to past default experience with debtors. 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. The group considers a significant increase in credit risk events when a site generates a monthly average gross gaming win below R135 000 (2021: R91 000). For payment on behalf of site owners loans, the group considers a significant increase in credit risk events when a licence approval is outstanding for more than 52 weeks.

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 SA and geographic location as at the reporting date.

## 28 TRADE AND OTHER RECEIVABLES *continued*

**Debt investments** *continued*

***Exposure to credit risk*** *continued*

The key inputs used for measuring expected credit losses on site owner loans are as follows:

| | |
|---|---|
| Stage 1: Performing | Up to date, within terms and not closed. An estimated credit loss is raised on the amount in arrears if the site generates a monthly average gross gaming win greater than R135 000 (2021: R91 000). |
| Stage 2: Underperforming | An estimated credit loss is raised on repayment amounts that are in arrears in excess of five weeks. An estimated credit loss is also raised on loan amounts in arrears if the site generates a monthly average gross gaming win not exceeding R135 000 (2021: R91 000). |
| Stage 3: Non-performing | Sites that are closed or temporarily closed are fully provided for. |

The key inputs used for measuring expected credit losses on payment on behalf of site owner loans are as follows:

| | |
|---|---|
| Stage 1: Performing | Current licence approvals and outstanding licence approvals less than 26 weeks. |
| Stage 2: Underperforming | Licence approvals outstanding for more than 26 weeks. |
| Stage 3: Non-performing | Licence approvals outstanding for more than 52 weeks. |

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 are 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.

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

| | **2022** | | | |
|---|---|---|---|---|
| | **Expected credit loss as a percentage of gross carrying amount %** | **Gross carrying amount at default Rm** | **Loss allowance Rm** | **Carrying amount (net of loss allowance) Rm** |
| Group internal rating: | | | | |
| Stage 1: Performing | **4** | **49** | **(2)** | **47** |
| Stage 2: Underperforming | **65** | **95** | **(62)** | **33** |
| Stage 3: Non-performing | **100** | **5** | **(5)** | **–** |
| | | **149** | **(69)** | **80** |

| | 2021 | | | |
|---|---|---|---|---|
| | Expected credit loss as a percentage of gross carrying amount % | Gross carrying amount at default Rm | Loss allowance Rm | Carrying amount (net of loss allowance) Rm |
| Group internal rating: | | | | |
| Stage 1: Performing | 17 | 48 | (8) | 40 |
| Stage 2: Underperforming | 65 | 79 | (51) | 28 |
| Stage 3: Non-performing | 100 | 10 | (10) | – |
| | | 137 | (69) | 68 |

Loans in stage 2 and 3 are minimised and controlled through strict loan granting criteria.

## 28 TRADE AND OTHER RECEIVABLES *continued*

**Debt investments** *continued*

***Reconciliation of loss allowances***

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

| | 2022<br>Stage 1<br>Performing<br>Rm | Stage 2<br>Under-<br>performing<br>Rm | Stage 3<br>Non-<br>performing<br>Rm | Total<br>Rm |
|---|---|---|---|---|
| **At 1 April 2021** | 8 | 51 | 10 | 69 |
| Provisions for loan receivables impairment | 9 | 12 | 2 | 23 |
| Write-offs | – | (1) | (3) | (4) |
| Recoveries | (11) | (2) | (6) | (19) |
| Individual LPM site operator loans transferred to under-performing | (2) | 2 | – | – |
| Individual LPM site operator loans transferred to non-performing | (2) | – | 2 | – |
| **At 31 March 2022** | 2 | 62 | 5 | 69 |

| | 2021<br>Stage 1<br>Performing<br>Rm | Stage 2<br>Under-<br>performing<br>Rm | Stage 3<br>Non-<br>performing<br>Rm | Total<br>Rm |
|---|---|---|---|---|
| **At 1 April 2020** | 5 | 6 | 49 | 60 |
| Provisions for loan receivables impairment | 6 | 6 | 12 | 24 |
| Write-offs | – | – | (5) | (5) |
| Recoveries | (3) | (6) | (1) | (10) |
| Individual LPM site operator loans transferred to under-performing due to change in definition of stages[1] | – | 45 | (45) | – |
| **At 31 March 2021** | 8 | 51 | 10 | 69 |

[1] *The definition of stage 3 non-performing loan receivables changed during the 2021 year end to only include closed and temporarily closed sites. Prior to this, this stage also included sites that earned an average gross gaming win of below R91 000 resulting in a transfer of financial assets from non-performing to under performing*

**Reinsurance recoveries**

Reinsurance recoveries are the reinsurers' portion for insurance claims that have been provided for. The insurance claims provision is provided for in note 38 *Trade and other payables*. Reductions in reinsurance recoveries are mainly due to the receipt of the business interruption reinsurance recoveries by the group of R174 million – refer to note 46.3 *Insurance and reinsurance risk*.

***Credit risk – reinsurance recoveries***

No reinsurance assets are past due or impaired at the reporting date and the group expects no significant losses from non-performance by these counterparties.

**Deposits and other receivables**

Deposits and other receivables do not contain significant credit risk. There are no significant receivables past due not impaired and therefore no further disclosure is provided in this regard.

## 29 CASH AND CASH EQUIVALENTS

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Cash and cash equivalents measured at amortised cost | | |
| Current accounts | **312** | 307 |
| Call and fixed deposit accounts | **309** | 97 |
| Cash | **231** | 112 |
| Gross cash and cash equivalents | **852** | 516 |
| *Less:* Bank overdrafts included in borrowings (note 32) | **(72)** | (58) |
| Net cash and cash equivalents per cash flow statement | **780** | 458 |

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.

## 30 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 |
|---|---|---|---|---|---|---|---|
| Share capital | 1 050 188 300 | (4 086 043) | 1 046 102 257 | 4 | 6 585 | (102) | 6 487 |

There has been no change in the number of shares when compared to the 2021 and 2020 financial year ends. The total authorised number of ordinary shares is 1 200 000 000 (2021: 1 200 000 000) with a par value of 2 cents per share (2021: 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 to note 35.1), are fully paid up.

The company's authorised but unissued ordinary share capital was placed under the control of the directors until the forthcoming 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 Act 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 1 December 2021. 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).

## 31 OTHER RESERVES

| | Common control reserve[(1)] Rm | Transactions with non-controlling interests Rm | Financial assets at FVOCI Rm | Cash flow hedge reserve Rm | Property, plant and equipment revaluation reserve Rm | Total Rm |
|---|---|---|---|---|---|---|
| **Balance at 1 April 2020** | (3 196) | (616) | (302) | (68) | 101 | (4 081) |
| Cash flow hedges | – | – | – | (29) | – | (29) |
| Fair value adjustments | – | – | – | (41) | – | (41) |
| Deferred tax | – | – | – | 12 | – | 12 |
| Financial assets at fair value through OCI fair value reserve | – | – | (296) | – | – | (296) |
| Fair value adjustments | – | – | (223) | – | – | (223) |
| Deferred tax[(2)] | – | – | (73) | – | – | (73) |
| Common control reserve arising on acquisition of common control entity | (35) | – | – | – | – | (35) |
| Acquisition of non-controlling interests | – | (20) | – | – | – | (20) |
| **Balance at 31 March 2021** | **(3 231)** | **(636)** | **(598)** | **(97)** | **101** | **(4 461)** |
| Cash flow hedges | **–** | **–** | **–** | **137** | **–** | **137** |
| Fair value adjustments | **–** | **–** | **–** | **189** | **–** | **189** |
| Deferred tax | **–** | **–** | **–** | **(53)** | **–** | **(53)** |
| Effects of change in corporate tax rate on deferred taxation recognised | **–** | **–** | **–** | **1** | **–** | **1** |
| Financial assets at fair value through OCI fair value reserve – fair value adjustments (gross)[(2)] | **–** | **–** | **139** | **–** | **–** | **139** |
| **Balance at 31 March 2022** | **(3 231)** | **(636)** | **(459)** | **40** | **101** | **(4 185)** |

(1) *The common control reserve arose mainly on the group's acquisition of the Bingo and LPM businesses from the HCI group during the 2018 financial year, together with the Bet.co.za acquisition during the 2021 financial year*

(2) *The deferred tax on the group's equity instruments at FVOCI was reversed due to the future profitability of the respective holding entity not being anticipated to produce taxable income in the foreseeable future and therefore the deferred tax asset was no longer considered fully recoverable. No deferred tax was raised during the year under review for the same reason*

## 32 INTEREST-BEARING BORROWINGS

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Borrowings are made up as follows: | | |
| Financial liabilities measured at amortised cost | | |
| Bank borrowings | **4 141** | 5 199 |
| Corporate bonds (Domestic Medium-term Note Programme) | **5 538** | 6 050 |
| Bank overdrafts | **72** | 58 |
| | **9 751** | 11 307 |
| Analysed as: | | |
| Non-current portion | **7 400** | 10 300 |
| Current portion | **2 351** | 1 007 |
| | **9 751** | 11 307 |
| Secured | **9 751** | 11 307 |
| Unsecured | **–** | – |
| | **9 751** | 11 307 |

The facilities are a combination of 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. Refer to notes 46 and 47 for further details on borrowings and covenants.

**Securities**

The following represents the carrying amount of assets of the company, together with certain of its subsidiaries, that are pledged as security in respect of the group's interest-bearing borrowings:

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Property, plant and equipment | **5 376** | 5 493 |
| Investment property | **182** | 190 |
| Other claims and receivables | **171** | 191 |
| Pledge of cash in bank accounts | **568** | 200 |
| Assets classified as held for sale | **2** | – |
| | **6 299** | 6 074 |

The group has mortgage bonds registered over six properties.

**Committed facilities**

The group has the following committed direct facilities excluding bank overdrafts (from banks and corporate bonds):

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Expiring within 1 year | **3 602** | 1 372 |
| Expiring beyond 1 year | **8 900** | 11 800 |
| | **12 502** | 13 172 |
| Undrawn facility of committed direct bank borrowings | **2 823** | 1 923 |

**Fair value and interest rates**

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 5.66% and 6.16% (2021: 4.56% and 5.49%). All borrowings bear interest at floating rates (refer to note 46.1(a)(ii)).

| | 2022 | 2021 |
|---|---|---|
| Weighted average effective interest rates (including cash held in call accounts) | **7.37%** | 7.97% |

The carrying amounts and fair values of borrowings are as follows:

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | 2022 Rm | 2021 Rm | 2022 Rm | 2021 Rm |
| Bank borrowings | **4 141** | 5 199 | **4 140** | 5 192 |
| Corporate bonds (Domestic Medium-term Note Programme) | **5 538** | 6 050 | **5 536** | 6 039 |
| Bank overdrafts | **72** | 58 | **72** | 58 |
| | **9 751** | 11 307 | **9 748** | 11 289 |

## 33 LEASE LIABILITIES AND COMMITMENTS

| | Land and buildings Rm | Gaming equipment Rm | Total Rm |
|---|---|---|---|
| **At 1 April 2021** | **282** | **24** | **306** |
| Finance costs | **29** | **2** | **31** |
| Lease payments | **(52)** | **(6)** | **(58)** |
| Additions | **61** | **–** | **61** |
| Remeasurement of lease | **13** | **2** | **15** |
| Termination of lease | **(4)** | **–** | **(4)** |
| Lease concessions practical expedient applied | **(4)** | **(10)** | **(14)** |
| **At 31 March 2022** | **325** | **12** | **337** |
| *Less:* Current portion | **(35)** | **(7)** | **(42)** |
| Non-current portion | **290** | **5** | **295** |
| **At 1 April 2020** | 284 | 39 | 323 |
| Finance costs | 30 | 3 | 33 |
| Lease payments | (36) | (5) | (41) |
| Additions | 61 | 1 | 62 |
| Remeasurement of lease | 2 | – | 2 |
| Termination of lease | (10) | (2) | (12) |
| Acquisition of subsidiary | 6 | – | 6 |
| Lease concessions practical expedient applied | (55) | (12) | (67) |
| **At 31 March 2021** | 282 | 24 | 306 |
| *Less:* Current portion | (26) | (14) | (40) |
| Non-current portion | 256 | 10 | 266 |

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Total cash flows in respect of leases: | | |
| Principal portion of the lease liabilities (included in cash flows from financing activities) | **31** | 24 |
| Interest portion of the lease liabilities (included in finance costs cash flows) | **28** | 17 |
| 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) | **117** | 90 |
| Total cash outflow for leases | **176** | 131 |

The group leases various properties, the most significant being 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 for fixed periods of three to 30 years, but may have extension options as described below.

## 33 LEASE LIABILITIES AND COMMITMENTS *continued*

**Variable lease payments**

Certain property and gaming equipment leases contain variable payment terms that are linked to indices and gross gaming win respectively. Variable lease payments are included in other operating expenses in note 11.

***The group has the following variable lease payments in respect of its property leases:***

The Golden Horse Casino land lease includes variable lease payments that are included in the lease liability. The variable lease payment terms comprise the annual CPI increase which is included in the lease liability, and 4.5% (2021: 4.5%) of gross operating profit of the Golden Horse precinct not included in the lease liability. A 10% increase in the variable lease liability (CPI) would increase lease payments by less than R1 million (2021: increase lease payments by less than R1 million). A 4.5% increase in the gross operating profit of the Golden Horse precinct would increase lease payments by less than R1 million (2021: by less than R1 million).

***The group has the following variable lease payments in respect of its gaming equipment:***

The group has no variable lease payments in respect of its casino gaming equipment.

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 R8 million (2021: by approximately R6 million).

**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 lessors.

***The group has the following extension and termination options in respect of its 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 and is included in the lease liability. Hemingways casino has a cinema lease with an extension option with effect from August 2024 which the group is reasonably certain to extend which is also included in the lease liability.

Where the group leases property for Bingo operations, all extension options have been capitalised:

- 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 casinos' gaming equipment leases:***

Certain casino gaming equipment leases have extension options that have not been capitalised. As at 31 March 2022, potential undiscounted future cash outflows of R16 million (2021: R21 million) have not been included in the lease liability for gaming equipment because it is not reasonably certain that the leases will be extended (or not terminated).

For casinos' gaming equipment leases, the group has the option to terminate, without penalties, the respective lease contracts.

**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.

**Rent concessions**

The outbreak of the COVID-19 pandemic at the end of the 2020 financial year and subsequent restrictive measures implemented by government to control the spread of the virus, had a profound impact on the group's operations. The group received rent concessions from lessors due to the inability to operate for significant periods of time. The group's rent concessions totalling R14 million (2021: R67 million), were in the form of forgiveness of rentals.

**Leases not yet commenced but committed**

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

## 33 LEASE LIABILITIES AND COMMITMENTS *continued*

**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:

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Within one year | **3** | 4 |
| Within one to two years | **–** | 1 |
| | **3** | 5 |

Refer to note 46.1(c) for the maturity analysis for capitalised leases.

## 34 DERIVATIVE FINANCIAL INSTRUMENTS

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Derivative financial instruments are measured at fair value and comprise interest rate swaps – cash flow hedges. | | |
| Liabilities | **82** | 271 |
| *Less:* Current portion | **–** | (43) |
| Non-current portion | **82** | 228 |

For effective hedges, gains and losses are recognised in the hedging reserve directly in other comprehensive income (after tax). Refer also to notes 46 *Financial risk management* and 48 *Fair value estimation*.

The fair value of the group's derivatives used for hedge accounting is a liability of R82 million (31 March 2021: R271 million) and is calculated as the present value of the estimated future cash flows based on observable yield curves, which is consistent with the prior year. The reason for the decrease in the liability is due to an increase in market related interest rates since the previous year end, as well as the settlement of swaps with a notional amount of R4 billion during the year under review. The amount recognised in finance costs in respect of the interest rate swap instruments is R161 million (2021: R271 million). No amount has been expensed in profit or loss due to ineffectiveness of the group's derivatives for the year under review (2021 – Rnil).

| | 2022 Rm | 2021 Rm |
|---|---|---|
| The notional amounts of the outstanding effective interest rate swap contracts at 31 March were: | | |
| *Linked to the three-month JIBAR* | | |
| With a fixed rate of 8.045% matured 30 June 2021 | **–** | 1 000 |
| With a fixed rate of 8.09% matured 30 June 2021 | **–** | 2 000 |
| With a fixed rate of 7.80% matured 30 June 2021 | **–** | 500 |
| With a fixed rate of 7.82% matured 30 June 2021 | **–** | 500 |
| With a fixed rate of 7.135% maturing 31 May 2024 | **700** | 700 |
| With a fixed rate of 7.095% maturing 31 May 2024 | **560** | 560 |
| With a fixed rate of 7.145% maturing 31 May 2024 | **2 240** | 2 240 |
| | **3 500** | 7 500 |

**SI put option**

In terms of the acquisition agreement of the SunWest and Worcester interests (refer to note 24), 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 2022 (Rnil at 31 March 2021).

## 35 LONG-TERM INCENTIVE PLANS

The group operates only the Share Appreciation Bonus Plan under note 35.2 as a long-term incentive plan with the Executive facility under note 35.1 being historically discontinued:

### 35.1 Equity-settled – Executive facility (historical discontinued facility)

The scheme has been discontinued with no new allocations/facilities in future.

Following his early retirement, J Booysen 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.

### 35.2 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. Allocations of notional shares are discretionary and administered in terms of the rules of the scheme. These vest and are available to be settled on the third anniversaries of the allocations.

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:

The liability is calculated using the Black Scholes method with assumptions and inputs as follows:

- Respective strike prices as shown in the below table;
- Volatility: based on market prices since the June 2019 unbundling of THL 78%;
- Forward dividend yield 5%; and
- Risk free rate using the R213 government bond yield-to-maturity 10.3%.

| | Total appreciation units granted | | Appreciation units granted and not vested | | | Appreciation units vested and still outstanding | | | Liability | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2022 Rm** | 2021 Rm | **2022 Rm** | 2021 Rm | Strike price R | **2022 Rm** | 2021 Rm | Expiry date | **2022 Rm** | 2021 Rm |
| Grant date | | | | | | | | | | |
| 1 April 2015[1] | **–** | 169 558 | **–** | – | 26.54 | **–** | 169 558 | 31 March 2021 | **–** | – |
| 1 April 2016[1] | **153 376** | 241 019 | **–** | – | 22.82 | **153 376** | 241 019 | 31 March 2022 | **–** | – |
| 1 April 2017[1] | **125 004** | 214 292 | **–** | – | 28.00 | **125 004** | 214 292 | 31 March 2023 | **–** | – |
| 1 October 2017[1] | **–** | 24 190 | **–** | – | 20.67 | **–** | 24 190 | 30 September 2023 | **–** | – |
| 1 April 2018[1] | **124 584** | 228 404 | **–** | – | 24.08 | **124 584** | 228 404 | 31 March 2024 | **–** | – |
| 13 December 2019[2] | **970 425** | 970 425 | **970 425** | 970 425 | 10.82 | **–** | – | 12 December 2025 | **1** | – |
| 18 December 2020[2] | **18 200 000** | 18 900 000 | **18 200 000** | 18 900 000 | 5.20 | **–** | – | 17 December 2026 | **85** | 25 |
| 16 March 2022[2] | **14 450 000** | – | **14 450 000** | – | 9.61 | **–** | – | 15 March 2026[3] | **2** | – |
| At 31 March | **34 023 389** | 20 747 888 | **33 620 425** | 19 870 425 | | **402 964** | 877 463 | | **88** | 25 |
| Average share price utilised to value the liability | | | | | | | | | **R12.04** | R6.50 |

*[1] As a result of the share price collapse due to COVID-19, the liability of the respective appreciation units were reduced to Rnil*

*[2] Relates to Tsogo Sun Gaming Limited only. All other appreciation units were issued pre the THL unbundling and therefore includes both businesses and both the share prices of Tsogo Sun Gaming Limited and THL are taken into consideration when valuing those liabilities*

*[3] The scheme rules were amended during the year under review. Appreciation units allocated from the 2022 financial year expire four years after grant date. All other terms and conditions remain unchanged*

The group recognised an expense of R63 million (31 March 2021: R25 million). The liability on the group's balance sheet at 31 March 2022 is R88 million, with no current portion (31 March 2021: R25 million, with no current portion).

## 36 PROVISIONS

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Provisions are made up as follows: | | |
| **At 1 April** | | |
| Long-service awards | **19** | 74 |
| Short-term incentives | **50** | 121 |
| Jackpot provisions | **2** | 2 |
| | **71** | 197 |
| **(Reversed)/created during the year** | | |
| Long-service awards (refer to note below) | **(7)** | (53) |
| Short-term incentives | **56** | (71) |
| | **49** | (124) |
| **Utilised during the year** | | |
| Long-service awards | **–** | (2) |
| Short-term incentives | **(28)** | – |
| | **(28)** | (2) |
| **At 31 March** | | |
| Long-service awards | **12** | 19 |
| Short-term incentives | **78** | 50 |
| Jackpot provisions | **2** | 2 |
| Total provisions | **92** | 71 |
| *Less:* Current portion | **(82)** | (63) |
| Non-current portion | **10** | 8 |

**Long-service awards**

The discontinuation of long service awards of the operations is still in process. This resulted in a credit to profit or loss of R8 million (2021: R54 million). 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.

## 37 OTHER NON-CURRENT LIABILITIES

| | 2022 Rm | 2021 Rm |
|---|---|---|
| *Financial instruments* | | |
| Capital creditors | **–** | 7 |
| Gross | **–** | 18 |
| *Less:* Current portion | **–** | (11) |
| *Non-financial instruments* | | |
| Share-based payment to non-controlling interests | ***** | 2 |
| Non-current portion | **–** | 9 |

* *Less than R1 million*

The group does not consider non-current liabilities significant and therefore no further disclosure is provided in this regard.

## 38 TRADE AND OTHER PAYABLES

| | 2022 Rm | 2021 Rm |
|---|---|---|
| *Financial instruments* | | |
| Trade and other payables | **686** | 839 |
| Trade payables | **120** | 104 |
| Capital creditors | **83** | 34 |
| Accrued expenses | **168** | 164 |
| Advance deposits | **13** | 7 |
| Derivative financial instruments current portion (note 34) | **–** | 43 |
| Deferred income (refer below) | **19** | 15 |
| Insurance claims payable[(1)] | **7** | 191 |
| Other payables[(2)] | **276** | 281 |
| *Non-financial instruments* | **275** | 229 |
| VAT payable | **65** | 54 |
| Leave pay liability | **44** | 44 |
| Payroll related payables | **46** | 41 |
| Gaming levies | **38** | 27 |
| Provisions current portion (note 36) | **82** | 63 |
| | **961** | 1 068 |
| **Deferred income** | | |
| The group accounts for its gaming customer reward programmes (gaming win) in terms of IFRS 9 *Financial Instruments* and is made up as follows: | | |
| **At 1 April** | **15** | 21 |
| Created during the year | **174** | 105 |
| Forfeitures during the year | **(9)** | (16) |
| Utilised during the year | **(161)** | (95) |
| **At 31 March** | **19** | 15 |

[(1)] *Reduction in insurance claims payable is mainly due to the settlement of the business interruption insurance claims by the group of R177 million – refer to note 43* Related party transactions

[(2)] *Other payables include unallocated deposits received, Smartcard gaming credits due to customers and other sundry payables*

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.

The expected timing of the recognition of deferred income is within one year (2021: one year) and is considered current.

## 39 ASSETS CLASSIFIED AS HELD FOR SALE

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Property, plant and equipment | **46** | 59 |

During the prior year, the directors undertook to dispose of identified non-core business properties owned by the group by way of sale. During the year under review, properties to the value of R11 million were transferred to property, plant and equipment due to a change in management's intention for these properties and properties to the value of R5 million were sold for proceeds of R16 million, realising a profit on sale of R11 million. The remaining properties have not been sold but continue to be actively marketed. Due to the economic climate, the market for the sale of the respective properties was subdued. It is still management's intention and expectation to dispose of these remaining properties during the next 12 months and hence the group's classification as assets held for sale is still appropriate. Furthermore, additional properties to the value of R2 million have been classified as held for sale during the current year.

## 40 CASH GENERATED FROM OPERATIONS

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Profit before tax from operations | **1 912** | 25 |
| *Adjusted for:* | | |
| Amortisation and depreciation | **783** | 844 |
| Finance income | **(26)** | (19) |
| Finance costs | **792** | 963 |
| Share of (profit)/loss of associates | **(2)** | 8 |
| Dividends received from investments in equity instruments designated at FVOCI | **(54)** | – |
| Proceeds from insurance claims for capital assets | **(20)** | – |
| Bad debts written off, net of recoveries | **11** | 12 |
| Expected credit loss allowances – trade and other receivables | **(11)** | 20 |
| Lease concessions | **(14)** | (67) |
| Long-term incentive expense | **63** | 25 |
| Loss/(gain) on lease modifications and terminations | **7** | (2) |
| Movement in provisions | **49** | (124) |
| Operating equipment usage | **35** | 26 |
| Share-based payment credit for non-controlling interests | **(3)** | (1) |
| Gain on disposal of property, plant and equipment | **(2)** | (30) |
| Gain on disposal of assets held for disposal | **(11)** | – |
| Impairment reversal of non-current assets | **(298)** | (129) |
| Impairment of non-current assets | **10** | 12 |
| Fair value adjustment on investment properties | **(10)** | 67 |
| Other non-cash moves and adjustments | **24** | (9) |
| **Cash generated from operations before working capital movements** | **3 235** | 1 621 |
| *Working capital movements* | | |
| Increase in inventories | **(15)** | (18) |
| Decrease in trade and other receivables[1] | **129** | 11 |
| (Decrease)/increase in payables and provisions[2] | **(164)** | 62 |
| **Cash generated from operations** | **3 185** | 1 676 |

[1] *Decrease in trade and other receivables is mainly due to the receipt of the business interruption reinsurance recoveries by the group of R174 million – refer to note 28* Trade and other receivables

[2] *Decrease in payables and provisions is mainly due to the settlement of the business interruption insurance claims by the group of R177 million – refer to note 38* Trade and other payables

## 41 INCOME TAX PAID

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Tax asset at 1 April | **67** | 39 |
| Current tax provided | **(340)** | (82) |
| Tax asset at 31 March | **(53)** | (67) |
| | **(326)** | (110) |

## 42 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

### 42.1 Changes in interest-bearing borrowings

Changes arising from interest-bearing borrowings for the year under review, excluding bank overdrafts from short-term borrowings of R72 million (2021: R58 million), are as follows:

| | Non-current Rm | Current Rm | Total Rm |
|---|---|---|---|
| **At 1 April 2021** | **10 300** | **949** | **11 249** |
| Borrowings repaid | **–** | **(1 170)** | **(1 170)** |
| Borrowings reclassification to current | **(2 900)** | **2 900** | **–** |
| Interest raised for the year | **–** | **585** | **585** |
| Interest paid during the year[(1)] | **–** | **(985)** | **(985)** |
| **At 31 March 2022** | **7 400** | **2 279** | **9 679** |
| **At 1 April 2020** | 11 200 | 530 | 11 730 |
| Borrowings raised | 600 | 50 | 650 |
| Borrowings repaid | (700) | (800) | (1 500) |
| Borrowings reclassification to current | (800) | 800 | – |
| Interest raised and capitalised[(2)] | – | 400 | 400 |
| Interest raised for the year[(2)] | – | 257 | 257 |
| Interest paid during the year[(2)] | – | (288) | (288) |
| **At 31 March 2021** | 10 300 | 949 | 11 249 |

[(1)] *Includes interest capitalised pursuant to the agreement reached with the lenders during the prior financial year of R400 million*
[(2)] *Disaggregated interest capitalised, raised and paid*

### 42.2 Changes in lease liabilities

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

| | Non-current Rm | Current Rm | Total Rm |
|---|---|---|---|
| **At 1 April 2021** | **266** | **40** | **306** |
| New leases raised | **56** | **5** | **61** |
| Lease finance costs – non-cash portion | **–** | **4** | **4** |
| Principal elements of lease payments | **(4)** | **(27)** | **(31)** |
| Remeasurement of leases | **(9)** | **24** | **15** |
| Termination of leases | **–** | **(4)** | **(4)** |
| Lease concessions practical expedient applied | **–** | **(14)** | **(14)** |
| Reclassification to current | **(14)** | **14** | **–** |
| **At 31 March 2022** | **295** | **42** | **337** |
| **At 1 April 2020** | 232 | 91 | 323 |
| New leases raised | 54 | 8 | 62 |
| Lease finance costs – non-cash portion | – | 16 | 16 |
| Acquisition of subsidiary | 4 | 2 | 6 |
| Principal elements of lease payments | (3) | (21) | (24) |
| Remeasurement of leases | 1 | 1 | 2 |
| Termination of leases | (3) | (9) | (12) |
| Lease concessions practical expedient applied | (1) | (66) | (67) |
| Reclassification to current | (18) | 18 | – |
| **At 31 March 2021** | 266 | 40 | 306 |

## 43 RELATED PARTIES

The company's ultimate controlling shareholder is Hosken Consolidated Investments Limited ("HCI") (a company listed on the JSE) which, at the balance sheet date, directly and indirectly owned 49.7% (2021: 49.7%) of the company's issued share capital. HCI directly owned 10.0% (2021: 10.0%) and is the majority shareholder of TIHC Investments (RF) Proprietary Limited ("TIHC") which directly owned 39.7% (2021: 39.7%). These percentage shareholdings exclude treasury shares.

HCI is a major shareholder of Tsogo Sun Hotels Limited ("THL"). All of the group's hotel properties, which are situated at certain of the casino precincts, are managed by THL which charges management fees and royalties to the group, together with administration fees. Also, after the unbundling of THL, certain departments were shared which resulted in additional management fees charge to and by THL.

The group operates a short-term insurance captive for its own account, and also underwrites short-term insurance for the THL group. The THL business is only covered to the extent of the run-off business remaining as, subsequent to the prior year end, THL and its subsidiaries exited the group's insurance captive for their insurance requirements. Claims payable to THL of R179 million were settled during the period under review, including the business interruption claims of R177 million which were recognised previously.

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 during the 2020 financial year. 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 4 000$m^2$ of office space at the Montecasino precinct, 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.

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 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.

| | **2022 Rm** | 2021 Rm |
|---|---|---|
| **43.1 Transactions with related parties** | | |
| Insurance premiums earned from THL | **10** | 30 |
| Insurance claims expense in respect of THL | **(2)** | (11) |
| Hotel management fees and royalties paid to THL | **(29)** | (10) |
| Management fees paid to THL for shared services | **(4)** | (5) |
| Fees paid to THL for administration services of hotels | **(15)** | (13) |
| Management fees charged to THL for shared services | **2** | 1 |
| Tenant recoveries charged to THL | **4** | 4 |
| Internal audit fees paid to GRiPP | **(15)** | (18) |
| Vehicles purchased from Muji | **(20)** | (10) |

| | **2022 Rm** | 2021 Rm |
|---|---|---|
| **43.2 Amounts owing to/by related parties** | | |
| Trading accounts net amount owing to THL | **(6)** | (12) |
| Insurance claims payable to THL | **(6)** | (191) |
| Unearned premiums received from THL | **–** | 10 |

## 43 RELATED PARTIES *continued*

### 43.3 Key management compensation

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

#### *43.3.1 Non-executive directors*

| | Directors' fees for the year ended 31 March | |
|---|---|---|
| | **2022 R'000** | 2021 R'000 |
| JA Copelyn | **693** | 809 |
| MSI Gani[(1)] | **–** | 259 |
| MJA Golding | **201** | 235 |
| BA Mabuza | **411** | 480 |
| F Mall[(2)] | **303** | 162 |
| VE Mphande | **237** | 253 |
| Y Shaik | **309** | 360 |
| RD Watson | **297** | 318 |
| | **2 451** | 2 876 |

[(1)] *Resigned as non-executive director 18 September 2020*
[(2)] *Appointed as non-executive director 18 September 2020*

#### *43.3.2 Executive directors*

| | Year ended 31 March 2022 | | | |
|---|---|---|---|---|
| | **Basic remuneration R'000** | **Benefits R'000** | **Short-term incentives R'000** | **Total paid R'000** |
| CG du Toit | **6 437** | **136** | **542** | **7 115** |
| G Lunga[(1)] | **1 442** | **77** | **250** | **1 769** |
| A Hoyer[(2)] | **1 615** | **56** | **–** | **1 671** |
| Total remuneration | **9 494** | **269** | **792** | **10 555** |

| | Year ended 31 March 2021 | | |
|---|---|---|---|
| | Basic remuneration R'000 | Benefits R'000 | Total paid R'000 |
| CG du Toit | 6 430 | 143 | 6 573 |
| A Hoyer[(2)] | 1 314 | 61 | 1 375 |
| RB Huddy[(3)] | 2 004 | 63 | 2 067 |
| Total remuneration | 9 748 | 267 | 10 015 |

[(1)] *Appointed as CFO and as executive director to the board of directors 1 October 2021, previously Financial Director – Casino Gaming*
[(2)] *Appointed as CFO and executive director 1 August 2020, resigned 30 September 2021*
[(3)] *Resigned as CFO and executive director 31 July 2020*

## 43 RELATED PARTIES *continued*

### 43.3 Key management compensation *continued*

#### *43.3.3 Other key management and prescribed officers*

| | Year ended 31 March 2022 | | | |
|---|---|---|---|---|
| | Basic remuneration R'000 | Benefits R'000 | Short-term incentives R'000 | Total paid R'000 |
| G Lunga[(1)] | **1 390** | **77** | **–** | **1 467** |
| B Mogiba[(2)] | **2 578** | **401** | **248** | **3 227** |
| S van Vuuren[(3)] | **1 372** | **–** | **117** | **1 489** |
| C Wannell[(4)] | **1 689** | **90** | **150** | **1 929** |
| Total remuneration | **7 029** | **568** | **515** | **8 112** |

| | Year ended 31 March 2021 | | |
|---|---|---|---|
| | Basic remuneration R'000 | Benefits R'000 | Total paid R'000 |
| G Lunga | 2 760 | 150 | 2 910 |
| B Mogiba | 3 046 | 164 | 3 210 |
| C Wannell | 1 664 | 86 | 1 750 |
| Total remuneration | 7 470 | 400 | 7 870 |

(1) *Appointed as CFO and as executive director to the board of directors 1 October 2021, previously Financial Director – Casino Gaming*
(2) *CEO – Vukani*
(3) *Appointed as Director of Human Resources and prescribed officer 1 April 2021*
(4) *Legal Manager and representative of the Company Secretary*

## 44 FUTURE CAPITAL EXPENDITURE

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Authorised by directors and contracted for: | | |
| Property, plant and equipment | **100** | 45 |
| Investment property | **20** | – |
| | **120** | 45 |

Also, the group has entered into agreements in order to acquire a 55% shareholding in a small gaming operator for an amount not exceeding R232 million. This transaction is still subject to fulfilment of certain conditions precedent which were not met as at the date of this report.

## 45 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 R107 million (2021: R107 million) for gambling board taxes and working capital. The group has also entered into various agreements with its bankers and respective utility boards, suppliers and municipalities whereby the bank has guaranteed agreed capital amounts not exceeding R25 million (2021: R26 million) for utility expenses. Landlord rental guarantees amounting to R9 million (2021: R6 million) have also been provided through bank guarantees.

# 46 FINANCIAL AND INSURANCE RISK MANAGEMENT

## 46.1 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 business. 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 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, management identifies, quantifies and evaluates the group's risks annually, utilising risk assessments. 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 three times a year. 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.

***(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*

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.

## 46 FINANCIAL AND INSURANCE RISK MANAGEMENT *continued*

### 46.1 Financial risk factors *continued*

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

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

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. Swaps of R3.5 billion have settlement dates coinciding 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. Swaps of R4.0 billion matured in June 2021.

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 2022, 36% (2021: 67%) of consolidated gross borrowings and 39% (2021: 70%) of consolidated net borrowings were in fixed rates taking into account interest rate swaps. 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. In line with policy, the group does not hedge 100% of borrowings, however, loans eligible for hedging are identified based on their profile, predominantly three to five-year term loan facilities with bullet repayments. Hedge instrument terms are matched to the interest and capital repayment profile for the hedged item in order to minimise ineffectiveness. 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).

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

| | **2022 Rm** | 2021 Rm |
|---|---|---|
| Carrying amount (liability) | **82** | 271 |
| Notional amount (note 34) | **3 500** | 7 500 |
| Maturity dates (note 34) | **31 May 2024** | Various |
| Hedge ratio | **36%** | 67% |
| (Decrease)/increase in the fair value of the outstanding hedging swap liability for the year | **(189)** | 41 |
| Weighted average hedged rate for the year | **7.14%** | 7.60% |

Fixed interest rate swaps ranged from 7.095% to 7.145% as at 31 March 2022 referenced against the three-month JIBAR of 4.367% (2021: fixed interest rate swaps ranged from 7.095% to 8.09% as at 31 March 2021 referenced against the three-month JIBAR of 3.675%).

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

| | **2022 Rm** | 2021 Rm |
|---|---|---|
| Linked to the Rand Overnight Deposit Index | **–** | 201 |
| Linked to one-month JIBAR | **–** | 300 |
| Linked to three-month JIBAR | **6 179** | 3 248 |
| | **6 179** | 3 749 |

## 46 FINANCIAL AND INSURANCE RISK MANAGEMENT *continued*

### 46.1 Financial risk factors *continued*

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

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

At 31 March the interest rate profile of the group's interest-bearing financial instruments, excluding the effect of interest rate swaps, bank overdrafts and lease liabilities is shown below. There were no fixed rate instruments.

| | Carrying amount | |
|---|---|---|
| | **2022 Rm** | 2021 Rm |
| Variable rate instruments | | |
| Financial assets | **–** | – |
| Financial liabilities | **9 679** | 11 249 |
| | **9 679** | 11 249 |

*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 R62 million (2021: R37 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 2021.

*(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 no pricing risk.

#### *(b) Credit risk*

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

The 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 financial institutions, as well as credit exposures to the group's reinsurers and customer base, including outstanding receivables.

For financial institutions, only group audit and risk committee approved parties are accepted (on behalf of the board), and reinsurers approved by the insurance captive's board (refer to note 46.3 for further details). The group has policies that limit the amount of credit exposure to any financial institution. The group limits its exposure to 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 financial institutions that the group deposits funds with are at least Ba2 and at least BB in respect of reinsurers.

Refer to note 28 *Trade and other receivables* for further credit risk analysis in respect of trade and other receivables.

## 46 FINANCIAL AND INSURANCE RISK MANAGEMENT *continued*

### 46.1 Financial risk factors *continued*

#### (c) *Liquidity risk*

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. Refer to note 3(b) *Going concern* for further details in respect of liquidity.

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 2022, the group had 23% (2021: 15%) 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 financial institutions, and are therefore excluded:

| | **2022 Rm** | 2021 Rm |
|---|---|---|
| Debt at 31 March | **(9 679)** | (11 249) |
| Credit facilities[1] | **12 502** | 13 172 |
| **Headroom available** | **2 823** | 1 923 |

[1] *Excludes indirect facilities (letters of guarantees), finance leases and bank overdrafts*

The group sources its funding from a syndicate of 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:

| | **2022 facility** | | | 2021 facility | | |
|---|---|---|---|---|---|---|
| | **Total Rm** | **Utilisation Rm** | **Available Rm** | Total Rm | Utilisation Rm | Available Rm |
| Demand facilities | **172** | **–** | **172** | 172 | – | 172 |
| 364-day notice facilities | **1 200** | **–** | **1 200** | 1 200 | 500 | 700 |
| Term facilities maturing 30 November 2022 | **2 230** | **2 230** | **–** | 2 900 | 2 900 | – |
| Term facilities maturing 31 March 2023 | **1 500** | **–** | **1 500** | 1 500 | – | 1 500 |
| Term facilities maturing 30 November 2023 | **2 950** | **2 950** | **–** | 2 950 | 2 950 | – |
| Term facilities maturing 30 November 2024 | **3 200** | **3 200** | **–** | 3 200 | 3 200 | – |
| Term facilities maturing 30 November 2025 | **600** | **600** | **–** | 600 | 600 | – |
| Term facilities maturing 30 November 2026 | **650** | **650** | **–** | 650 | 650 | – |
| Accrued interest | **–** | **49** | **(49)** | – | 449 | (449) |
| | **12 502** | **9 679** | **2 823** | 13 172 | 11 249 | 1 923 |

## 46 FINANCIAL AND INSURANCE RISK MANAGEMENT *continued*

### 46.1 Financial risk factors *continued*

#### *(c) Liquidity risk continued*

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 2022** | | | | |
| Bank borrowings | **1 474** | **1 196** | **1 949** | **–** |
| Corporate bonds | **1 250** | **2 124** | **2 787** | **–** |
| Lease liabilities | **72** | **64** | **148** | **220** |
| Bank overdrafts | **72** | **–** | **–** | **–** |
| Derivative financial instruments | **68** | **16** | **1** | **–** |
| Trade and other payables | **686** | **–** | **–** | **–** |
| | **3 622** | **3 400** | **4 885** | **220** |

| | Less than 1 year Rm | Between 1 and 2 years Rm | Between 2 and 5 years Rm | Over 5 years Rm |
|---|---|---|---|---|
| **At 31 March 2021** | | | | |
| Bank borrowings | 750 | 1 854 | 2 442 | 674 |
| Corporate bonds | 317 | 1 524 | 4 875 | – |
| Lease liabilities | 69 | 103 | 122 | 174 |
| Bank overdrafts | 58 | – | – | – |
| Derivative financial instruments | 170 | 79 | 53 | – |
| Other non-current liabilities | 11 | 7 | – | – |
| Trade and other payables | 785 | – | – | – |
| | 2 160 | 3 567 | 7 492 | 848 |

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.

## 46 FINANCIAL AND INSURANCE RISK MANAGEMENT *continued*

### 46.2 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 2022** | | | | | | | | |
| *Financial assets* | | | | | | | | |
| Financial assets at FVOCI | **–** | **814** | **–** | **–** | **–** | **814** | **814** | **–** |
| Non-current receivables | **50** | **–** | **–** | **–** | **–** | **50** | **50** | **–** |
| Trade and other receivables | **297** | **–** | **–** | **–** | **95** | **392** | **–** | **392** |
| Cash and cash equivalents | **852** | **–** | **–** | **–** | **–** | **852** | **–** | **852** |
| *Financial liabilities* | | | | | | | | |
| Interest-bearing borrowings | **–** | **–** | **–** | **9 751** | **–** | **9 751** | **7 400** | **2 351** |
| Lease liabilities | **–** | **–** | **–** | **337** | **–** | **337** | **295** | **42** |
| Derivative financial instruments | **–** | **–** | **82** | **–** | **–** | **82** | **82** | **–** |
| Trade and other payables | **–** | **–** | **–** | **679** | **275** | **954** | **–** | **954** |
| Insurance claims payable[1] | **–** | **–** | **–** | **7** | **–** | **7** | **–** | **7** |

| | 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 2021** | | | | | | | | |
| *Financial assets* | | | | | | | | |
| Financial assets at FVOCI | – | 675 | – | – | – | 675 | 675 | – |
| Non-current receivables | 52 | – | – | – | – | 52 | 52 | – |
| Trade and other receivables | 427 | – | – | – | 104 | 531 | – | 531 |
| Cash and cash equivalents | 516 | – | – | – | – | 516 | – | 516 |
| *Financial liabilities* | | | | | | | | |
| Interest-bearing borrowings | – | – | – | 11 307 | – | 11 307 | 10 300 | 1 007 |
| Lease liabilities | – | – | – | 306 | – | 306 | 266 | 40 |
| Derivative financial instruments | – | – | 228 | – | – | 228 | 228 | – |
| Other non-current liabilities | – | – | – | 7 | 2 | 9 | 9 | – |
| Trade and other payables | – | – | 43 | 605 | 229 | 877 | – | 877 |
| Insurance claims payable[1] | – | – | – | 191 | – | 191 | – | 191 |

[1] *Not in the scope of IFRS 9* Financial Instruments *but accounted for in terms of IFRS 4* Insurance Contracts

## 46 FINANCIAL AND INSURANCE RISK MANAGEMENT *continued*

### 46.3 Insurance and reinsurance risk

Insurance risk arises from fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations, including inaccurate pricing of risks when underwritten or other risk transfer techniques and inadequate reserves.

Underwriting risk results from fluctuations in the timing, frequency and severity of insured events. It includes the risk that premium provisions turn out to be insufficient to compensate expected future claims, that the claims provisions raised for both reported and unreported claims are inadequate as well as the risk resulting from the volatility of expense payments.

Reinsurance risk is the risk of loss due to either insufficient or inappropriately structured reinsurance cover relative to the group's risk management strategy and objectives. It also includes the risk that the reinsurance programme is inappropriately administered. The group obtains third-party reinsurance cover to reduce risks from single events or accumulations of risk that could have a significant impact on the current year's earnings or the group's insurance subsidiary's ("Tsogosure"), capital adequacy requirements (refer to note 47).

Tsogosure writes property damage and business interruption, commercial crime, group personal accident and peripheral liability business for its own account and up to 31 July 2021, for that of THL and its subsidiaries, related parties of the group (refer to note 43). The THL group's business is only covered to the extent of the run-off business remaining as they exited the group's insurance captive for their insurance requirements.

The group manages its insurance risk through regular board meetings, where the group's exposures are reviewed and the insurance risks assessed. The group's insurance company is managed by independent insurance managers and has appointed third-party brokers who act as claims handlers, all of which review the claims data on a regular basis. The board of Tsogosure is provided with management accounts, solvency calculation and underwriting charts at each board meeting for their review.

***Effect of COVID-19***

The board has considered the impact on the insurance company of the COVID-19 pandemic and does not consider there to be any significant risks in terms of Tsogosure's ability to trade. In considering the impact of COVID-19 losses, the board was aware of Tsogosure's level of liquidity and its solvency margin and was satisfied that Tsogosure remains adequately capitalised.

## 46 FINANCIAL AND INSURANCE RISK MANAGEMENT *continued*

### 46.3 Insurance and reinsurance risk *continued*

***Insurance liabilities***

Reconciliations of insurance liabilities and reinsurance assets are as follows:

| | 2022 Gross[1] Rm | 2022 Reinsurance recoveries[2] Rm | 2022 Net Rm | 2021 Gross[1] Rm | 2021 Reinsurance recoveries[2] Rm | 2021 Net Rm |
|---|---|---|---|---|---|---|
| Notified claims | **183** | **(183)** | **–** | 185 | (183) | 2 |
| Unexpired risk reserve | **8** | **–** | **8** | 5 | – | 5 |
| Incurred but not reported | **–** | **–** | **–** | 1 | – | 1 |
| Total at beginning of the year | **191** | **(183)** | **8** | 191 | (183) | 8 |
| Cash paid for claims settled in the year | **(185)** | **174** | **(11)** | (14) | 12 | (2) |
| Increase/(decrease) in liabilities | | | | | | |
| – arising from current year claims | **–** | **–** | **–** | 11 | (1) | 10 |
| – arising from prior year claims | **1** | **(1)** | **–** | 3 | (11) | (8) |
| Total at end of the year | **7** | **(10)** | **(3)** | 191 | (183) | 8 |
| Notified claims | **6** | **(10)** | **(4)** | 183 | (183) | – |
| Unexpired risk reserve | **–** | **–** | **–** | 8 | – | 8 |
| Incurred but not reported | **1** | **–** | **1** | – | – | – |
| Total at end of the year | **7** | **(10)** | **(3)** | 191 | (183) | 8 |

[1] *Refer to note 38* Trade and other payables
[2] *Refer to note 28* Trade and other receivables

The significant movement in gross claims and reinsurance recoveries is mainly due to the settlement of the business interruption claims as a result of COVID-19.

## 47 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 financial institutions and corporate bonds and net debt represents gross debt net of all cash reserves. Debt funding excludes lease liabilities.

As a class 12 licence holder under Isle of Man Insurance Regulations, Tsogosure is required to maintain shareholders' funds in excess of £50 000 together with 10% of net written premium up to £2 million and 5% of net written premium in excess of £2 million. Tsogosure considers this, together with a calculation of capital adequacy, on a regular basis. During the period Tsogosure complied with all externally imposed requirements. Tsogosure held funds of R52 million (2021: R42 million) in excess of the regulatory minimum solvency margin at the reporting date.

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 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. 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.

The board seeks to maintain a balance of the higher returns that might be possible with optimal levels of net interest-bearing debt and unutilised headroom 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 adjusted EBITDA and interest cover. 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 notes 32 and 46.1(c).

Under the terms of the borrowing facilities, the group is required to comply with the following financial covenants:

- Adjusted EBITDA covers net interest by at least 3.0 times;
- Net debt:adjusted EBITDA required to be less than 3.0 times; and
- Loan to value of less than 40% for interim reporting (waived by the lenders for the year under review).

## 47 CAPITAL RISK MANAGEMENT *continued*

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 CODM on a quarterly basis. Apart from the external debt borrowing covenants and the insurance regulations, the group is not subject to externally imposed capital requirements.

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Total borrowings (note 32) | **9 751** | 11 307 |
| *Less:* Cash and cash equivalents (note 29) | **(852)** | (516) |
| Guarantees by the group's bankers (note 45) | **141** | 139 |
| Net debt, including guarantees | **9 040** | 10 930 |
| Adjusted EBITDA (refer note below) | **3 122** | * |
| Net debt:Adjusted EBITDA (times) | **2.89** | * |

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Adjusted EBITDA is made up as follows: | | |
| EBITDA (per note 5) | **3 128** | * |
| Adjust for: | | |
| IFRS 16 depreciation (note 12) | **(52)** | * |
| IFRS 16 finance costs (note 16) | **(31)** | * |
| Long-term incentive and restructure costs (included in notes 10 and 11) | **77** | * |
| Adjusted EBITDA per lender covenant calculation | **3 122** | * |

* *Waived by the lenders for 31 March 2021*

## 48 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 34):

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Derivative financial instruments – interest rate swaps liability | **82** | 271 |

**Financial instruments and investment property in level 3**

The level 3 basis of fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date assuming buyers and sellers in the principal market for the asset have all of the following characteristics:

- They are independent of each other;
- They are knowledgeable, having a reasonable understanding about the asset and the transaction using all available information, including information that might be obtained through due diligence efforts that are usual and customary;
- They are able to enter into a transaction for the asset or liability; and
- They are willing to enter into a transaction for the asset.

## 48 FAIR VALUE ESTIMATION OF FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY *continued*

**Financial instruments and investment property in level 3** *continued*

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

| | 2022 Rm | 2021 Rm |
|---|---|---|
| Equity instruments at FVOCI (note 24) | **814** | 675 |
| Investment properties (note 20) | **374** | 350 |
| | **1 188** | 1 025 |

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.

## 49 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:

| | 2022 Rm | 2021 Rm |
|---|---|---|
| *Current bank accounts* | | |
| Gross bank balances | **716** | 371 |
| Gross bank overdrafts | **(72)** | (58) |
| Net bank balance if offset | **644** | 313 |

## 50 EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any matters or circumstances arising since the end of the reporting period, not otherwise dealt with within these consolidated financial statements that would affect the operations or results of the group significantly, other than as mentioned below:

Subject to certain conditions precedent, Tsogo Sun Gaming and its subsidiaries concluded a separation agreement with regards to the termination of the management of 15 of its hotels by THL for a cost of R399 million, and the disposal of its remaining two hotels to the Hospitality Property Fund (a subsidiary of THL) for a total consideration of R142 million (carrying value R57 million). In terms of the separation agreement, the respective management and licence agreements may be cancelled on a month's notice and these hotels will accordingly be incorporated into the group's own management and operational structure. These transactions are considered related party transactions with the company's ultimate controlling shareholder being HCI, and HCI also being a major shareholder of THL. The agreements, which were concluded in May 2022, are considered non-adjusting events in terms of IAS 10 *Events after the Reporting Period*.

## 51 RUSSIA/UKRAINE CONFLICT

The ongoing Russia/Ukraine conflict causes volatility in commodity prices (in particular, the cost of fuel) and impacts on the global supply chain. Although the group does not have direct exposure to either country, these negative influences on global economies may impact disposable income in SA.

## 52 SUBSIDIARIES HAVING MATERIAL NON-CONTROLLING INTERESTS

The total non-controlling interests' share of profit for the year and accumulated non-controlling interests, all having their place of business being in SA, are allocated as follows:

| | Ownership as at 31 March | | Share of profit for the year 31 March | | Accumulated non-controlling interests as at 31 March | |
|---|---|---|---|---|---|---|
| | 2022 % | 2021 % | 2022 Rm | 2021 Rm | 2022 Rm | 2021 Rm |
| Tsogo Sun Emonti Proprietary Limited | **35** | 35 | **8** | – | **147** | 140 |
| Galaxy non-controlling interests | **Various** | Various | **9** | 2 | **(18)** | (14) |
| Vukani non-controlling interests | **Various** | Various | **19** | 9 | **13** | 2 |
| Other non-controlling interests | **Various** | Various | **(7)** | (4) | **(22)** | (15) |
| | | | **29** | 7 | **120** | 113 |

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

| | Tsogo Sun Emonti Proprietary Limited | |
|---|---|---|
| | 2022 Rm | 2021 Rm |
| **Summarised balance sheets as at 31 March** | | |
| Non-current assets | **305** | 330 |
| Current assets | **188** | 134 |
| Total assets | **493** | 464 |
| Non-current liabilities | **43** | 44 |
| Current liabilities | **29** | 22 |
| Total liabilities | **72** | 66 |
| Net assets | **421** | 398 |
| **Summarised income statements for the year ended 31 March** | | |
| Revenue | **204** | 130 |
| Profit before income tax | **30** | 2 |
| Income tax expense | **(9)** | (2) |
| Total comprehensive income | **21** | – |
| Dividends paid to non-controlling interests | **1** | 2 |
| **Summarised cash flows for the year ended 31 March** | | |
| Cash generated from operations | **56** | 23 |
| Interest received | **6** | 5 |
| Income tax paid | **(10)** | – |
| Dividends paid | **(2)** | (6) |
| Net cash generated from operations | **50** | 22 |
| Net cash utilised for investment activities | **(48)** | (17) |
| Net cash utilised for financing activities | **(1)** | – |
| Net increase in cash and cash equivalents | **1** | 5 |
| Cash and cash equivalents at beginning of the year | **9** | 4 |
| Cash and cash equivalents at end of the year | **10** | 9 |

## 53 SUBSIDIARY COMPANIES

The following are the company's principal subsidiaries in which it has interests, both directly and indirectly. 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**

***Direct shareholding:***

- Akani Egoli Management Proprietary Limited
- Akani Egoli Proprietary Limited
- Akani Msunduzi Proprietary Limited
- Akani Msunduzi Management Proprietary Limited
- Garden Route Casino Proprietary Limited
- Gold Reef Management Proprietary Limited
- Goldfields Casino and Entertainment Centre Proprietary Limited
- Silverstar Casino Proprietary Limited
- Tsogo Sun Alternative Gaming Investments Proprietary Limited
- Tsogo Sun Hotels, Gaming and Entertainment Proprietary Limited
- West Coast Leisure Proprietary Limited

***Indirect shareholding:***

- Galaxy Gaming and Entertainment Proprietary Limited
- Tsogo Sun Gaming Investments Proprietary Limited
- Tsogo Sun Proprietary Limited
- Vukani Gaming Corporation Proprietary Limited

The group comprises a large number of companies. The list above only includes those subsidiary undertakings which materially affect the profit or loss 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 SA. 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 2022

| | Number of shareholders | % | Number of shares | % |
|---|---|---|---|---|
| **Portfolio size** | | | | |
| Range | | | | |
| 1 – 1 000 | 13 994 | 83.40 | 1 433 300 | 0.14 |
| 1 001 – 5 000 | 1 443 | 8.60 | 3 542 436 | 0.34 |
| 5 001 – 10 000 | 362 | 2.16 | 2 793 963 | 0.27 |
| 10 001 – 50 000 | 453 | 2.70 | 11 130 025 | 1.06 |
| 50 001 – 100 000 | 127 | 0.76 | 9 076 445 | 0.86 |
| 100 001 – and more | 400 | 2.38 | 1 022 212 131 | 97.33 |
| | 16 779 | 100.00 | 1 050 188 300 | 100.00 |
| **Shareholder spread** | | | | |
| Public | 16 774 | 99.96 | 506 578 884 | 48.25 |
| Individuals | 15 862 | 94.52 | 15 286 093 | 1.46 |
| Banks and insurance companies | 52 | 0.31 | 27 213 733 | 2.59 |
| Pension funds and medical aid societies | 206 | 1.23 | 62 962 657 | 6.00 |
| Collective investment schemes and mutual funds | 110 | 0.66 | 195 787 008 | 18.64 |
| Other corporate bodies | 544 | 3.24 | 205 329 393 | 19.56 |
| Non-public | 5 | 0.04 | 543 609 416 | 51.75 |
| Directors[1] | 2 | 0.01 | 23 059 454 | 2.19 |
| Gold Reef Share Scheme[2] | 1 | 0.01 | 435 558 | 0.04 |
| Controlling entity of controlling shareholder | 1 | 0.01 | 104 932 377 | 9.99 |
| Controlling shareholder (10% of issued share capital or more) | 1 | 0.01 | 415 182 027 | 39.53 |
| | 16 779 | 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 | | | 54 193 540 | 5.16 |
| SBSA ITF MANDG SA Equity Fund | | | 43 651 682 | 4.16 |
| Steyn Capital SNN Retail Hedge Fund | | | 33 777 995 | 3.22 |
| Alexander Forbes Investments | | | 32 535 766 | 3.10 |
| Standard Chartered Bank as trustee | | | 31 288 513 | 2.98 |
| Aylett Equity Prescient Fund | | | 21 554 637 | 2.05 |
| SBSA ITF PSG Flexible Fund | | | 18 947 126 | 1.80 |
| Geomer Investments Proprietary Limited | | | 15 872 978 | 1.51 |
| JPMC-Vanguard BBH Lending Account | | | 11 828 542 | 1.13 |

(1) *At 31 March 2022 6 946 560 shares were indirectly held (2021: 6 946 560 shares indirectly held) by JA Copelyn, Non-executive Director and Chairperson and 16 112 894 shares indirectly held (2021: 16 112 894 shares indirectly held) by MJA Golding, Non-executive Director. There has been no other change to directors' shareholdings between the balance sheet date and the date of these consolidated financial statements*

(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[1] |
| • Treasury shares allocated as part of the executive facility – refer to note 35.1 in the consolidated financial statements | 3 650 485 |
| | 4 086 043 |

(1) *In accordance with the Listings Requirements of the JSE, the votes on these shares will not be taken into account for the purposes of adoption of the resolutions proposed at the company's annual general meeting*

# Glossary

| | |
|---|---|
| AGM | Annual general meeting |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| CGU | Cash-generating unit |
| CODM | Chief operating decision maker |
| EBITDA | Earnings before interest, tax, depreciation and amortisation and exceptional items |
| EBITDA margin | This is calculated by expressing EBITDA as a percentage of revenue |
| Gold Reef | Gold Reef Resorts Limited |
| FVOCI | Fair value through other comprehensive income |
| HCI | Hosken Consolidated Investments Limited |
| IAS | International Accounting Standards |
| IASB | International Accounting Standards Board |
| 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 |
| pp | Percentage points |
| 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 |
| SI | Sun International Limited |
| SunWest | SunWest International Proprietary Limited |
| the Act | The Companies Act of South Africa, 71 of 2008, as amended |
| the board | The board of directors of Tsogo Sun Gaming Limited |
| the group | Tsogo Sun Gaming Limited and its subsidiaries and associates |
| THL | Tsogo Sun Hotels 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 |

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