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# Historical financial information of the THL group for the three years ended 31 March 2019

## INTRODUCTION

The definitions in the Definitions section commencing on page 10 of the Pre-listing Statement (available at: https://www.tsogosun.com/investors/circulars/2019) have been used throughout this Historical Financial Information.

The Directors of THL are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements for THL and related information. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board in issue and effective for THL at 31 March 2019 and the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and the JSE Listings Requirements as well as the Companies Act.

The Historical Financial Information is prepared by and is the responsibility of the THL Board.

#### **COMMENTARY**

## 2019 OVERVIEW

Trading for the year ended 31 March 2019 was impacted by the continued pressure on the consumer due to the macro-economic environment. The improved sentiment arising from the positive political developments has not translated into a significant improvement in trading and no change is expected before there is more certainty following the elections earlier in the month. Trading has remained volatile and, while remaining weak on the prior year, reflected good growth during the period post the winter months. In the low-revenue growth environment cost control remained a priority during the year.

In terms of the Group's continued growth strategy R445 million was spent during the year, including:

- the completion of a US\$16 million 125 room StayEasy in Maputo, Mozambique, which opened during April 2018. R52 million was spent during the year;
- the Group invested R411 million on replacement capex, including major hotel refurbishments, ensuring our assets remain best in class.

Total revenue for the year of R4.4 billion ended 1% above the prior year with a 2% growth in both rooms revenue and food and beverage revenue, and assisted by a 9% growth in management fees, offset by a 14% reduction in property rental income on the third party managed hotels in Hospitality Property Fund Limited.

EBITDAR at R1.5 billion for the year was 6% down on the prior year. The EBITDAR margin of 34.0% is 2.4 pp down on the prior year due to the impact of the weak revenue growth net of cost savings.

Overall hotel industry occupancies in South Africa have reduced to 62.4% (2018: 64.2%) for the year. Occupancies in Cape Town have remained weak as a result of the impact of the water shortage and additional supply.

Trading for the South African hotels for the year recorded system-wide revenue per available room ("RevPar") 1pp up on the prior year due to a 2% increase in average room rates to R1 092, offset by a reduction in occupancy on the prior year to 63.5% (2018: 64.7%).

Overall revenue for the South African hotels division was flat on the prior year at R3.8 billion assisted by the inclusion of the opening of the SunSquare and StayEasy City Bowl hotels on 1 September 2017. EBITDAR decreased by 8% on the prior year to R1.3 billion at a margin of 35.6% (2018: 38.7%).

The Offshore division of hotels achieved total revenue of R605 million which increased 7% on the prior year, impacted by 4% due to the opening of the StayEasy Maputo hotel during April 2018. This was further favourably impacted by the weakening of the Rand against the US Dollar. EBITDAR (pre-foreign exchange gains/losses) increased by 16% to R138 million. Foreign exchange gains of R6 million (2018: R1 million) were incurred on the translation of offshore monetary items, principally between local country currencies and the US Dollar.

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

For the year ended 31 March	2019	2018
Occupancy (%)	60.6	62.5
Average room rate (R)	1 064	1 043
RevPar (R)	645	652
Rooms available ('000)	4 239	4 123
Rooms sold ('000)	2 568	2 576
Rooms revenue (Rm)	2 732	2 687

Operating expenses including employee costs, but excluding exceptional items and long-term incentives, increased by 4% on the prior year due to non-organic growth in the business as a result of acquisitions and expansions, offset by savings initiatives. Non-organic represents all new business operations commencing during the current and prior year.

Property rentals at R208 million are 10% up on the prior year mainly due to the opening of the SunSquare and StayEasy Cape Town City Bowl hotels on 1 September 2017.

Amortisation and depreciation at R306 million is 14% up on the prior year due mainly to the capital spend during the current and prior years, including the StayEasy in Maputo, Mozambique, which opened during April 2018.

The long-term incentive charge on the cash-settled incentive scheme of R3 million values the liability (including dividend adjustments) by reference to the Company's share price which is adjusted for management's best estimate of the appreciation units expected to vest and future performance of the Group. A share price of R23.50 was used to value the liability at 31 March 2019.

Exceptional losses for the year of R581 million relate to fair value losses on the revaluation of investment properties of R445 million, mainly related to the non-Tsogo leased hotels in HPF, plant and equipment disposals and impairments of R96 million, mainly related to Southern Sun Ikoyi and Garden Court Nelson Mandela Boulevard, transaction costs of R32 million, restructure costs of R8 million and preopening costs of R1 million, offset by interest rate swap fair value adjustments of R2 million.

Net finance costs of R417 million are 13% below the prior year due to the decrease in debt resulting from the transfer during the year of R2.2 billion debt from the hotel division to the gaming division.

The share of profit of associates and joint ventures of R15 million decreased by R40 million on the prior year mainly due to the Group's share of the reversal of the deferred tax asset on an assessed loss which expired during the year at Maia of R25 million and losses on the revaluation of investment property in the current year compared to gains in the prior year in International Hotel Properties Limited of R10 million, offset by termination fees received in RBH Hotel Group Limited on cancelled contracts.

The effective tax rate, which excludes the Group's share of profit of associates and joint ventures, for the year of 278% is impacted by pre-tax profits attributable to the HPF non-controlling interests due to its real estate investment trust ("**REIT**") tax status, offset by the non-deductible fair value losses on investment property referred to above and non-deductible expenditure.

The loss after tax is R80 million compared to a prior year profit of R660 million.

## 2018 OVERVIEW

Trading for the year ended 31 March 2018 was impacted by the continued pressure on the consumer due to the macro-economic environment, extremely weak sentiment and political uncertainty. The trading results were assisted by the acquisition of two hotel businesses from the Liberty Group ("Liberty") and Hospitality Property Fund Limited ("HPF") in the prior year. The potential impact of the positive political developments have resulted in improved sentiment which has not yet translated into a significant improvement in trading, although trading in the second half was better than in the first half of the year. In the low-revenue growth environment cost control remained a significant focus during the year.

In terms of the Group's continued growth strategy R728 million was spent during the year, including:

- the acquisition by HPF of various sections and exclusive use areas of the Sandton Eye sectional title scheme from Savana Property Proprietary Limited and an existing real right of extension in the scheme from Sandton Isle Investments Proprietary Limited for R302 million;
- the development of a US\$16 million 125 room StayEasy in Maputo, Mozambique, which opened during April 2018. R145 million was spent during the year:
- the opening of a new 504 room SunSquare and StayEasy branded leased hotel in the Cape Town City Bowl during August 2017. The spend on furniture and fittings was R34 million during the year; and
- the Group invested R434 million on replacement capex group-wide, including major hotel refurbishments, ensuring our assets remain best in class.

Total revenue for the year of R4.4 billion ended 5% above the prior year with a 3% growth in rooms revenue and a 8% increase in food and beverage revenue, and strong growth in property rental income partially offset by a decline in management fees.

EBITDAR at R1.6 billion for the year was 8% up on the prior year. The EBITDAR margin of 36.4% is 1.0 pp up on the prior year.

Overall hotel industry occupancies in South Africa have reduced to 64.2% (2017: 65.2%) for the year. Occupancies in Cape Town have weakened, particularly during the last quarter of the 2018 financial year as a result of the impact of the water crisis.

Trading for the Group's South African hotels for the year recorded system-wide RevPar flat on the prior year due to flat average room rates at R1 066, with occupancies slightly up on the prior year at 64.7% (2017: 64.3%).

Overall revenue for the South African hotels division increased 8% on the prior year to R3.8 billion assisted by the inclusion of the Garden Court Umhlanga and the StayEasy Pietermaritzburg from October 2016, the consolidation of HPF from September 2016 and the opening of the SunSquare and StayEasy City Bowl hotels on 1 September 2017. EBITDAR increased by 8% on the prior year to R1.5 billion at a margin of 38.7% (2017: 38.7%).

The Offshore division of hotels achieved total revenue of R565 million which was 11% down on the prior year impacted by tough local economic environments due mainly to the reduction in commodity prices impacting the local economies negatively. This was further adversely impacted by the strengthening of the Rand against the US Dollar. EBITDAR (pre-foreign exchange gains/losses) decreased by 18% to R119 million. Foreign exchange gains of R1 million (2017: R38 million loss) were incurred on the translation of offshore monetary items, principally between local country currencies and the US Dollar.

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

For the year ended 31 March	2018	2017
Occupancy (%)	62.5	62.1
Average room rate (R)	1 043	1 064
RevPar (R)	652	661
Rooms available ('000)	4 123	3 938
Rooms sold ('000)	2 576	2 447
Rooms revenue (Rm)	2 687	2 604

Operating expenses including employee costs, but excluding exceptional items and long-term incentives, increased by 4% on the prior year due to non-organic growth in the business as a result of acquisitions and expansions, offset by savings initiatives. Non-organic represents all new business operations commencing during the current and prior year.

Property rentals at R189 million are 12% up on the prior year mainly due to the opening of the SunSquare and StayEasy Cape Town City Bowl hotels on 1 September 2017, offset by the renegotiation of the Southern Sun Nairobi lease.

Amortisation and depreciation at R270 million is 9% up on the prior year due mainly to the capital spend during the current and prior years.

The long-term incentive credit on the cash-settled incentive scheme of R7 million values the liability (including dividend adjustments) by reference to the holding Company's share price which is adjusted for management's best estimate of the appreciation units expected to vest and future performance of the overall Tsogo Sun Group. A share price of R25.50 was used to value the liability at 31 March 2018.

Exceptional losses for the year of R240 million relate to fair value losses on the revaluation of investment properties of R187 million, mainly related to the non-Tsogo leased hotels in HPF, preopening costs of R20 million, transaction costs of R13 million, restructure costs of R19 million and interest rate swap fair value adjustments of R1 million.

Net finance costs of R480 million are 20% above the prior year due to the increase in debt to fund the growth strategy.

The share of profit of associates and joint ventures of R55 million improved by R23 million on the prior year mainly due to earnings, including the Group's share of exceptional gains of R15 million, from International Hotel Properties Limited and RBH Hotel Group Limited, the Group's European hotel investments.

The effective tax rate, which excludes the Group's share of profit of associates and joint ventures, for the year of 45% is impacted by the release of deferred tax liabilities of R307 million on the disposal of assets to HPF, tax exempt dividend income, pre-tax profits attributable to the HPF non-controlling interests due to its REIT tax status, offset by the non-deductible fair value losses on investment property referred to above and non-deductible expenditure.

The profit after tax is R661 million compared to a prior year profit of R1.4 billion.

#### 2017 OVERVIEW

Trading for the year ended 31 March 2017 was impacted by various expansionary projects, including the acquisition of two hotel businesses from the Liberty Group ("Liberty") and through the acquisition of HPF, offset to some extent by a weak trading performance in Africa, particularly in Nigeria.

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

- the acquisition of two previously managed hotels from Liberty by The Cullinan Hotel Proprietary Limited ("Cullinan"), being the Garden Court Umhlanga and the StayEasy Pietermaritzburg for R310 million effective 1 October 2016, bringing the number of hotels and rooms in Cullinan to 10 and 2 263 respectively. This was followed by the acquisition of the 40% shareholding Liberty had in Cullinan, including all shareholders' loans owing to Liberty for R1.0 billion effective 1 December 2016;
- the acquisition of a 50.6% controlling stake in HPF through conversion of the 78 million HPF B-linked units to a single class of share and the injection of 10 owned hotels on an asset for share basis; and
- the Group invested R582 million on replacement capex group-wide, including major hotel refurbishments, ensuring our assets remain best in class.

Total revenue for the year of R4.1 billion ended 21% above the prior year mainly as a result of the inclusion of HPF.

EBITDAR at R1.5 billion for the year was 35% up on the prior year. The EBITDAR margin of 35.3% is 3.7 pp up on the prior year.

The hotel industry in South Africa continues to experience a recovery from the dual impact of depressed demand and oversupply. Overall industry occupancies have improved to 65.2% (2016: 63.8%) for the year. Trading for the Group's South African hotels for the year recorded a system-wide RevPar growth of 6% on the prior year due mainly to an increase in average room rates by 5% to R1 067, with occupancies above the prior period at 64.3% (2016: 63.5%).

Overall revenue for the South African hotels division was assisted by the inclusion of the Holiday Inn Sandton and Crowne Plaza Rosebank hotel businesses from March 2016, the Garden Court Umhlanga and the StayEasy Pietermaritzburg from October 2016, the consolidation of HPF from September 2016 and the closure of the Riverside Sun and Sabi River Sun hotels for refurbishment during the prior year.

The Offshore division of hotels achieved total revenue of R634 million which was 8% down on the prior year, impacted by tough local economic environments due mainly to the reduction in commodity prices impacting the local economies negatively. This was further adversely impacted by the strengthening of the Rand against both the US Dollar and the Euro. EBITDAR (pre-foreign exchange losses) decreased by 24% to R146 million. Foreign exchange losses of R38 million (2016: R23 million) were incurred on the translation of offshore monetary items, principally between local country currencies and the US Dollar.

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

For the year ended 31 March	2017	2016
Occupancy (%)	62.1	61.1
Average room rate (R)	1 064	1 036
RevPar (R)	661	633
Rooms available ('000)	3 938	3 666
Rooms sold ('000)	2 447	2 238
Rooms revenue (Rm)	2 604	2 319

Operating expenses including employee costs, but excluding exceptional items and long-term incentives, increased by 14% on the prior year due to non-organic growth in the business as a result of acquisitions and expansions. Non-organic represents all new business operations commencing during the current and prior year.

Property rentals at R169 million are 14% up on the prior year mainly due to due to the acquisition of the Holiday Inn Sandton and Crowne Plaza Rosebank hotel businesses in March 2016, with this rental eliminating on consolidation of HPF from 1 September 2016

Amortisation and depreciation at R248 million is 2% up on the prior year due mainly to the capital spend during the current and prior years.

The long-term incentive charge on the cash-settled incentive scheme of R34 million values the liability (including dividend adjustments) by reference to the holding company's share price which is adjusted for management's best estimate of the appreciation units expected to vest and future performance of the overall Tsogo Sun Group.

Exceptional gains for the year of R788 million relate to fair value gains on the revaluation of investment properties of R754 million, mainly related to the non-Tsogo leased hotels in HPF, the release of a fair value reserve for the available-for-sale HPF investment of

R46 million, profit on sale of investment properties of R36 million related to the Inn on the Square disposed of by HPF, gains on bargain purchases of R82 million, partially offset by transaction costs of R22 million, restructure costs of R11 million, property, plant and equipment disposals and impairments and loan impairments of R91 million, including an impairment of the Southern Sun Ikoyi of R75 million due to tough local economic environments as mentioned above and interest rate swap fair value adjustments of R6 million.

Net finance costs of R398 million are 26% above the prior year due to the increase in debt to fund the growth strategy.

The share of profit of associates and joint ventures of R32 million improved by R10 million on the prior year mainly due to earnings, including the Group's share of exceptional gains of R9 million, from International Hotel Properties Limited and Redefine BDL, the Group's European hotel investments.

The effective tax rate, which excludes the Group's share of profit of associates and joint ventures, for the year of 1% is impacted the non-taxable fair value gains on investment property and the gains on a bargain purchases referred to above, tax exempt dividend income, pre-tax profits attributable to the HPF non-controlling interests due to its REIT tax status, deductible foreign exchange losses on local country currency movements in the African operations that reverse on consolidation and offshore tax rate differentials.

The profit after tax is R1.4 billion compared to a prior year profit of R257 million.

## CONSOLIDATED INCOME STATEMENT OF TSOGO SUN HOTELS LIMITED

For the three years ended 31 March 2019

(ZAR'm)	Notes	2019	2018	2017
Rooms revenue	7	2 732	2 687	2 604
Food and beverage revenue	7	990	969	898
Other revenue	7	310	292	328
Property rental income		357	416	313
Revenue		4 389	4 364	4 143
Property and equipment rentals	8	(222)	(203)	(183)
Amortisation and depreciation	9	(306)	(270)	(248)
Employee costs	10	(1 145)	(1 088)	(1 081)
Other operating expenses	11.1	(1 878)	(1 718)	(1 746)
Other gains	11.2	_	_	164
Fair value adjustment of investment properties	16	(445)	(187)	754
Operating profit		392	898	1 803
Finance income	12	38	55	54
Finance costs	13	(455)	(535)	(452)
Share of profit of associates and joint ventures	19, 20	15	55	32
(Loss)/profit before income tax		(10)	472	1 437
Income tax expense	14	(70)	188	(21)
(Loss)/profit for the year		(80)	661	1 416
(Loss)/profit attributable to:				
Equity holders of the Company		(98)	495	890
Non-controlling interests		18	166	526
(Loss)/profit for the year		(80)	661	1 416
Earnings per share and diluted earnings per share (cents)		(450.43)	34 963.70	62 870.75

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF TSOGO SUN HOTELS LIMITED

For the years ended 31 March

(ZAR'm)	Notes	2019	2018	2017
(Loss)/profit for the year Other comprehensive income for the year, net of tax		(80)	661	1 416
Items that may be reclassified subsequently to profit or loss		173	(89)	(96)
Cash flow hedges		4	(4)	_
Currency translation adjustments		170	(86)	(96)
Income tax relating to items that may subsequently be reclassified				
to profit or loss		(1)	1	_
Items that may not be reclassified subsequently to profit or				
loss		2	3	2
Remeasurements of post-employment defined benefit liability		3	4	3
Income tax relating to items that may not subsequently be				
reclassified to profit or loss		(1)	(1)	(1)
Total other comprehensive income		175	(86)	(94)
Total comprehensive income for the year		96	574	1 322
Total comprehensive income attributable to:				
Equity holders of the Company		75	410	796
Non-controlling interests		21	164	526
		96	574	1 322

# CONSOLIDATED BALANCE SHEET OF TSOGO SUN HOTELS LIMITED

at 31 March

(ZAR'm)	Notes	2019	2018	2017
ASSETS				
Non-current assets				
Property, plant and equipment	15	7 684	7 462	7 621
Investment properties	16	4 881	5 101	4 843
Goodwill Other intensible accets	17 18	354 50	354 42	354
Other intangible assets Investments in associates	19	488	42 477	39 446
Investments in joint ventures	20	120	128	126
Non-current receivables	21	6	38	46
Derivative financial instruments	30	_	_	2
Post-employment benefit liability	31	1	_	_
Deferred income tax assets	22	52	47	61
Total non-current assets		13 636	13 649	13 538
Current assets				
Inventories	23	46	43	42
Trade and other receivables	24	458	367	436
Cash and cash equivalents	25	407	357	455
Other current assets	39	39	_	_
		950	767	933
Non-current assets held for sale	26	-	66	66
Total current assets		950	833	999
Total assets		14 586	14 482	14 537
Company Ordinary share capital and premium Other reserves	27 28	4 642 289	1 923 118	1 923 (179)
Retained earnings		2 059	2 161	1 663
Total shareholders' equity Non-controlling interests		6 990 2 939	4 202 3 209	3 407 2 559
Total equity		9 929	7 411	5 966
LIABILITIES				
Non-current liabilities				
Interest-bearing borrowings	29	2 885	2 909	3 913
Derivative financial instruments	30	-	4	2
Deferred income tax liabilities	22	212	264	589
Post-employment benefit liability	31	- 24	1	4
Deferred revenue	32 33	34 5	31 11	29 7
Long-term incentive liabilities Provisions	34	5 51	47	43
Other non-current liabilities	35	186	149	123
		3 373	3 416	4 710
Current liabilities				
Interest-bearing borrowings	29	485	132	208
Trade and other payables	36	631	556	763
Deferred revenue	32	70	64	58
Current income tax liabilities	02	98	68	39
Other current liabilities	39	_	2 835	2 793
Total current liabilities		1 284	3 655	3 861
Total liabilities		4 657	7 071	8 571
Total equity and liabilities		14 586	14 482	14 537
Net asset value per share (cents)	,	658.92	296 767.98	240 630.99
Tangible net asset value per share (cents)		635.90	284 107.39	250 165.44

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF TSOGO SUN HOTELS LIMITED

For the three years ended 31 March 2019

Attributable to equity holders of the Company

(ZAR'm)	Ordinary share capital and premium	Other reserves	Retained earnings	Total	Non- controlling interests	Total equity
Balance at 1 April 2016 Common control acquisition Total comprehensive income	1 923 - -	(547) (997) (96)	993 - 892	2 369 (997) 796	498 - 526	2 867 (997) 1 322
Profit for the year Currency translation adjustments Remeasurements of post-employment defined benefit liability net of tax	-	(96)	890 - 2	890 (96)	526 (414)	1 416 (96)
Settlement of Cullinan put liability with non- controlling interests Consideration to HPF non-controlling interests in hotels assets Acquisition of non-controlling interests from	- -	493 968	(187)	306 968	(306)	1 321
HPF Ordinary dividends	_		(35)	(35)	1 592 (104)	1 592 (139)
Balance at 31 March 2017 Total comprehensive income	1 923	(179) (87)	1 663 498	3 407 411	2 559 164	5 966 575
Profit for the year Cash flow hedges net of tax Currency translation adjustments Remeasurements of post-employment defined benefit liability net of tax	-	- (1) (86)	495 - - 3	495 (1) (86)	166 (2) -	661 (3) (86)
Consideration to HPF non-controlling interests in hotels assets Acquisition of non-controlling interests from	_	(37)	_	(37)	1 067	1 030
HPF Consideration to HPF non-controlling interests Ordinary dividends	- - -	436 (15) –	- - -	436 (15)	(436) 15 (160)	- (160)
Balance at 31 March 2018 Total comprehensive income	1 923	118 171	2 161 (96)	4 202 75	3 209 21	7 411 96
(Loss)/profit for the year Cash flow hedges, net of tax Currency translation adjustments Remeasurements of post-employment defined benefit liability net of tax	- - -	- 2 169	(98) 2	(98) 2 169	18 1 2	(80) 3 171 2
Issue of shares Ordinary dividends	2 719		_ (5)	2 719 (5)	(291)	2 719 (296)
Balance at 31 March 2019	4 642	289	2 059	6 990	2 939	9 929

# CONSOLIDATED CASH FLOW STATEMENT OF TSOGO SUN HOTELS LIMITED

For the three years ended 31 March

(ZAR'm)	Notes	2019	2018	2017
Cash flows from operating activities				
Cash generated from operations	37	1 311	1 277	1 164
Interest received		37	55	53
Finance costs paid		(459)	(533)	(504)
Income tax paid	38	(79)	(103)	(101)
Dividends paid to shareholders		(5)	_	(35)
Dividends paid to non-controlling interests		(291)	(160)	(104)
Dividends received		11	22	61
Net cash generated from operating activities		525	558	534
Cash flows from investment activities				
Purchase of property, plant and equipment – expansionary		(53)	_	_
Purchase of property, plant and equipment - replacement		(251)	(313)	(505)
Proceeds from disposals of property, plant and equipment		36	1	1
Acquisition and development of investment properties		(160)	(415)	(77)
Proceeds from disposal of investment property		-	_	144
Purchase of intangible assets		(16)	(9)	(7)
Proceeds from disposal of non-current assets held for sale		-	1	_
Acquisition and development of non-current assets held for sale		_	(2)	_
Acquisition of HPF, net of cash acquired		-	_	189
Acquisition of Umhlanga and Pietermaritzburg businesses		_	_	(310)
Net cash utilised for investment activities		(444)	(737)	(565)
Cash flows from financing activities				
Borrowings raised		174	1 196	245
Borrowings repaid		(145)	(2 069)	(572)
Cash proceeds from rights issue to HPF non-controlling interests, net of share issue costs			995	
Proceeds from share issue		2 225	995	_
Acquisition of non-controlling interests		2 225	_	(458)
Other current liabilities (repaid)/raised		(2 366)	42	974
Net cash (utilised for)/generated from financing activities		(112)	164	189
Net (decrease)/increase in cash and cash equivalents Cash and cash equivalents at beginning of the year, net of bank		(31)	(15)	158
overdrafts		225	248	95
Foreign currency translation		18	(8)	(5)
Cash and cash equivalents at end of the year, net of bank overdrafts	25	212	225	248
				240

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated annual financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

## (a) Basis of preparation

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations as issued by the IFRS Interpretations Committee, and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council ("FRSC"), the Listings Requirements of the JSE and 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 has adopted all the new, revised or amended accounting standards as issued by the IASB which were effective for the Group from 1 April 2018, the significant accounting standards being:

- IFRS 9 Financial Instruments; and
- IFRS 15 Revenue from Contracts with Customers.

The adoption of IFRS 9 and IFRS 15 was applied retrospectively without restating comparative figures. There was no material impact identified on the Group's financial statements and therefore the Group's opening retained income has not been adjusted. The impact of these new standards is discussed below. No other standards had any material impact on the Group.

#### IFRS 9 Financial Instruments

The adoption of IFRS 9 with effect from 1 April 2018 resulted in changes in accounting policies and had no material impact on the Group's financial statements.

## Classification and measurement

The majority of financial assets held by the Group include debt instruments being trade and other receivables which continue to qualify for measurement at amortised cost under IFRS 9 because they are held to collect contractual cash flows comprising principal and interest, therefore there is no change to the classification and measurement for these assets, together with deposits and cash and cash equivalents. In addition, the Group holds derivatives which continue to be classified at fair value through profit or loss.

## Hedge accounting

The new hedge accounting rules align the accounting for hedging instruments more closely with the Group's risk management practices and the Group's interest rate swaps in place at 31 March 2018 continue to qualify as cash flow hedges upon the adoption of IFRS 9, having no impact on the Group's previously reported financial statements.

## Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with an expected credit loss model. The Group has elected to apply the IFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for trade receivables measured at amortised cost. The balance of the Group's financial assets measured at amortised cost are loan receivables and cash and cash equivalents to which the general model is applied. The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets and no material impact was identified.

## (ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Group adopted IFRS 15 from 1 April 2018 which resulted in changes in accounting policies. Under IAS 18, revenue was recognised as services were rendered given the nature of the services provided or as goods were transferred. Under IFRS 15 revenue will continue to be recognised as control in relation to goods or services is transferred either at a point in time or over time depending on the nature of the goods or services, therefore the adoption of IFRS 15 does not have a material effect on the Group's revenue recognition and no change has been made to the Group's opening retained income.

#### (c) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM has been identified as the Group's CEO and the Group senior management. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the CODM which are used to make strategic decisions.

## (d) Basis of consolidation and business combinations

The consolidated financial statements include the financial information of subsidiary, associate and joint venture entities owned by the Group.

#### (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the financial statements from the date control commences until the date control ceases. Increases in fair value of assets that occur on the Group obtaining control, for nil consideration, of an entity previously accounted for as an associate or joint venture is transferred to a reserve called "Surplus arising on change in control".

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

Control exists where the Group has the ability to direct or dominate decision-making in an entity, regardless of whether this power is actually exercised.

Goodwill arising on consolidation represents the excess of the costs of acquisition over the Group's interest in the fair value of the identifiable assets (including intangibles), liabilities and contingent liabilities of the acquired entity at the date of acquisition. Where the fair value of the Group's share of separable net assets acquired exceeds the fair value of the consideration, the difference is recognised immediately in profit or loss.

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group 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 (i.e. transactions with non-controlling interests where there is no change in control) 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 or joint control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

## (iii) Associates and joint ventures

Associates are entities over which the Group has directly or indirectly significant influence but not control, generally accompanying a shareholding of 20% to 50%, where significant influence is the ability to influence the financial and operating policies of the entity. A joint venture is an entity over which the Group contractually shares control with one or more partners.

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

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 or joint venture 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. Any impairment identified is recognised immediately in profit or loss and is not reversed.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. Each of those CGUs is identified in accordance with the basis on which the businesses are managed from both a business type and geographical basis.

## (v) Common control acquisitions

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and such 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. The common control reserve is determined on the date of legal transfer. The Group's policy is to restate the comparatives of the acquiror as though the acquiree had always formed part of the acquiring entity from the date of original control being obtained by the Group.

## (e) Foreign currency translation

#### (i) Functional and presentation currency

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

## (ii) Transactions and balances

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

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

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

## (f) Property, plant and equipment

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

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

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

Computer equipment and software 2 – 10 years\*

Furniture, fittings and other equipment 3 – 15 years\*

Vehicles 5 years\*

Operating equipment 2 – 3 years

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

## (iii) Profit or loss on disposal

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

#### (iv) Capitalisation of borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. The Group considers a period of greater than 12 months to be substantial. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

## (g) Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and where companies in the Group occupy no or an insignificant portion, is classified as investment property. Investment property also includes property that is being constructed or developed for future use. The nature of these properties is mostly hotels and includes furniture, fixtures and equipment and the underlying letting enterprise.

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

#### Fair value measurement

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.

<sup>\*</sup> These categories have been grouped together under "Plant and equipment" in Note 15 Property, Plant and Equipment.

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 OCI to fair value before being transferred.

### (h) Intangible assets (other than goodwill)

Intangible assets are stated at cost less accumulated amortisation which is determined on a straight-line basis (if applicable) and impairment losses. Cost is usually determined as the amount paid by the Group, unless the asset has been acquired as part of a business combination. Intangible assets acquired as part of a business combination are recognised at fair value at the acquisition date. Amortisation is included together with depreciation in the income statement.

Intangible assets with indefinite lives are not amortised but are subject to annual reviews for impairment.

Intangible assets with finite lives are amortised over their estimated useful economic lives, and only tested for impairment where there is a triggering event. The Directors' assessment of the useful life of intangible assets is based on the nature of the asset acquired, the durability of the products to which the asset attaches and the expected future impact of competition on the business.

Intangible assets acquired as part of a business combination are recognised separately when they are identifiable, reliably measurable and it is probable that economic benefits will flow to the Group.

#### Computer software

Where computer software is not an integral part of a related item of property, plant and equipment, the software is capitalised separately as an intangible asset.

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
- the expenditure attributable to the software during its development can be reliably measured.

## Intellectual property

Intellectual property is recognised on business combinations at fair value at acquisition date and amortised over estimated useful economic lives of 10 years.

#### (iii) Other

Other comprises management contracts recognised in business combinations at fair value at acquisition date and trademarks.

#### Investments and other financial assets

The following applies to the Group's adoption of IFRS 9 Financial Instruments with effect from 1 April 2018, with effect from that date:

#### Classification

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

- Those to be measured at fair value through profit or loss; and
- Those to be measured at amortised cost (debt instruments).

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

#### 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.

#### Measurement

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

#### • Debt instruments

These are the assets held to collect contractual cash flows where those cash flows represent solely payments of principal and interest and are measured at amortised cost. 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. Interest income is recognised using the effective interest method.

#### Impairment

The Group assesses, on a forward looking basis, the expected credit losses associated with its debt instruments carried at amortised cost.

The Group applies the simplified approach to measuring expected credit losses ("ECL") which uses lifetime expected losses to be recognised from initial recognition of trade receivables. The balance of the Group's financial assets measured at amortised cost comprise loan receivables and cash and cash equivalents to which the general model is applied.

Impairment losses are presented in other operating expenses.

## (ii) Accounting policy applied until 31 March 2018

## Classification

The Group classified its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The Group determined the classification of its financial assets at initial recognition.

## Subsequent measurement

Subsequent to the initial recognition, loans and receivables were carried at amortised cost using the effective interest method and available-for-sale investments fair value movements were accounted for in other comprehensive income (unless impaired) and dividends were accounted for in profit and loss. The measurement at initial recognition did not change on adoption of IFRS 9.

#### Impairment

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

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss recognised in profit or loss. If in a subsequent period, the amount of the impairment loss decreases and the decrease could be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss was recognised in profit or loss.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered as an indicator that the securities were impaired. If any such evidence existed for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) was removed from other comprehensive income and recognised in the income statement. Impairment losses recognised in profit or loss on equity instruments were not reversed through profit or loss.

## (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 (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.

The Group does not hold or issue derivative financial instruments for speculative purposes.

Cash flow hedges that qualify for hedge accounting

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

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

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

## (k) Fair value measurement

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

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

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

## (I) 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. Operating equipment utilised within 12 months is recognised as an expense based on usage. Provision is made for slow-moving goods and obsolete materials are written off. Cost is determined on the following basis:

- Consumable stores are valued at invoice cost on a first in, first out ("FIFO") basis.
- Food and beverage inventories and operating equipment are valued at weighted average cost.

Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

#### (n) Non-current assets held for sale

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

#### (o) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, 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 borrowings in current liabilities on the balance sheet.

## (p) Impairment of non-financial assets

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

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

## (q) Share capital

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

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid is deducted from equity attributable to the Company's equity holders until the shares are cancelled, re-issued or disposed of. Where such shares are subsequently sold or re-issued, any consideration received is included in equity attributable to the Company's equity holders.

## (r) Borrowings and finance costs

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

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

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

Finance costs include all borrowing costs incurred on borrowing instruments together with related costs of debt facilities management. Such costs include facility commitment fees which are expensed in borrowing costs as incurred and facility raising fees which are amortised through borrowing costs over the life of the related facilities. Borrowing costs, other than borrowing costs capitalised (refer Note f(iv)), are recognised in the income statement in the period in which they are incurred.

## (s) Trade and other payables

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

#### (t) Provisions

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

Provision is made for wide area progressives and is based on the meter readings.

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

#### (u) Income

Income comprises revenue from contracts with customers and other income:

#### (i) Revenue from contracts with customers

The Group is in the business of providing hotel rooms, food and beverage, management fees, banqueting and venue hire, parking revenues and hotel sundry revenues. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Rooms revenue is recognised over time due to the nature of accommodation being consumed by customers over a period of time. The customer simultaneously receives and consumes the benefits provided as provision of a room is made to the customer. Food and beverage revenue is recognised at a point in time. Management fees, banqueting, venue hire, and parking revenues are recognised over time as the customer receives and consumes the economic benefits. No element of financing is deemed present as the sales are made generally by cash or negotiated credit terms of 30 days. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. The Group does not have significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers as the revenues mentioned above are all based on stand-alone selling prices and pre-determined settlement dates. The Group considers whether there are other promises in the contract that are separable performance obligations to which a portion of the transaction price needs to be allocated (customer loyalty programmes).

Customers purchasing the Group's facilities may enter the Group's customer reward programmes and earn rewards that are redeemable against future purchases of the Group's hotel rooms. The Group allocates a portion of the consideration received to these reward programmes based on stand-alone selling prices. The amount allocated to the reward programme is deferred and is recognised as revenue when rewards are redeemed. When estimating standalone selling price of the rewards, the Group considers the likelihood that the customer will redeem the points based on historical usage and forfeiture rates and any adjustments to the contract liability are allocated to revenue.

Management fees, banqueting and venue hire, parking fees and hotel sundry revenues have been included as "other revenue" as these do not represent material revenue streams to the Group.

#### Other income

Property rental income

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

## (v) Leases

## The Group is the lessee

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged or credited to the income statement on a straight-line basis over the period of the lease.

## (ii) The Group is the lessor

Assets leased to third parties under operating leases are included in property, plant and equipment (refer Note f) and investment property (refer Note g) in the balance sheet.

## (w) Employee benefits

#### (i) Defined contribution plans

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

### (ii) Other post-employment obligations

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

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

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

All other costs are recognised immediately in profit or loss.

#### (iii) Termination benefits

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

#### (iv) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments and the performance of the respective employees. The criteria are only finalised after the Group's year end. The Group recognises the liability where an estimate can be made of the amount to be paid and it is contractually obliged to do so or there is a past practice that has created a constructive obligation and the Directors are of the opinion that it is probable that such bonuses will be paid. This liability is included in "Provisions" in the balance sheet.

## (v) Share-based payments - cash-settled schemes

The Group operates cash-settled, share-based compensation plans.

The fair value of the amount payable to employees in respect of cash-settled share-based payments is recognised as an expense with a corresponding increase in liabilities, over the period during which the employee became unconditionally entitled to payment. Any changes in the liability are recognised in profit or loss.

#### (vi) Goods or services settled in cash

Goods or services, including employee services received in exchange for cash-settled, share-based payments, are recognised at the fair value of the liability incurred and are expensed when consumed. 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 units expected to vest.

## (vii) Employee leave entitlement

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

#### (viii) Long-service awards

The Group recognises a liability and an expense for long-service awards where cash is paid to employees at certain milestone dates in their careers with the Group. The method of accounting and frequency of valuation are similar to those used for defined benefit schemes. The actuarial valuation to determine the liability is performed annually. This liability is included in "Provisions" in the balance sheet.

#### (x) Income tax

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

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

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

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

In respect of real estate investment trust ("REIT") assets and liabilities (investment properties) the measurement of deferred tax is based on a rebuttable presumption that the amount of the investment property will be recovered entirely through sale. Capital gains and losses from property sold by a REIT are non-taxable and the rate relevant to recoupments is 28%. Investment properties are held as long-term income-generating assets. Therefore, should any property no longer meet the Group's investment criteria and be sold, any profits or losses will be capital in nature and will be taxed at rates applicable to capital gains (currently nil). Allowances previously claimed will be recouped on sale. Where an accumulated loss is available to shield this recoupment, a deferred tax asset is raised.

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

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

## (y) Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's Board of Directors.

#### 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

## (b) Investment property

Investment property represents a large proportion of the Group's asset base. Therefore, the judgements made in determining their classification and fair values affect the Group's financial position and performance.

In determining the classification of the properties as investment properties, the Group considered its exposure to the risks of running a hotel business and its associated exposure to the variability of the cash flows of the underlying operations. The Group took the following factors into account:

- Intention to hold land and buildings for rental income and capital appreciation and its role as a passive investor;
- The duration of the lease agreements;
- Control over the decision-making powers of the relevant hotel operations;
- The present value of the minimum lease payments in relation to the fair value of the investment properties; and
- Various financial ratios to determine its exposure to the variability in cash flows of the hotel operations.

Based on the above, the Group concluded that the properties meet the definition of investment property.

Use is made of independent professionally qualified valuers. Valuations are currently performed on an annual basis on the entire portfolio of investment properties but will move to a three-year rotation from the next financial year, and will be fair valued by internal management for the intervening years.

## (c) Estimated impairment of goodwill and indefinite lived intangible assets

The Group tests annually whether goodwill and indefinite lived intangible assets have suffered any impairment in accordance with the accounting policy stated in Notes 1(d) and 1(h). The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates as noted in Notes 17 and 18 of the consolidated annual financial statements.

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

The fair value of financial instruments that are not traded in an active market (for example, 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.

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

# (a) Standards and amendments to existing standards

The following standards and amendments to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2019 or later periods, which the Group has not early adopted. The Group is at an advanced stage of concluding on the impact of these new standards, interpretations and amendments that will be applied from the annual period beginning 1 April 2019. The Group has commenced its considerations of the impact of the new standards, interpretations and amendments that will be applied from the annual period beginning on or after 1 April 2020.

IFRS 3 (Amendment) Business Combinations

The amendments give clarity on the definition of a business:

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

IFRS 3 amended must be applied for financial years commencing on or after 1 January 2021. The Group will apply the new standard from 1 April 2021.

IFRS 16 Leases

The standard will affect the way the Group accounts for its operating leases being mostly hotel property leases and to a lesser extent, certain other plant and equipment, where the Group is the lessee. At 31 March 2019, the Group's

outstanding commitments under non-cancellable operating lease agreements amounted to R1 951 million, on an undiscounted basis (refer Note 40). Of these commitments, approximately R18 million relate to short-term leases and R4 million to low value leases which will both be recognised on a straight-line basis as operating leases in profit or loss from the adoption date onwards.

For the remaining lease commitments, on 1 April 2019 the Group expects to recognise right-of-use assets of approximately R708 million, lease liabilities of R950 million (after adjustments for prepayments and accrued lease payments recognised as at 31 March 2019) and deferred tax assets of R69 million. Overall net assets will be approximately R174 million lower, and net current assets will be R52 million lower due to the presentation of a portion of the liability as a current liability.

The Group expects profit after tax will increase by approximately R1 million for the year end 31 March 2020 as a result of adopting the new rules.

Operating cash flows will increase and financing cash flows decrease by approximately R144 million as payment of the principal lease portion of the lease liabilities will be classified as cash flows from financing activities.

The Group intends to apply the simplified transition approach and will not restate comparative amounts for the first year of adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). Units to confirm what has been used The Group will apply the practical expedient per IFRS 16 C3 in that the IFRS 16 definition of a lease would only be applied to assess whether contracts entered into after the date of initial application (1 April 2019) are, or contain leases. All contracts previously assessed not to contain leases will not be reassessed. The Group will also apply the recognition exemptions for short-term leases (a lease that, at the commencement date, has a lease term of 12 months or less) and leases of low-value items (mainly small items of office equipment and furniture).

The Group's activities as a lessor will entail some additional disclosures from next year. No other material impacts are expected.

IFRS 16 must be applied for financial years commencing on or after 1 January 2019. The Group will apply the new standard from 1 April 2019.

IFRS 17 Insurance Contracts

The Group is in the process of assessing the possible impact on the Group's insurance cell captive arrangements of the application of IFRS 17 which has been issued but is not effective at year end.

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

IAS 1 (Amendment) Presentation of Financial Statements

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

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

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

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

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

#### (b) Annual improvements

The following annual improvements amending standards from the 2015 – 2017 reporting cycle have been published that are mandatory for the Group's accounting periods beginning 1 April 2019, which the Group has not early adopted and which are not expected to have a material effect on the consolidated results of operations or the financial position of the Group:

IFRS 3 Business Combinations

The amendment clarifies that when an entity obtains control of a business that is a joint operation, it is required to remeasure previously held interests in that business.

IFRS 11 Joint Arrangements

The amendment clarifies that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 Income Taxes

The amendment clarifies that all income tax consequences of dividends should be recognised in profit or loss, regardless how the tax arises.

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The Group will apply the abovementioned annual improvements from the 2015 to 2017 reporting cycle from 1 April 2019.

#### (c) Interpretation

The following interpretation has been published that is mandatory for the Group's accounting periods beginning on or after 1 April 2019 or later, which the Group has not early adopted.

IFRIC 23 Uncertainty over Income Tax Treatments

This interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this interpretation. The Group is still in the process of assessing the impact of IFRIC 23 but initial indications are that it will not materially affect the Group.

The effective date of IFRIC 23 is for years beginning on or after 1 January 2019 and the Group will apply IFRIC 23 from the annual period beginning 1 April 2019.

	2019 Rm	2018 Rm	2017 Rm
RECONCILIATION OF EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY TO HEADLINE EARNINGS AND ADJUSTED HEADLINE EARNINGS			
(Loss)/profit attributable to equity holders of the Company	(98)	495	890
Loss on disposal of property, plant and equipment	3	_	2
Impairment of property, plant and equipment	94	_	88
Gain on disposal of investment property	_	_	(36)
Fair value adjustment of investment properties	445	187	(754)
Gain on deemed disposal of financial asset classified as available-for-sale	_	_	(46)
Gain on bargain purchases	_	_	(82)
Share of associates' headline earnings adjustments	10	(14)	(19)
Total tax effects of adjustments	(27)	_	(25)
Total non-controlling interest effects of adjustments	(182)	(76)	372
Headline earnings	245	592	390
Transaction costs	32	13	22
Fair value adjustment on interest rate swaps	(2)	1	6
Restructuring costs	8	19	11
Pre-opening expenses	1	19	_
Gain on remeasurement of put liability	_	_	(35)
Deferred tax liability derecognised on plant, property and equipment on sale to			
the Group's REIT subsidiary	_	(307)	(56)
Deferred tax asset derecognised on foreign subsidiary assessed losses	_	_	19
Share of associates' exceptional items (net)	(1)	(1)	11
Total tax effects of adjustments	1	(2)	(2)
Total non-controlling interest effects of adjustments	(7)	3	3
Adjusted headline earnings <sup>(1)</sup>	277	337	369
Number of shares in issue (million)	1 061	1	1
Weighted average number of shares in issue (million)	22	1	1
Basic and diluted headline earnings per share (cents)	1 126.1	41 833	27 565
Basic and diluted adjusted headline earnings per share (cents)	1 273.1	23 841	26 078
Dividend per share (cents)	22.98	_	24 771
(1) Net of tax and non-controlling interests.			

	2019 Rm	2018 Rm	2017 Rm
RECONCILIATION OF OPERATING PROFIT TO EBITDAR(1)			
EBITDAR pre-exceptional items is made up as follows:			
Operating profit	392	898	1 803
Add/(less):			
Amortisation and depreciation	306	270	248
Property rentals	208	189	169
Long-term incentive expense/(credit)	4	(7)	34
	910	1 350	2 254
Add/(less): Exceptional losses/(gains)			
Loss on disposal of property, plant and equipment	3	_	2
Impairment of property, plant and equipment	94	_	88
Gain on disposal of investment property	_	_	(36)
Fair value adjustment of investment properties	445	187	(754)
Gain on deemed disposal of financial asset classified as available-for-sale	-	_	(46)
Gain on bargain purchases	-	_	(82)
Fair value adjustment on interest rate swaps	(2)	1	6
Pre-opening expenses	1	19	_
Restructuring costs	8	20	11
Transaction costs	32	13	22
	1 491	1 590	1 465

<sup>(1)</sup> Refer to Note 6 for segmental analysis.

#### 6. SEGMENTAL ANALYSIS

5.

The CODM considers the business from both a business type and geographical basis. The following are the four segments identified and monitored by the CODM:

- Manco consists of the Group's management company division which manages the hotels in South Africa.
- Rental income HPF consists of the rentals received in Hospitality Property Fund Limited. These rentals received are from the non-Tsogo Sun hotels;
- Internally managed consists of the South African hotel operations which are owned within the Group and are managed and reported in the geographical area the hotel resides.
- Offshore consists of the Group's non-South African hotels division which owns, operates and manages hotels in other African countries, the Middle East and the Seychelles.

The CODM assesses the performance of the operating segments based on EBITDAR. The measure excludes the effects of long-term incentives and the effects of non-recurring expenditure. The measure also excludes all headline earnings adjustments, impairments and fair value adjustments on non-current and current assets and liabilities and other exceptional items. Interest income and finance costs are not included in the result for each operating segment as this is driven by the Group treasury function which manages the cash and debt position of the Group. No measure of total assets and liabilities for the reportable segments has been provided as such amounts are not regularly provided to the CODM.

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

	1	Revenue			EBITDAR <sup>(1)</sup>			TDAR ma	rgin
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Manco Rental income – HPF Internally managed	289 347 3 329	286 402 3 295	209 299 3 084	155 347 845	168 402 900	115 299 944	53.8% 100.0% 25.3%	58.9% 100.0% 27.3%	55.1% 100.0% 30.6%
Coastal Inland Other	1 907 1 150 272	1 902 1 124 269	1 735 1 090 258	497 254 94	536 263 101	578 268 98	26.0% 22.0% 34.5%	28.2% 23.4% 37.5%	33.3% 24.6% 38.0%
Offshore	605	565	634	144	120	107	23.9%	21.2%	16.9%
Internal management fees <sup>(2)</sup>	(181)	(183)	(83)	_	_	_	-	_	_
Total	4 389	4 364	4 143	1 491	1 590	1 465	33.9%	36.4%	35.3%

<sup>(1)</sup> Refer to note 5.

<sup>(2)</sup> Included in Manco.

## 7. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group has adopted IFRS 15 Revenue from Contracts with Customers with effect from 1 April 2018 using the cumulative effect method. Under this method the comparative information is not restated - refer Notes 1b New and amended standards adopted by the Group and 1(u)(i) Revenue from Contracts with Customers.

The Group derives revenue over time, together with its hotel customer reward programme which are recognised as they are redeemed or expire. The accounting policy is detailed in Note 1(u) and the deferred revenue (contract liabilities) are disclosed in Note 33. The Group has no contract assets. Disaggregation of revenue from contracts with customers for the year under

The table below presents revenue by segment which excludes other income which are included in the segmental analysis in Note 6:

Revenue from contracts with customers	Rooms revenue	Food and beverage	Other revenue	Revenue from contracts with customers
Internally managed	2 346	814	165	3 325
Coastal Inland Other	1 356 788 202	476 296 42	75 66 24	1 907 1 150 268
Manco <sup>(1)</sup> Offshore	386	- 176	108 37	108 599
Timing of revenue recognition:	2 732	990	310	4 032
At a point in time Over time	2 732	990	310	990 3 042
Reconciliation to segmental analysis in Note 6: Revenue from contracts with customers per above Other rental income Rental income – HPF	2 732	990	310	4 032 4 032 10 347
Total revenue per segmental analysis				4 389
(1) Net of internal management fees	-			
(ZAR'm)		2019	2018	2017
Other revenue:  Management fees revenue  Parking revenue  Venue hire revenue  Dividends received  Other sundry revenue		122 15 52 - 121	112 12 45 - 123	133 13 45 14 123
Total other revenue		310	292	328
PROPERTY AND EQUIPMENT RENTALS  Property and equipment rentals:  Properties  Plant, vehicles and equipment		208 14	189 14	169 14
Total property and equipment rentals		222	203	183
AMORTISATION AND DEPRECIATION  Amortisation and depreciation:  Amortisation of intangible assets  Depreciation of property, plant and equipment		8 298	7 263	6 242
Total amortisation and depreciation		306	270	248
EMPLOYEE COSTS Employee costs (including Executive Directors' remuneration): Salaries and wages Termination benefits Pension – defined contribution plans Other post-retirement benefits – medical aid (Note 31) Long-term incentive (credit)/expense – cash-settled (Note 33)		1 072 - 69 4	1 030 - 64 1 (7)	980 8 58 1 34
Total employee costs		1 145	1 088	1 081

(ZAR'm)	2019	2018	2017
11. OTHER OPERATING EXPENSES	'		
11.1 Other operating expenses  Auditors' remuneration	25	20	19
Audit fees – current year	22	18	16
– prior year	_	_	-
Tax services	2	1	2   1
Other services and expenses		I	
Administration fees Advertising, marketing and promotional costs	122 208	117 194	122 166
External consultants	26	25	23
Food and beverage costs and operating equipment usage	365	360	343
Impairment charge for bad and doubtful debts, net of reversals (Note 24) Information technology-related costs	3 92	3 83	9 81
Net foreign exchange (gains)/losses	(7)	(2)	37
Property costs – rates, water and electricity	312	283	264
Repairs and maintenance expenditure on property, plant and equipment	125	121	118
Rooms departmental expenses	364	329	299
Guest supplies Guest entertainment	45 28	44 28	41 24
Laundry	51	47	42
Housekeeping	69	58	50
Cleaning	22	19	17
Other	149	133	125
Security and surveillance costs	57 34	52 78	48 81
Other operating expenses  Loss on disposal of property, plant and equipment	3	70	2
Impairment of property, plant and equipment (Note 15)	94	_	88
Fair value adjustment on interest rate swaps (Note 30)	(2)	1	6
Fair value adjustment on non-current assets held for sale (Note 26)  Pre-opening expenses	- 1	1 19	_
Restructuring costs	8	3	_
Transaction costs	32	13	22
Impairment operating equipment Insurance	- 10	- 11	1 10
Commission	6	7	7
Total other operating expenses	1 878	1 718	1 746
11.2 Other gains			
Gain on bargain purchases	-	_	(82)
Gain on deemed disposal of financial asset classified as available-for-sale	-	_	(46)
Gain on disposal of investment property	-	_	(36)
Total other gains			164
12. INTEREST INCOME			
Interest income: Interest received from banks	36	52	33
Interest income – other	2	3	21
Total interest income	38	55	54
13. FINANCE COSTS			
Finance costs:			
Finance costs in respect of interest-bearing debt	456	544	487
Finance cost in respect of (gain)/loss on remeasurement of put liability	_	_	(35)
Change in cash flow	_	_	(36)
Change in interest rate	_	_	1
Less: Interest capitalised at an average capitalisation rate <sup>(1)</sup> of 10.4% (2017: nil)	(1)	(9)	
Total finance costs	455	535	452
(1) In respect of local and foreign borrowings.			

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

(ZAR'm)				2019	2018	201
INCOME TAX EXPENSE			<u> </u>			
Current tax - current year charge				87	131	11
Current tax – under provision prior	year			15	1	
Deferred tax - current year (credit)/	charge <sup>(1)</sup>			(36)	(332)	(10
Deferred tax - (over)/under provision	n prior year			(2)	7	
Withholding taxes				6	5	
Total income tax expense				70	(188)	2
Other comprehensive income Tax charge relating to componer items that may not be reclassifie Remeasurements of post-employn	d subsequently	to profit or los		1	(1)	
Total other comprehensive incor				1	(1)	
	2019 R'000	%	2018 R'000	%	2017 R'000	
Income tax reconciliation						
(Loss)/profit before income tax						
and share of profit of associates and joint venture	(25)		417		1 405	
	(25)		417		1 405	
Income tax thereon at 28%	/7\	(00)	4 4 7	00	000	,
(2018 and 2017: 28%)  Exempt income/credits:	(7)	(28)	117	28	393	2
Fair value gain on investment						
property revaluations <sup>(2)</sup>	_	_	_	_	(211)	(
Profits attributable to the HPF					(= )	`
non-controlling interests(2)	(70)	(280)	(77)	(18)	(47)	
Profits earned by Group						
entities before being sold to HPF <sup>(2)</sup>			(1.4)	(2)		
Gain on bargain purchases	_	_	(14)	(3)	(23)	
Gain on deemed disposal of	_	_	_	_	(23)	
financial asset classified as						
available-for-sale	-	_	_	_	(13)	
Gain on disposal of investment					4.5	
property <sup>(2)</sup>	-	-	_	_	(10)	
Gain on remeasurement of put liability	_	_	_	_	(10)	
Expenses/debits not	_	_	_	_	(10)	
deductible for tax purposes:						
Fair value loss on investment						
property revaluations <sup>(2)</sup>	125	500	52	13	_	
Amortisation and depreciation	-	_	1	_	4	
Transaction costs	9	36	3	1	7	
Deferred tax liability derecognised on plant,						
property and equipment on						
sale to the Group's REIT						
subsidiary <sup>(1)</sup>	-	-	(307)	(73)	(56)	
Deferred tax asset derecognised on foreign subsidiary assessed losses <sup>(1)</sup>			_	_	19	
Other non-deductible items	16	64	33	8	1	
Prior year charges/(credits)	. 3	٠.	23	<u> </u>		
(net)	13	52	8	2	5	
Withholding taxes	(6)	(24)	5	1	6	
Foreign tax rate differential	(10)	(40)	(9)	(2)	(44)	

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

#### 15. PROPERTY, PLANT AND EQUIPMENT

(ZAR'm)	Land and buildings	Leased land and buildings	Properties under construction	Plant and equipment	Operating equipment	Total
Year ended 31 March 2019						
Opening net carrying amount	5 781	467	152	891	172	7 463
Additions	70	-	51	147	34	302
Capitalisation of borrowing costs	_	_	1	_	_	1
Disposals and operating equipment	(36)	_		(2)	(21)	(59)
usage Depreciation charge	(123)	(28)	_	(2) (147)	(21)	(298)
Impairments	(74)	(13)		(7)	_	(94)
Other transfers	152		(245)	93	_	_
Currency translation	272	-	41	48	8	369
Closing net carrying amount	6 042	426	_	1 023	193	7 684
At 31 March 2019						
Cost	6 674	666	-	2 549	193	10 082
Accumulated depreciation	(632)	(240)	_	(1 526)	_	(2 398)
	6 042	426	_	1 023	193	7 684
Year ended 31 March 2018						
Opening net carrying amount	5 926	486	56	995	159	7 622
Additions	36	_	140	89	38	303
Capitalisation of borrowing costs Disposals and operating equipment	_	_	9	_	_	9
usage	(3)	_	_	(2)	(21)	(26)
Depreciation charge	(35)	(19)		(209)	_	(263)
Transfers Currency translation	9 (153)	_	(53)	44 (26)	— (4)	(0) (183)
Closing net carrying amount	5 780	467	 152	891	172	7 462
At 31 March 2018	3700	407	102		172	7 402
Cost	6 290	679	152	2 270	172	9 563
Accumulated depreciation	(509)	(212)		(1 379)	_	(2 101)
Net carrying amount	5 780	467	152	891	172	7 462
Year ended 31 March 2017						
Opening net carrying amount	4 916	458	3	997	160	6 534
Additions	193	47	53	175	42	509
Acquisition of subsidiary	742	_	_	_	_	742
Acquisition of businesses Disposals and operating equipment	379	_	_	_	_	379
usage	_	_	_	(2)	(26)	(28)
Depreciation charge	(75)	(19)	_	(148)	(20)	(242)
Impairments	(75)	()	_	(1)	(13)	(90)
Currency translation	(153)	_	_	(26)	(4)	(183)
Closing net carrying amount	5 926	486	56	995	159	7 621
At 31 March 2017			'			
Cost	6 413	679	56	2 198	159	9 505
Accumulated depreciation	(487)	(193)		(1 203)	<del>-</del>	(1 883)
Net carrying amount	5 926	486	56	995	159	7 621
At 31 March 2016						
Cost	5 347	633	3	2 101	160	8 243
Accumulated depreciation	(431)	(175)		(1 103)		(1 709)
Net carrying amount	4 916	458	3	997	160	6 534

The Group reassessed the useful lives of property, plant and equipment during the year. Changes in useful lives and residual values are not considered significant estimates and judgements as any changes in useful lives and residual values have historically been gradual and any adjustments made, where necessary, have not been significant. The impact on depreciation for the year was a debit of R15 million (2018: Rnil). The Group also reviewed the residual values during the year and the impact on depreciation was Rnil (2018: Rnil).

Land and buildings and plant & equipment with a book value of R94 million (2018: Rnil and 2017: R75 million) were impaired during the year. R19 million relates to the GC Nelson Mandela Boulevard and R75 million relates to the land and buildings for SS lkoyi for both the 2019 and 2017 financial years. Lease negotiations for GC Nelson Mandela Boulevard were finalised in the 2019 financial year. The lease will not extend past the next financial year.

The impairments in SS lkoyi for 2017 and 2019 are due to the revised medium-term trading expectations with regards to occupancies, due to tough local economic environments in Nigeria mainly due to the negative impact of the reduction in commodity prices. Impairments are included under other operating costs (refer Note 11.1).

## 16. INVESTMENT PROPERTIES

(ZAR'm)	2019	2018	2017
Opening net carrying amount	5 101	4 843	_
Acquisition and development of investment properties	159	445	77
Acquisition of subsidiary	_	_	4 185
Disposals	-	_	(106)
Transfers from/(to) non-current assets held for sale	66	_	(67)
Fair value adjustments recognised in profit or loss	(445)	(187)	754
Closing net carrying amount	4 881	5 101	4 843
Amounts recognised in profit or loss for investment properties:			
Rental income	351	406	304
Direct operating expenses from property that generated rental income	10	8	5
Direct operating expenses from property that did not generated rental income	-	_	

The Group's investment properties have been categorised as level 3 fair values based on the inputs to the valuation technique used - refer Note 44 Fair value estimation. The Group has elected to measure investment properties at fair value. The fair value is determined by using the discounted cash flow method by discounting the rental income (based on expected net cash flows of the underlying hotels) after considering the capital expenditure requirements. The expected cash flows are discounted using an appropriate discount rate. The core discount rate is calculated using the R186 (long bond) at the time of valuation, to which premiums are added for market risk and equity and debt costs. The discount rate takes into account a risk premium associated with the local economy as well as that specific to the local property market and the hotel industry. At 31 March 2019, the Group's investment properties were independently valued by professionally qualified valuers having recent experience in the location and category of the Group's investment property being valued. The valuation is currently performed on an annual basis on the entire portfolio of investment properties by an independent valuator but will move to a three year rotation from the next financial year, and will be fair valued by internal management for the intervening years.

As at 31 March 2019 the significant unobservable inputs were as follows with the main reason for the decrease relating to subdued occupancy rates in the medium term:

- A weighted average rental growth rate of 5.25% (2018: 5.0% and 2017: 5.5%).
- A terminal capitalisation rate of 7.25% 7.75% (2018: 7.23% 8.07% and 2017: 7.26%).
- A risk-adjusted discount rate of 12.50% 13.00% (2018: 12.23% 13.07% and 2017: 12.76%).

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

	2019		201	8	2017	
(ZAR'm)	Increase	Decrease	Increase	Decrease	Increase	Decrease
5% change in the net cash						
flows	274	(247)	302	(302)	241	(241)
25bps change in the terminal						
capitalisation rate	(114)	123	(158)	169	(116)	118
50bps change in the discount						
rate	(91)	94	(133)	3 136	(203)	189

## 17. GOODWILL

(ZAR'm)	2019	2018	2017
At 1 April	354	354	354
At 31 March	354	354	354
Impairment test for goodwill Goodwill is allocated and monitored based on the Group's CGUs identified according to business segments as referred to in the segment analysis in Note 6. An operating segment-level summary of the goodwill allocation is as follows:  Internally managed	347	347	347
SUN1 Proprietary Limited (included as part of "other" segment)  Cullinan Hotels Proprietary Limited (included as part of "coastal" segment)  Southern Sun Hotel Interests Proprietary Limited (included as part of "coastal",  'inland' and "other" segments)	254 11 82	254 11 82	254 11 82
Offshore	7	7	7
At 31 March	354	354	354

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets and five year forecasts approved by the Board of Directors.

The key assumptions used for value-in-use calculations are as follows:

- EBITDAR margin management determined budgeted gross EBITDAR margin based on past performance and its expectations of market development.
- Long-term growth rate cash flows beyond the first five-year period are extrapolated using estimated long-term growth rates in order to calculate the terminal recoverable amount.
- Discount rate the discount rate is calculated by using a weighted average cost of capital ("WACC") of the respective segments. WACC is calculated using a bond risk free rate and an equity premium adjusted for specific risks relating to the relevant operating segments.

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

	Internally managed	Offshore	
	%	%	
2019			
EBITDAR margin	22.0 – 34.5	23.9	
Long-term growth rate	5.3	1.6 - 2.4	
Discount rate pre tax	12.5	9.7 – 15	
2018			
EBITDAR margin	23.4 – 37.5	21.2	
Long-term growth rate	5.1	2.1 - 2.5	
Discount rate pre tax	12.0	8.3 – 14.9	
2017			
EBITDAR margin	24.6 – 38.0	16.9	
Long-term growth rate	5.7	1.2 - 2	
Discount rate pre tax	12.4	8.4 – 16.2	

The Group's impairment reviews are sensitive to changes in the key assumptions described above. Based on the Group's sensitivity analysis, a reasonable possible change in a single assumption will not cause an impairment loss in any of the Group's CGUs, as the Group's CGUs have significant headroom available between the calculated values in use and the goodwill allocated to each CGU shown above.

## 18. OTHER INTANGIBLE ASSETS

(ZAR'm)	Computer software	Other	Total
Year ended 31 March 2019			
Opening net carrying amount	19	23	42
Additions	6	10	16
Transfers	(1)	_	(1)
Amortisation charge	(7)	_	(7)
Closing net carrying amount	17	33	50
At 31 March 2019			
Cost	53	43	96
Accumulated amortisation	(36)	(10)	(46)
	17	33	50
Year ended 31 March 2018			
Opening net carrying amount	16	23	39
Additions	10	_	10
Amortisation charge	(7)	_	(7)
Closing net carrying amount	19	23	42
At 31 March 2018			
Cost	48	33	81
Accumulated amortisation	(29)	(10)	(39)
Net carrying amount	19	23	42
Year ended 31 March 2017			
Opening net carrying amount	15	24	39
Additions	2	4	6
Amortisation charge	(1)	(5)	(6)
Closing net carrying amount	16	23	39
At 31 March 2017		'	
Cost	39	33	72
Accumulated amortisation	(23)	(10)	(33)
Net carrying amount	16	23	39
At 31 March 2016			6 :
Cost	36	28	64
Accumulated amortisation	(21)	(4)	(25)
Net carrying amount	15	24	39

Other intangible assets include management contracts with a book value of R27 million (2018: R17 million and 2017: R17 million) and trademarks with a book value of R6 million (2018: R6 million and 2017: R6 million). There were no significant changes made to useful lives or residual values of other intangible assets during the current year or in the prior years.

## 19. INVESTMENTS IN ASSOCIATES

The Group has the following interests in its material associates:

## Unlisted

- 25.9% in International Hotel Properties Limited ("IHPL"), incorporated in the British Virgin Islands. IHPL will pursue hotel opportunities in the United Kingdom and Europe, the hotels to be managed by RBH Hotel Group (refer below). The shares were delisted as the listing has not provided the anticipated liquidity or access to equity capital markets to facilitate the growth of the Company.
- 25% in RBH Hotel Group Limited ("RBH Hotel Group"), a leading independent hotel management company incorporated in the United Kingdom. This associate provides the Group with access to additional management expertise, exposure to new markets and the potential for opportunities to deploy capital in attractive investments in the European hotel market in the
- · Other investments in various associate entities which are not material to the Group and therefore no further information has been presented.

(ZAR'm)	2019	2018	2017
At 1 April	477	446	458
Share of profit after tax	23	53	35
Dividends received	(12)	(22)	(47)
At 31 March	488	477	446
Made up as follows:			
Listed	-	_	304
Unlisted	488	477	142
At 31 March	488	477	446

# 19. INVESTMENTS IN ASSOCIATES continued

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

	RBH	Hotel Group		International Hotel Properties		
(ZAR'm)	2019	2018	2017	2019	2018	2017
Summarised balance sheets						
Total non-current assets	58	79	126	2 223	1 950	1 788
Total current assets	190	128	96	74	84	89
Total assets	248	207	222	2 297	2 034	1 877
Total non-current liabilities	_	_	_	890	886	929
Total current liabilities	209	136	150	139	66	60
Total liabilities	209	136	150	1 029	952	989
Net assets	39	71	72	1 268	1 082	888
Summarised statements of						
comprehensive income/(loss)						
Revenue	1 362	973	1 032	156	296	305
Profit from operations	66	49	126	22	156	14
Profit for the year and total						
comprehensive income	66	49	126	22	156	14
A reconciliation of the summarised financial information to the carrying amount of the Group's interests in its associates is as follows:  Opening net assets attributable to						
owners	71	72	36	1 082	888	1 012
Profit for the year	66	49	126	22	156	14
Other comprehensive income – foreign						
currency translation	(87)	(26)	38	166	98	(79)
Total comprehensive income	50	95	200	1 268	1 142	947
Dividends paid	(11)	(24)	(127)	_	(61)	(60)
Closing net assets attributable to	. ,	. ,	, ,		, ,	, ,
owners	39	71	72	1 268	1 082	888
Interest in associates (%)	25	25	25	26	26	26
Interest in associates	10	18	18	329	281	230
Intangible asset	89	89	89	_	_	_
Goodwill	30	30	30	41	41	41
Translation	25	12	5	(36)	7	33
Carrying value of investments in						
associates	154	149	142	334	329	304

The Group associates' have no contingent liabilities or capital commitments.

## 20. INVESTMENTS IN JOINT VENTURES

The Group has the following interests in joint ventures:

## Unlisted

• 50% interest in United Resorts and Hotels Limited, a hotel company established in the Seychelles.

(ZAR'm)	2019	2018	2017
At 1 April Share of profit/(loss) after tax	128 (8)	126 2	129 (3)
At 31 March	120	128	126

Although United Resorts and Hotels Limited has been in a loss-making position in the past, the entity's trading has improved over the past two financial years and is generating positive cash flows.

The Group joint ventures' have no contingent liabilities or capital commitments.

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

Summarised balance sheet Assets Non-current assets Inventory Trade and other receivables Cash and cash equivalents  Total assets Liabilities Current financial liabilities (excluding trade payables) Other current liabilities  Total liabilities  Net assets  Summarised income statement Income Depreciation and amortisation Profit/(loss) before income tax Income tax (charge)/credit  (Loss)/profit for the year  Reconciliation of summarised financial information: A reconciliation of the summarised financial information to the carrying amount of the Group's interest in United Resorts and Hotels Limited is as follows: Opening net assets	495 5 15 43 558 (29) (5) (34) 524	400 4 17 23 444 (21) (3) (24) 420 122 (6)	403 5 10 2 420 (19) (7) (26) 394
Non-current assets Inventory Trade and other receivables Cash and cash equivalents  Total assets Liabilities Current financial liabilities (excluding trade payables) Other current liabilities  Total liabilities  Net assets  Summarised income statement Income Depreciation and amortisation Profit/(loss) before income tax Income tax (charge)/credit  (Loss)/profit for the year  Reconciliation of summarised financial information: A reconciliation of the summarised financial information to the carrying amount of the Group's interest in United Resorts and Hotels Limited is as follows:	5 15 43 558 (29) (5) (34) 524	4 17 23 444 (21) (3) (24) 420	5 10 2 420 (19) (7) (26) 394
Inventory Trade and other receivables Cash and cash equivalents  Total assets Liabilities Current financial liabilities (excluding trade payables) Other current liabilities  Total liabilities  Net assets  Summarised income statement Income Depreciation and amortisation Profit/(loss) before income tax Income tax (charge)/credit  (Loss)/profit for the year  Reconciliation of summarised financial information: A reconciliation of the summarised financial information to the carrying amount of the Group's interest in United Resorts and Hotels Limited is as follows:	5 15 43 558 (29) (5) (34) 524	4 17 23 444 (21) (3) (24) 420	5 10 2 420 (19) (7) (26) 394
Trade and other receivables Cash and cash equivalents  Total assets Liabilities Current financial liabilities (excluding trade payables) Other current liabilities  Total liabilities  Net assets  Summarised income statement Income Depreciation and amortisation Profit/(loss) before income tax Income tax (charge)/credit  (Loss)/profit for the year  Reconciliation of summarised financial information: A reconciliation of the summarised financial information to the carrying amount of the Group's interest in United Resorts and Hotels Limited is as follows:	15 43 558 (29) (5) (34) 524	17 23 444 (21) (3) (24) 420 122 (6)	10 2 420 (19) (7) (26) 394
Cash and cash equivalents  Total assets  Liabilities  Current financial liabilities (excluding trade payables)  Other current liabilities  Total liabilities  Net assets  Summarised income statement  Income  Depreciation and amortisation  Profit/(loss) before income tax  Income tax (charge)/credit  (Loss)/profit for the year  Reconciliation of summarised financial information:  A reconciliation of the summarised financial information to the carrying amount of the Group's interest in United Resorts and Hotels Limited is as follows:	43 558 (29) (5) (34) 524	23 444 (21) (3) (24) 420 122 (6)	2 420 (19) (7) (26) 394
Total assets  Liabilities  Current financial liabilities (excluding trade payables)  Other current liabilities  Total liabilities  Net assets  Summarised income statement Income  Depreciation and amortisation  Profit/(loss) before income tax Income tax (charge)/credit  (Loss)/profit for the year  Reconciliation of summarised financial information:  A reconciliation of the summarised financial information to the carrying amount of the Group's interest in United Resorts and Hotels Limited is as follows:	558 (29) (5) (34) 524 126 (6)	444 (21) (3) (24) 420 122 (6)	420 (19) (7) (26) 394
Liabilities Current financial liabilities (excluding trade payables) Other current liabilities  Total liabilities  Net assets  Summarised income statement Income Depreciation and amortisation Profit/(loss) before income tax Income tax (charge)/credit  (Loss)/profit for the year  Reconciliation of summarised financial information: A reconciliation of the summarised financial information to the carrying amount of the Group's interest in United Resorts and Hotels Limited is as follows:	(29) (5) (34) 524 126 (6)	(21) (3) (24) 420 122 (6)	(19) (7) (26) 394
Current financial liabilities (excluding trade payables) Other current liabilities  Total liabilities  Net assets  Summarised income statement Income Depreciation and amortisation Profit/(loss) before income tax Income tax (charge)/credit  (Loss)/profit for the year  Reconciliation of summarised financial information: A reconciliation of the summarised financial information to the carrying amount of the Group's interest in United Resorts and Hotels Limited is as follows:	(5) (34) 524 126 (6)	(3) (24) 420 122 (6)	(7) (26) 394
Other current liabilities  Total liabilities  Net assets  Summarised income statement Income Depreciation and amortisation Profit/(loss) before income tax Income tax (charge)/credit  (Loss)/profit for the year  Reconciliation of summarised financial information: A reconciliation of the summarised financial information to the carrying amount of the Group's interest in United Resorts and Hotels Limited is as follows:	(5) (34) 524 126 (6)	(3) (24) 420 122 (6)	(7) (26) 394
Net assets  Summarised income statement Income Depreciation and amortisation Profit/(loss) before income tax Income tax (charge)/credit  (Loss)/profit for the year  Reconciliation of summarised financial information: A reconciliation of the summarised financial information to the carrying amount of the Group's interest in United Resorts and Hotels Limited is as follows:	524 126 (6)	420 122 (6)	394
Summarised income statement Income Depreciation and amortisation Profit/(loss) before income tax Income tax (charge)/credit  (Loss)/profit for the year  Reconciliation of summarised financial information: A reconciliation of the summarised financial information to the carrying amount of the Group's interest in United Resorts and Hotels Limited is as follows:	126 (6)	122 (6)	117
Income Depreciation and amortisation Profit/(loss) before income tax Income tax (charge)/credit  (Loss)/profit for the year  Reconciliation of summarised financial information: A reconciliation of the summarised financial information to the carrying amount of the Group's interest in United Resorts and Hotels Limited is as follows:	(6)	(6)	
Depreciation and amortisation Profit/(loss) before income tax Income tax (charge)/credit  (Loss)/profit for the year  Reconciliation of summarised financial information: A reconciliation of the summarised financial information to the carrying amount of the Group's interest in United Resorts and Hotels Limited is as follows:	(6)	(6)	
Profit/(loss) before income tax Income tax (charge)/credit  (Loss)/profit for the year  Reconciliation of summarised financial information:  A reconciliation of the summarised financial information to the carrying amount of the Group's interest in United Resorts and Hotels Limited is as follows:			(6)
Income tax (charge)/credit  (Loss)/profit for the year  Reconciliation of summarised financial information:  A reconciliation of the summarised financial information to the carrying amount of the Group's interest in United Resorts and Hotels Limited is as follows:	7		(0)
(Loss)/profit for the year  Reconciliation of summarised financial information:  A reconciliation of the summarised financial information to the carrying amount of the Group's interest in United Resorts and Hotels Limited is as follows:		7	(8)
Reconciliation of summarised financial information:  A reconciliation of the summarised financial information to the carrying amount of the Group's interest in United Resorts and Hotels Limited is as follows:	(23)	(3)	2
A reconciliation of the summarised financial information to the carrying amount of the Group's interest in United Resorts and Hotels Limited is as follows:	(16)	4	(6)
•			
	468	463	487
(Loss)/profit for the year	(16)	4	(6)
Other comprehensive income/(loss) – foreign currency translation	139	2	(18)
Closing net assets attributable to owners	591	469	463
Interest in joint venture (%)	50	50	50
Interest in joint venture	296	234	231
Translation	(176)	(106)	(105)
Carrying value of investment in joint venture	(170)	(.00)	

### 21. NON-CURRENT RECEIVABLES

The Group adopted IFRS 9 Financial Instruments with effect from 1 April 2018 (refer 1b New and amended standards adopted by the Group).

(ZAR'm)	2019	2018	2017
Financial instruments			
Prepayments – lease deposits	4	35	43
Other	2	2	1
	6	37	44
Non-financial instruments			
Prepayments	-	1	2
	6	38	46
Non-current receivables are denominated in the following currencies			
SA Rand	2	3	3
US Dollar	4	35	43
	6	38	46

Other non-current receivables and deposits do not contain significant credit risk and there are no significant receivables past due, not impaired or impaired. The probability of default is considered to be low. The Group does not consider non-current receivables material and no further disclosure is provided in this regard.

### 22. DEFERRED INCOME TAX

(ZAR'm)	2019	2018	2017
The gross movements on the deferred tax account are as follows:			
Net deferred tax liability at 1 April	217	528	593
Income statement expense/(credit)	(38)	(324)	(99)
Currency translation	(13)	13	34
Transfer	(6)	_	_
Net deferred tax liability at 31 March	160	217	528

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:

(ZAR'm)	Accelerated tax allowances	Other assets <sup>(1)</sup>	Provisions and accruals <sup>(2)</sup>	Deferred revenue	Tax losses	Total
Deferred tax liabilities						
Balance at 1 April 2016	727	1	(1)	(3)	(8)	715
Income statement expense/(credit)	36	5	(110)	(5)	(86)	(160)
Currency translation	34	_	_	_	_	34
Balance at 31 March 2017	797	6	(111)	(8)	(94)	589
Income statement expense/(credit)	(318)	(4)	(62)	1	46	(338)
Currency translation	13	_	_	_	_	13
Balance at 31 March 2018	491	2	(173)	(7)	(48)	264
Income statement expense/(credit)	(3)	(17)	(11)	1	(4)	(34)
Transfer	_	_	(6)	_	_	(6)
Currency translation	(12)	_	_	_	_	(12)
Deferred tax liability at 31 March 2019	475	(15)	(190)	(6)	(52)	212
Deferred tax assets(3)						
Balance at 1 April 2016	74	(3)	(168)	(4)	(21)	(122)
Income statement expense/(credit)	(57)	3	138	_	(22)	61
Balance at 31 March 2017	17	_	(30)	(4)	(43)	(61)
Income statement credit/(expense)	(6)	_	14	(1)	6	13
Balance at 31 March 2018	11	_	(16)	(5)	(37)	(47)
Income statement credit/(expense)	_	_	(1)	(1)	(3)	(5)
Deferred tax asset at 31 March 2019	11	_	(17)	(6)	(40)	(52)
Total net deferred tax liability/(asset)	486	(15)	(207)	(12)	(92)	160

<sup>(1)</sup> Includes investment property and prepaid expenditure.

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

<sup>(3)</sup> Sufficient taxable profits will be made in future in order to realise the deferred tax assets.

#### 23. INVENTORIES

(ZAR'm)	2019	2018	2017
Food and beverage	19	21	19
Operating equipment	4	3	3
Consumable stores	23	19	20
	46	43	42
The cost of food and beverage and consumable stores recognised as an			
expense and included in other operating expenses	344	339	317
There was no write-off of inventories during the year under review (2018 and 201	7: Rnil).		

### 24. TRADE AND OTHER RECEIVABLES

(ZAR'm)	2019	2018	2017
Financial instruments			
Financial assets measured at amortised cost			
Trade receivables – net	322	274	320
Trade receivables – gross	351	302	350
Trade receivables – loss allowance	(29)	(28)	(30)
Deposits	42	40	35
Other receivables	6	4	39
Trade and other receivables – net	370	318	394
Non-financial instruments			
Prepayments	80	38	42
VAT receivable	8	12	_
	88	50	42
Total trade and other receivables	458	368	436

### Trade receivables

Trade receivables comprise a large, widespread customer base mostly in respect of the hotel, banqueting and conferencing provided in the ordinary course of business. Credit sales mostly have negotiated credit terms of 30 days and are therefore all classified as current. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable as shown above. The Group does not hold any collateral as security. The carrying value less impairment provision of trade and other receivables is assumed to approximate their fair values due to the short-term nature of trade and other receivables.

### Credit risk

### Trade receivables

The Group performs ongoing credit evaluations of the financial condition of its customers for both new credit applications and existing customers having credit facilities. These reviews include evaluating previous relations the customer has had with the Group, taking into account the length of time and amount of business. New customers are given credit only after meeting strict minimum requirements. The utilisation of credit limits are regularly monitored by reviewing the aging analysis of these debtors on an ongoing basis. The trade receivables are of a strong credit standing.

Credit limits exceeded during the year under review were closely monitored, and management expects limited losses from nonperformance by these counterparties that have not been provided for.

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

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 March 2019 and the corresponding historical credit losses experienced within this period. The 12 period used to assessed the payment profiles is mainly due to the volatility of current economic environment prone to more significant changes over short term. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The customer accounts separately identified and risk weighted differently to the general customer listing are those that the Group has determined are affected by the following factors:

- Vulnerability of state-owned enterprises at present in South Africa.
- Ongoing Energy Crisis facing South Africa.
- GDP in South Africa.
- Large Travel Management Companies ("TMCs") operating against the backdrop of the above factors along with their burgeoning cost base, driven by increasing salary costs along with cash flow issues emanating from the slow payments from Government departments and Parastatals. This combined with their low levels of commission earned leaves them as highly risky, yet they comprise the largest proportion of our business. These entities, typically when reaching business failure have a very small/no asset base to try and recoup losses from.

On this basis, the loss allowance as at 31 March 2019 (on adoption of IFRS 9) was determined as follows for trade receivables:

	Current Rm	30 to 60 days Rm	60 to 90 days Rm	More than 90 days Rm	Total Rm
Large South African TMCs:	1.0	0.5	10.1	04.0	0.0
Expected loss rate (%)	1.3	2.5	13.1	24.9	2.0
Gross carrying amount	46	13	*	1	60
Loss allowance	*	*	*	*	1

<sup>\*</sup> Less than R1 million.

Other remaining South African debtors (excluding large TMCs and specifically identified debtors):

	Current Rm	30 to 60 days Rm	60 to 90 days Rm	More than 90 days Rm	Total Rm
Expected loss rate (%)	0.94	2.67	20.54	21.18	1
Gross carrying amount	172	17	1	*	191
Loss allowance	1	*	*	*	2

Specific South African debtors:

Specific debtors are debtors that are long outstanding and generally have slower payment terms. These are considered to have a higher risk profile due to their customer base. These are credit impaired (stage 3).

	Total Rm
Gross carrying amount	38
Loss allowance	17

The loss allowance has been established as follows:

- specific debtors provided for completely amounted to R4 million.
- other specific debtors were provided for at a range between 30% to 40% of the carrying value.

Hospitality Property Fund debtors have a carrying value of R71.8m and are considered to be lower risk as they are related to rental income which are all current. Rentals are due in advance and are current, 30 days or less. Based on past history, there are immaterial write-offs. Customers comprise lessees paying rentals for the hotel buildings.

### Offshore debtors:

	Current Rm	30 to 60 days Rm	60 to 90 days Rm	More than 90 days Rm	Total Rm
Expected loss rate (%)	2.91	3.57	11.86	48.61	15.03
Gross carrying amount	38	5	3	16	62
Loss allowance	1	*	*	8	9

At 31 March 2018, trade receivables of R70 million (2017: R220 million) were past due but not impaired. These relate mainly to a number of customers for whom there is no recent history of default. The past due but not impaired trade receivables is as follows:

	2018	2017
30 to 60 days	46	175
60 to 90 days	7	5
More than 90 days	17	40
	70	220

The closing loss allowances for trade receivables as at 31 March reconciled to the opening loss allowances as follows:

(ZAR'm)	2019	2018	2017
At 1 April	28	30	23
Provision for receivables impairment	(1)	2	9
Written off as uncollectable	4	1	_
Unused amounts reversed	(3)	(3)	(1)
Currency translation	1	(2)	(1)
At 31 March	29	28	30

Other receivables and deposits

Other receivables and deposits do not contain significant credit risk have a low probability of default and there are no significant receivables past due, not impaired or impaired. No further disclosure is provided in this regard.

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

(ZAR'm)	2019	2018	2017
SA Rand	367	309	360
Nigerian Naira	22	10	21
US Dollar	21	6	13
Mozambican Metical	17	12	10
Tanzanian Shilling	7	9	15
Other	9	9	6
Seychelles Rupee	6	5	8
Zambian Kwacha	2	2	1
United Arab Emirates Dirham	7	6	2
	458	368	436
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents measured at amortised cost			
Current accounts	387	346	450
Call and fixed deposit accounts	15	8	1
Cash	5	3	4
Gross cash and cash equivalents	407	357	455
Less: Bank overdrafts	(195)	(132)	(208
Net cash and cash equivalents per cash flow statement	212	225	248
Gross cash and cash equivalents are denominated in the following currencies:			
SA Rand	304	302	378
US Dollar	62	18	24
Nigerian Naira	20	18	21
Euro	10	1	11
Mozambican Metical	3	10	13
Other	_	1	2
United Arab Emirates Dirham	2	2	2
Zambian Kwacha	2	_	_
Kenyan Shilling	_	3	1
Seychelles Rupee	3	_	1
Tanzanian Shilling	1	_	1
British Pound	_	_	_
Swiss Franc	-	_	-
	407	357	455

### 26. NON-CURRENT ASSETS HELD FOR SALE

(ZAR'm)	2019	2018	2017
Opening net carrying amount	66	66	_
Capitalised expenditure	-	2	_
Fair value adjustment recognised in profit or loss	-	(1)	_
Transfers	(66)	_	67
Disposals	-	(1)	(1)
Closing net carrying amount	_	66	66

### Investment property

Non-current assets held for sale consisted of the Kopanong Hotel and Conference Centre property which consists of a country estate with 57 chalets and conference facilities. Due to management's change in intention to dispose of the property as a whole rather than through the sale of individual units, there is uncertainty around whether a suitable buyer may be found, and the property disposed of, within the next 12 months. As such, the asset has been reclassified to investment property during the year under review.

### 27. ORDINARY SHARE CAPITAL AND PREMIUM

(ZAR'm)	Number of ordinary shares	Net number of shares	Ordinary share capital R'000	Total R'000
Balance at 31 March 2017	1 416	1 416	1 923	1 923
Balance at 31 March 2018 Issue of shares	1 416 1 059 480	1 416 1 059 480	1 923 2 719	1 923 2 719
Balance at 31 March 2019	1 060 896	1 060 896	4 642	4 642

### 28. OTHER RESERVES

(ZAR'm)	Transactions with non- controlling interests	Cash flow hedge reserve	Foreign currency translation reserve	Common control reserve	Share capital reserve	Total
Balance at 1 April 2016 Common control acquisition Currency translation adjustments Settlement of Cullinan put liability with	(548) - -	- - -	_ _ (96)	(921) -	- (76)	(548) (997) (96)
non-controlling interests Consideration to HPF non-controlling	493	-	-	-		493
interests in hotels assets	968	_	_	_		968
Balance at 31 March 2017 Cash flow hedges	913	_ (2)	(96)	(921) -	(76)	(179) (2)
Fair value losses during the year Deferred tax on fair value losses		(2) 1				(2)
Currency translation adjustments Consideration to HPF non-controlling	_	-	(86)	_		(86)
interests in hotels assets Acquisition of non-controlling interests	(37)	_	_	_		(37)
from HPF Consideration to HPF non-controlling	436	_	_	_		436
interests – Sandton Isle	(15)	_	_	_		(15)
Balance at 31 March 2018 Cash flow hedges	1 298	(2)	(182)	(921)	(76)	118 2
Fair value losses during the year Deferred tax on fair value losses		2 –				2 –
Currency translation adjustments	_	_	169			169
Balance at 31 March 2019	1 298	-	(11)	(921)	(76)	289

### 29. INTEREST-BEARING BORROWINGS

(ZAR'm)	2019	2018	2017
Bank borrowings	2 293	2 019	2 948
Corporate bonds (Domestic Medium-term Note Programme)	890	902	982
Bank overdrafts	195	132	208
	3 378	3 053	4 138
Less: Facility raising fees	(8)	(12)	(17)
	3 370	3 041	4 121
Analysed as:			
Non-current portion	2 885	2 909	3 913
Current portion	485	132	208
	3 370	3 041	4 121
Secured	3 298	3 053	4 138
Unsecured	80	_	_
	3 378	3 053	4 138
The following represents the carrying amount of the security for these			
borrowings:	4.040	1 000	
Property, plant and equipment (Note 15)	1 216	1 062	1 154
Investment properties (Note 16) <sup>(1)</sup>	4 881	5 101	4 843
Intangible assets (Note 18)	50	42	39
Inventories (Note 23)	46	43	42
Pledge of cash in bank accounts (Note 25)	212	225	248
Non-current investment property held for sale (Note 26)		66	66
	6 405	6 539	6 392
The carrying amounts of the Group's borrowings are denominated in the following currencies:			
SA Rand	2 148	2 075	3 139
US Dollar	1 222	966	982
	3 370	3 041	4 121
The Group has the following committed direct facilities (from banks and			
corporate bonds):			
Expiring within 1 year	274	_	230
Expiring beyond 1 year	3 490	1 940	1 488
	3 764	1 940	1 718
Undrawn facility of committed direct bank borrowings	580	(980)	(2 211)
Weighted average effective interest rates (including cash held in call accounts) (%)	8.5	8.9	7.8

<sup>(1)</sup> Investment properties represents the value of the properties in HPF over which mortgage bonds have been registered in favour of the debt funding providers to HPF included in borrowings. On consolidation, these properties leased and managed by Southern Sun Hotel Interests Proprietary Limited are however accounted for as part of the carrying amount of the property, plant and equipment (both companies being subsidiary companies of the Group).

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments and is within level 3 of the fair value hierarchy. The fair values of long and medium-term borrowings are based on cash flows discounted using commensurate variable rates chargeable by both US Dollar and SA Rand lenders of the above loans ranging between 4.90% and 8.85% (2018: 4.36% and 8.97% and 2017: 3.13% and 9.84%). The fair values of the current portion of borrowings equals their carrying amount, as the impact of discounting is not significant. All borrowings bear interest at floating rates.

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

	Carr	ying amount		F	air value	
(ZAR'm)	2019	2018	2017	2019	2018	2017
Bank borrowings	2 293	2 019	2 948	2 306	2 038	2 967
Corporate bonds (Domestic						
Medium-term Note						
Programme)	882	890	965	897	897	975
	3 175	2 909	3 913	3 203	2 935	3 942

### 30. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments measured at fair value are made up as follows:

### 30.1 Interest rate swaps - cash flow hedges:

(ZAR'm)	2019	2018	2017
HPF	_	6	1
Net liabilities/(assets)	-	6	1
Less: Current portion liability (net)	-	(2)	(1)
Non-current portion liability (net)	_	4	_
Non-current portion made up as follows:			
Asset	_	_	(2)
Liability	-	4	2
	_	4	_

For effective hedges, gains and losses are recognised in the hedging reserve directly in other comprehensive income (after tax). The ineffective portion recognised in the income statement from cash flow hedges for the year amounted to R1.3 million (2018: R6.1 million and 2017: R6 million) and is included in other operating expenses (Note 11).

The notional amounts of the outstanding ineffective interest rate swap contracts at 31 March were:

**HPF** 

With a fixed rate of 7.88% maturing 14 February 2019

250 250

### 31. POST-EMPLOYMENT BENEFITS

#### Pension funds

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

### Provident funds

The Group also operates the Alexander Forbes Retirement Fund which is a defined contribution fund, governed by the Pension Funds Act, 1956, which provides retirement and death benefits for all permanent, full time employees who are not members of any other approved pension or provident fund.

### Medical aid

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

The movement in the defined benefit obligation is as follows:

(ZAR'm)	Present value of obligation	Fair value of plan assets	Total
Year ended 31 March 2019 At 1 April 2018 Other post-retirement benefits – medical aid	32 -	(31) -	1 -
Expected return on plan assets Expected benefit payments from plan assets Interest expense/(income)	- (3) 3	(3) 3 -	(3) - 3
Remeasurements through OCI:	(1)	(1)	(2)
Gain from change in financial assumptions Return on plan assets	(1)	- (1)	(1) (1)
At 31 March 2019	31	(32)	(1)

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(ZAR'm)	Present value of obligation	Fair value of plan assets	Total
Year ended 31 March 2018 At 1 April 2017	35	(31)	4
Other post-retirement benefits – medical aid Expected return on plan assets Expected benefit payments from plan assets	(3)	- (3) 3	- (3) -
Interest expense/(income) Remeasurements through OCI:	3 (3)		3 (3)
Gain from change in financial assumptions Return on plan assets	(2)		(2) (1)
At 31 March 2018	32	(31)	1
Year ended 31 March 2017 At 1 April 2016 Other post-retirement benefits – medical aid	36	(30)	6 –
Expected return on plan assets Expected benefit payments from plan assets Interest expense/(income)	(3)	(3) 3 -	(3) - 3
Remeasurements through OCI:	(1)	(1)	(2)
Gain from change in financial assumptions Return on plan assets	(1)	_ (1)	_ (2)
At 31 March 2017	35	(31)	4

The present value of the obligation is R31 million (2018: R32 million and 2017: R35 million) and the present value of the plan assets is R32 million (2018: R31 million and 2017: R31 million).

The principal actuarial assumptions used for the valuation were:

(ZAR'm)	2019	2018	2017
Discount rate	9.70%	9.00%	9.50%
Healthcare cost inflation	7.90%	7.80%	9.00%
Expected return on plan assets	9.70%	9.00%	9.50%
Remuneration inflation	7.40%	7.30%	8.50%

The fund is actively managed and returns are based on both the expected performance of the asset class and the performance of the fund managers. The assets of the medical aid scheme comprise cash for 2019, 2018 and 2017.

The expected long-term rate of return on medical aid assets of 9.70% (2018: 9.00% and 2017: 9.50%) is determined by using a standard 0% margin on the assumed rate of discount as per the revised IAS 19 Employee Benefits. The discount rate of 9.70% (2018: 9.00% and 2017: 9.50%) per annum is based on current bond yields of appropriate term gross of tax as required by IAS 19. South Africa does not have a deep market in high quality corporate bonds. The discount rate is therefore determined by reference to current market yields on government bonds.

No contributions are expected to be paid into the Group's defined benefit scheme during the annual period after 31 March 2019 (2018: Rnil and 2017: Rnil).

### 32. DEFERRED REVENUE

The Group's contract liabilities consist of the customer reward programmes and are shown as deferred revenue. The Group accounts for its hotel customer reward programmes in terms of IFRS 15 *Revenue from Contracts with Customers* with the liability on the balance sheet allocated to deferred revenue. Deferred revenue is made up as follows:

### Non-financial instruments

Deferred revenue – rooms and food and beverage revenue

(ZAR'm)	2019	2018	2017
At 1 April	95	87	74
Created during the year	142	132	118
Forfeitures during the year	(34)	(31)	(27)
Utilised during the year	(100)	(93)	(78)
At 31 March	104	95	87
Less: Current portion	(70)	(64)	(58)
Non-current portion	34	31	29

The expected timing of the recognition of the deferred revenue is within three years (2018 and 2017: three years).

	2020	2021	Total
Revenue expected to be recognised in respect of deferred revenue as of 31 March 2019	70	34	104
Revenue recognised that was included in the contract liability balance at the beginning of the period	67	62	53

### 33. LONG-TERM INCENTIVE CASH PLANS

### Cash-settled - Tsogo Sun Share Appreciation Bonus Plan

The Tsogo Sun Share Appreciation Bonus Plan is a bonus scheme whereby participants receive cash bonuses, the amounts of which are determined with reference to the growth in the holding Company's listed share price. Participants under this bonus appreciation plan are not entitled to take up shares or options whatsoever. Allocations vest in full three years after date of allocation.

The fair value is expensed over the period as services are rendered by the employees. In terms of the rules, the fair values of the payments are determined using the seven-day volume weighted average trading price of the Company's share prior to the determination of the fair value of the long-term incentive bonus. The following is pertinent to this bonus plan:

(ZAR'm)	2019	2018	2017
Average share price utilised to value the liability	R23.50	R25.50	R28.00
Number of appreciation units granted and outstanding ('000)	17 959	33 320	31 488
Number of appreciation units vested and outstanding ('000)	12 642	17 203	15 824

The Group recognised a debit of R3.5 million (2018: R7 million credit and 2017: R33.9 million debit) related to this bonus appreciation plan during the year.

(ZAR'm)	2019	2018	2017
Cash-settled, share-based long-term incentive plan	34	30	44
Less: Current portion	34 (29)	30 (19)	44 (37)
Non-current portion	5	11	7

### 34. PROVISIONS

(ZAR'm)	2019	2018	2017
At 1 April			
Long-service awards	53	48	44
Short-term incentives	61	62	65
	114	110	109
Created during the year			
Long-service awards	7	11	8
Short-term incentives	57	54	61
Inter-group transfers	12	_	_
	76	65	69
Utilised during the year			
Long-service awards	(7)	(6)	(4)
Short-term incentives	(58)	(55)	(64)
	(65)	(61)	(68)
At 31 March			
Long-service awards	58	54	48
Short-term incentives	67	60	62
Total provisions	125	114	110
Less: Current portion	(74)	(67)	(67)
Non-current portion	51	47	43

### Long-service awards

The Group pays its employees a long-service benefit. The benefit is paid when employees reach predetermined years of service. The method of accounting and frequency of valuation are similar to those used for defined benefit schemes. The actuarial valuation to determine the liability is performed annually by independent actuaries using the projected unit credit method.

(ZAR'm)	2019	2018	2017
Movement in unfunded obligation			
Benefit obligation at 1 April	53	48	44
Interest cost	5	4	4
Service cost	5	5	5
Actuarial loss/(gain)	(4)	2	(3)
Benefits paid	(6)	(5)	(4)
Transfers	5	_	2
Obligation at 31 March	58	54	48
The amounts recognised in the income statement are as follows:			
Interest cost	5	4	4
Current service cost	5	5	5
Actuarial loss/(gain)	(4)	2	(3)
	6	11	6
The principal actuarial assumptions used for accounting purposes are:			
Discount rate	9.20%	8.40%	8.90%
Inflation rate	5.40%	5.40%	6.30%
Salary increase rate	5.90%	5.90%	6.80%
Pre-retirement mortality rate	SA 85 - 90		
	(Light table)		
The present value of the long-service award obligations for the current and			
prior years are as follows:			
Present value of unfunded obligations	58	54	48
Experience adjustment on plan obligations	-	_	_
There are no plan assets in respect of the long-service award liability.			

### 35. OTHER NON-CURRENT LIABILITIES

(ZAR'm)	2019	2018	2017
Straight-lining of operating leases Less: Current portion	187 (1)	157 (8)	126 (3)
Non-current portion	186	149	123

The straight-lining of operating leases relates to the Cape Town City Bowl hotels and various leases of other properties within the Group's portfolio of hotels.

### 36. TRADE AND OTHER PAYABLES

(ZAR'm)	2019	2018	2017
Financial instruments			
Trade and other payables	409	370	549
Trade payables	120	102	141
Accrued expenses	159	139	115
Advance deposits	61	57	54
Tenants deposits	_	2	19
Unallocated deposits	32	37	36
Amounts payable to hotel operators	15	15	28
Capital expenditure payables	_	_	5
Derivative financial instruments current portion (Note 30)	_	2	_
Accrued interest	_	12	19
Other payables	22	4	132
Non-financial instruments	222	185	214
VAT payable	35	13	32
Leave pay liability	55	46	44
Payroll related payables	28	32	31
Long-term incentive liabilities current portion (Note 33)	29	19	37
Provisions current portion (Note 34)	74	67	67
Straight-lining of operating leases current portion (Note 35)	1	8	3
	631	556	763

The carrying values of trade and other payables are assumed to approximate their fair values due to the short-term nature of trade and other payables. Other payables include capital expenditure creditors, unallocated deposits received and other sundry payables.

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

(ZAR'm)	2019	2018	2017
SA Rand	500	443	633
US Dollar	35	17	37
Zambian Kwacha	7	11	14
Nigerian Naira	22	8	22
Seychelles Rupee	13	12	12
Kenyan Shilling	22	4	10
Tanzanian Shilling	10	51	17
Mozambican Metical	21	9	15
Jnited Arab Emirates Dirham	1	1	2
	631	556	763

### 37. CASH GENERATED FROM OPERATIONS

(Loss)/profit before tax  Adjusted for finance income and costs, share of profit of equity accounted entities, dividends received and non-cash movements:  Finance income  Finance costs	(38)	472	1 437
accounted entities, dividends received and non-cash movements: Finance income Finance costs			
Finance income Finance costs			
Finance costs			(= ·)
		(55)	(54)
	455	535	452
Share of profit of associates and joint ventures	(15)	(55)	(32)
Amortisation and depreciation	306	270	248
Impairment charge for bad and doubtful debts, net of reversals	3	3	9
Operating equipment usage	21	21	26
Straight-lining of operating leases and other lease adjustments	27	32	19
Movement in provisions	83	80	91
Long-term incentive expense/(credit)	4	(7)	34
Loss on disposal of property, plant and equipment	3	_	2
Impairment of property, plant and equipment	94	_	88
Gain on disposal of investment property	-	_	(36)
Impairment	_	_	1
Fair value adjustment on investment properties	445	187	(800)
Fair value adjustment on assets held for sale	_	1	(00)
Gain on bargain purchase	(0)	_	(82)
Fair value adjustment on interest rate swaps	(2)	1	6
Dividends received from available-for-sale financial assets	- (4)	(7)	(14)
Other non-cash moves and adjustments	(4)	(7)	22
Cash generated from operations before working capital movements	1 372	1 480	1 418
Working capital movements	(4)	(4)	(0)
Increase in inventories	(1)	(4)	(2)
Decrease in trade and other receivables	23	72	85
Decrease in payables and provisions	(84)	(271)	(337)
Cash generated from operations	1 311	1 277	1 164
INCOME TAX PAID			
Tax liability at 1 April	(68)	(38)	(21)
Current tax provided	(102)	(132)	(114)
Withholding tax	(6)	(5)	(6)
Currency translation	(1)	4	2
Tax liability at 31 March	98	68	38
	(79)	(103)	(101)

### 38.2 Changes in interest-bearing borrowings arising from financial activities

(ZAR'm)	Long-term borrowings	Short-term borrowings	Other current liabilities
Balance as at 1 April 2016	2 653	_	1 819
Borrowings raised	245	_	974
Borrowings repaid	(572)	_	_
Currency translation	(101)	_	_
Acquisition of subsidiary <sup>(1)</sup>	1 725	_	_
Other	(37)	_	_
Balance as at 31 March 2017	3 913	_	2 793
Borrowings raised	1 196	_	42
Borrowings repaid	(2 069)	_	_
Currency translation	(129)	_	_
Other	(2)	_	_
Balance as at 31 March 2018	2 909	_	2 835
Borrowings raised	174	_	_
Borrowings repaid	(145)	_	(2 366)
Currency translation	229	_	_
Transfer to short-term borrowings	(290)	290	_
Other	8	_	(469)
Balance as at 31 March 2019	2 885	290	_

 $<sup>^{\</sup>mbox{\tiny (1)}}$  In 2017, HPF was acquired and the debt was consolidated into the hotels group.

### 39. RELATED PARTIES

As detailed below, the Group has concluded certain material transactions with related parties. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

#### 39.1 Transactions and balances with related parties

(ZAR'm)	2019	2018	2017
Management fees received from Tsogo Sun Gaming	44	41	55
Royalties received from Tsogo Sun Gaming	9	9	_
Operating expenses recovered from Tsogo Sun Gaming	19	19	18
Operating expenses charged from Tsogo Sun	(122)	(117)	(122)
Interest paid to Tsogo Sun	(188)	(269)	(229)
	(239)	(317)	(278)
Loans with related parties:			
Amounts payable to Tsogo Sun Proprietary Limited	_	(2 338)	$(2\ 296)$
Amounts payable to Tsogo Sun Gaming Investments Proprietary Limited Amounts payable to Tsogo Sun Hotels, Gaming and Entertainment	-	(3)	(3)
Proprietary Limited	_	(494)	(494)
Amounts receivable from Tsogo Sun Proprietary Limited	39		_
	39	(2 835)	(2 793)

These loans have been disclosed as other current assets in 2019 and other current liabilities in 2018 and 2017.

The loans bear interest at market-related rates and are repayable on demand. At 31 March 2017, R1.8 billion of the loan payable to Tsogo Sun Proprietary Limited by Southern Sun Hotel Interests Proprietary Limited ("SSHI"), a subsidiary of the Group, was subordinated together with any future interest that accrues on this balance until such time that the total assets of SSHI, fairly valued, exceeded its total liabilities. At 31 March 2018, R2.8 billion of the loan payable to Tsogo Sun Proprietary Limited by SSHI was subordinated together with any future interest that accrues on this balance until such time that the total assets of SSHI, fairly valued, exceeded its total liabilities. The full amount of the loan was repaid in 2019.

### 39.2 Common control acquisition

The common control reserve was recognised retrospectively, from the earliest period presented as a result of the acquisition of the Southern Sun Offshore businesses from Tsogo Sun Gaming & Entertainment Proprietary Limited in March 2019. The assets and liabilities acquired at predecessor values are:

	R'm
Property, plant and equipment	2 317
Goodwill	7
Other intangible assets	1
Investments in associates	487
Investments in joint ventures	120
Non-current receivables	5
Deferred income tax assets	136
Inventories	12
Trade and other receivables	99
Cash and cash equivalents	103
Other non-current liabilities	(1 356)
Other current liabilities	(723)
Income tax liabilities	(27)
Total identifiable net assets assumed	1 181
NCI	(151)
Less: Purchase consideration	1 923)
Common control reserve arising on transaction	(893)

### 39.3 Key management compensation

Key management includes members of the Group Executive Committee. The compensation paid to key management for employee services is shown below:

(ZAR'm)	2019	2018	2017
Salaries and other short-term employee benefits	16	26	15
Post-employment benefits	1	1	_
Other long-term benefits	2	4	11
	19	31	26

There are no loans to Directors, key management or their families of the Group.

### 39.4 Contingencies, commitments and guarantees

There are no contingencies, commitments or guarantees of the Group's related parties, other than as mentioned in Note 40 to these consolidated annual financial statements.

#### 40. OPERATING LEASE COMMITMENTS

### Operating lease arrangements where the Group is a lessee:

The operating lease commitments relate mainly to the Cape Town City Bowl hotels lease which commenced in September 2017 and leases of other properties within the Group's portfolio of hotels. The Group's main lease, the aforementioned Cape Town City Bowl hotels lease, has a lease term of 15 years escalating at 7% per annum with an option to renew for a further period of 10 years.

At the balance sheet date the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

(ZAR'm)	2019	2018	2017
Not later than 1 year	130	143	98
Later than 1 year and not later than 5 years	476	479	355
Later than 5 years	1 345	1 476	706
	1 951	2 099	1 158

### Operating lease arrangements where the Group is a lessor:

The Group's main leases are contracts with tenants in respect of its investment properties held in HPF. The Group also rents out retail and commercial office space in its gaming and hotels properties. Rental income is based on fixed, fixed and variable and variable lease agreements concluded with tenants. The majority of the leases are fixed and variable with the fixed rental amounts resetting after a number of years. In the long-term fixed rentals should always exceed variable rental income received. Property rentals (including investment property rentals - refer Note 18 Investment properties) earned during the year was R406 million (2018: R304 million).

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under noncancellable operating leases in the aggregate and for each of the following periods. The rentals below relate only to fixed rentals and do not include any variable rentals or escalations based on CPI:

(ZAR'm)	2019	2018	2017
Not later than 1 year	5	1	3
Later than 1 year and not later than 5 years	1	2	3
Later than 5 years	-	_	1
	6	3	7
. FUTURE CAPITAL EXPENDITURES			
Authorised by Directors but not yet contracted for:			
Property, plant and equipment	415	1 052	2 653
Investment property	231	210	122
	646	1 262	2 775
Authorised by Directors and contracted for:			
Property, plant and equipment	108	50	216
Investment property	19	13	30
Intangible assets: software	-	26	6
	127	89	252

### 42. FINANCIAL RISK MANAGEMENT

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

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

The risk profiles, with the risk responses, are reviewed by the audit and risk committee at least once every six months. In addition to the Group risk assessment, risk matrices are prepared and presented to the audit and risk committee for each operational division.

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

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

### (a) Market risk

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 as the Group seeks to mitigate this exposure, where cost-effective, by securing its debt denominated in US Dollar and/or Euro in the offshore entities with assets and cash flows of those offshore operations where the functional currency of those entities is US Dollar and/or Euro, with no recourse to the South African operations. As a result, no forward cover contracts are required in respect of this debt. The Group does not hedge currency exposures from the translation of profits earned in foreign currency subsidiaries, associates and joint ventures.

Foreign exchange risk also arises from exposure in the foreign operations due to trading transactions denominated in currencies other than the functional currency.

The following significant exchange rates against the SA Rand applied during the year:

	Av	erage Rate		Reporting	date closing	rate
(ZAR)	2019	2018	2017	2019	2018	2017
1 US Dollar is						
equivalent to	13.66	12.96	14.04	14.51	11.81	13.40
1 Euro is equivalent to	15.83	15.16	15.37	16.29	14.55	14.32

A 10% strengthening of the functional currency against the following currencies at 31 March would have increased/(decreased) profit or loss by the amounts shown below due to foreign exchange gains or losses on foreign denominated trade receivables, cash and cash equivalents and trade payables recorded in the local currency of the foreign operations. This analysis assumes no hedging and that all other variables, in particular interest rates, remain constant. This analysis was performed on the same basis for 2018 and 2017.

R'm	2019	2018	2017
Euro	*	*	*
Mozambican Metical	*	*	*
Nigerian Naira	(1)	(1)	(1)
US Dollar	*	*	*
Zambian Kwacha	*	*	*
Other	*	*	*

<sup>\*</sup> Below R1 million.

A 10% weakening of the functional currency against the above currencies at 31 March would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

#### (ii) Interest rate risk

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

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). Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

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

Group policy requires that approximately 50% of its net borrowings are to be in fixed rate instruments over a 12-month rolling period.

The Group manages its interest rate risk by using floating-to-fixed interest rate swaps. Interest rate swaps have the economic effect of converting floating rate borrowings to fixed rates. Where the Group raises longterm borrowings at floating rates, it swaps them into fixed rates in terms of Group policy. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to an agreed reference interest rate calculated on agreed notional principal amounts. The settlement dates coincide with the dates on which interest is payable on the underlying debt and settlement occurs on a net basis.

Fixed interest rate swaps ranged from 7.16% to 7.42% as at 31 March 2019 referenced against the threemonth JIBAR of 7.15% (2018: Fixed interest rate swaps ranged from 7.16% to 7.88% as at 31 March 2018 referenced against the three-month JIBAR of 6.867%). 2017: Fixed interest rate swaps ranged from 7.05% to 7.88% as at 31 March 2017 referenced against the three-month JIBAR of 7.325%).

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

(ZAR'm)	2019	2018	2017
Linked to three-month JIBAR	1 959	1 952	2 944
Linked to three-month USD LIBOR	1 178	947	986
Linked to Central Bank prime rate in Mozambique	46	22	_
	3 183	2 921	3 930

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

	Carr	ying amount	
(ZAR'm)	2019	2018	2017
Variable rate instruments			
Financial liabilities	3 183	2 920	3 930
	3 183	2 920	3 930

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 R32 million (2018: R29 million and 2017: R39 million), including the effects of the interest rate swaps. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for 2018.

#### Other price risk (iii)

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.

### (b) Credit risk

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

The Group has no significant concentrations of credit risk. Overall credit risk is managed on a group basis with exposure to trade receivables managed at entity level. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions and lessors, as well as credit exposures to the Group's customer base, including outstanding receivables and committed transactions.

For banks and financial institutions, only Group Audit and Risk Committee approved parties are accepted (on behalf of the Board). The Group has policies that limit the amount of credit exposure to any bank and financial institution. The Group limits its exposure to banks and financial institutions by setting credit limits based on their credit ratings and generally only with counterparties with a minimum credit rating of BBB by Standard & Poor's and Baa3 from Moody's. For banks with a lower credit rating, or with no international credit rating, limits are set by the Audit and Risk Committee on behalf of the Board. The utilisation of credit limits is regularly monitored. To reduce credit exposure, the Group has International Swaps and Derivatives Association Master Agreements with most of its counterparties for financial derivatives which permit net settlement of assets and liabilities in certain circumstances.

### (c) Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. Although current liabilities exceed current assets at 31 March 2019, the Group generates sufficient cash flows during the period to meet all current liability obligations.

Management monitors rolling forecasts of the Group's liquidity headroom on the basis of expected cash flow and the resultant borrowing position compared to available credit facilities. This process is performed during each financial year for five years into the future in terms of the Group's long-term planning process.

The Group's policy is to ensure that it has, at all times, in excess of 15% of surplus, undrawn committed borrowing facilities. At 31 March 2019, the Group had 15% (2018: 17%) surplus facilities. Bank overdrafts are not considered to be long-term debt but rather working capital arrangements as part of cash management as set up with the banking institutions.

(ZAR'm)	2019	2018	2017
Debt at 1 April  Net (increase)/decrease in debt during the year  Less: Capitalised interest	(2 920)	(3 930)	(4 025)
	(263)	1 010	95
	19	11	21
Debt excluding capital interest at 31 March	(3 165)	(2 909)	(3 909)
Credit facilities <sup>(1)</sup>	3 784	3 537	4 257
Headroom available	619	628	348

<sup>(1)</sup> Excludes indirect facilities (letters of guarantees, forward exchange contracts and letters of credit) and bank overdrafts.

The Group sources its funding from a syndicate of three large South African banks, together with the debt capital markets through the HPF Domestic Medium-term Note Programme, thereby reducing liquidity concentration risk. The facilities comprise a mix of short, medium and long-term tenure, with utilisations and available facilities as follows:

		2019 facility			2018 facility			2017 facility	
(ZAR'm)	Total	Utilisation	Available	Total	Utilisation	Available	Total	Utilisation	Available
Demand facilities (overdrafts)	20	1	20	20	ı	20	20	ı	20
364-day notice facilities	I	I		I	I	I	I	I	I
Term facilities maturing 1 February 2018	I	I	ı	I	I	I	750	750	I
Term facilities maturing 1 August 2018	I	I	ı	I	I	I	230	96	135
Term facilities maturing 1 September 2018	I	I	ı	I	I	I	29	35	32
Term facilities maturing 1 November 2018	I	I	ı	I	I	I	30	30	I
Term facilities maturing 1 April 2019	I	I	I	I	I	I	100	α	86
Term facilities maturing 15 April 2019	230	230	I	230	230	I	230	230	I
Term facilities maturing 30 June 2019	I	I	I	I	I	I	176	176	I
Term facilities maturing 1 November 2019	I	I	ı	I	I	I	400	346	54
Term facilities maturing 20 February 2020	104	09	44	96	69	26	100	91	0
Term facilities maturing 31 July 2020	1 050	250	200	1 050	220	200	I	I	I
Term facilities maturing 31 March 2021	218	218	I	177	177	I	201	201	I
Term facilities maturing 30 June 2021	I		ı	I	I	I	1 200	1 200	I
Term facilities maturing 31 December 2021	210	210	I	171	171	I	194	194	I
Term facilities maturing 31 March 2022	852	797	22	694	612	82	259	259	I
Term facilities maturing 31 July 2022	200	200	ı	200	200	I	I	I	I
Term facilities maturing 31 March 2023	009	009	I	009	009	I	I	I	I
	3 784	3 165	619	3 537	2 909	628	4 257	3 909	348

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

(ZAR'm)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 March 2019				
Bank borrowings	172	901	1 625	_
Corporate bonds	370	55	709	_
Bank overdrafts	195			
Derivative financial instruments	-	_	2	_
Trade and other payables	409	-	_	-
	1 146	956	2 336	-
At 31 March 2018				
Bank borrowings	97	106	2 130	_
Corporate bonds	81	349	759	_
Bank overdrafts	132			
Derivative financial instruments	_	2	4	
Other current liabilities	2 835			
Trade and other payables	370	_	_	_
	3 515	457	2 893	-
At 31 March 2017			-	
Bank borrowings	389	296	3 124	_
Corporate bonds	769	29	269	_
Bank overdrafts	208			_
Derivative financial instruments	(2)	(1)	_	_
Other current liabilities	2 793	. ,		
Trade and other payables	549	_	_	_
	4 706	325	3 393	_

Gross cash inflows and outflows in respect of the Group's derivative financial instruments are not material and therefore no further information has been presented.

42.2 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:

				Other	Not			
	Loans and	Amortised	Derivatives	liabilities	asa			
	receivables	cost	used for	at amortised	financial		Non-	
(ZAR'm)	(IAS 39) <sup>(1)</sup>	(IFRS 9) <sup>(1)</sup>	hedging	cost	instrument	Total	current	Current
At 31 March 2019								
Financial assets								
Non-current receivables	ı	9	I	I	ı	9	9	
Derivative financial instruments								
Trade and other receivables	ı	370	I	I	88	458	I	458
Cash and cash equivalents	I	407	I	I	I	407	I	407
Financial liabilities								
Interest-bearing borrowings	I	I	I	3 370	1	3 370	2 885	485
Trade and other payables	I	I	I	409	292	701	I	701
At 31 March 2018								
Financial assets								
Non-current receivables	37	I	I	I	_	38	38	I
Trade and other receivables	318	I	I	I	20	368	I	368
Cash and cash equivalents	357	I	I	I	I	357	I	357
Financial liabilities								
Interest-bearing borrowings	I	I	I	3 041	I	3 041	2 909	132
Derivative financial instruments	I	I	4	I	I	4	4	I
Trade and other payables	I	I	I	370	185	556	I	256
At 31 March 2017								
Financial assets								
Non-current receivables	44	I	I	I	2	46	46	I
Derivative financial instruments	I	I	C/	I	I	2	2	I
Trade and other receivables	394	I	I	I	42	436	I	436
Cash and cash equivalents	455	I	I	I	I	455	I	455
Financial liabilities								
Interest-bearing borrowings	I	I	I	4 120	I	4 120	3 913	208
Derivative financial instruments	I	I	m	I	I	က	2	_
Trade and other payables	I	I	I	549	213	763	I	797

<sup>\*</sup> Prior year available-for-sale financial assets.

(1) On adoption of IFRS 9, the financial instruments included in trade and other receivables were reclassified from loans and receivables to amortised cost. There were no other changes in classification upon adoption of IFRS 9.

#### 43. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and provide optimal returns for shareholders through maintaining an optimal capital structure.

The Group defines capital as equity funding provided by shareholders and debt funding from external parties. Shareholder funding comprises permanent paid-up capital, share premium, revenue reserves and other reserves as disclosed in the balance sheet. Debt funding comprises loans from shareholders, banking institutions and corporate bonds and net debt represents gross debt net of all cash reserves.

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

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound equity position. The Group's debt capacity and optimal gearing levels are determined by the cash flow profile of the Group and are measured through applicable ratios such as net debt to EBITDAR and interest cover which ratios were complied with throughout the year. These ratios provide a framework within which the Group's capital base is managed. The Group's current utilisation of debt facilities is shown in Note 42.1(c).

In order to maintain or adjust the capital structure, in the absence of significant investment opportunities, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

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

- EBITDA covers net interest by at least 3.0 times.
- Net debt: EBITDA required to be less than 3.0 times.

EBITDA is defined as earnings before interest, taxation, depreciation, amortisation, long-term incentives and exceptional items.

No debt covenants in respect of external borrowings were breached during the year under review or during prior years presented. The covenants are monitored and reported to the Board and chief operating decision maker on a quarterly basis. Apart from the external debt borrowing covenants, the Group is not subject to externally imposed capital requirements, with the exception of HPF. HPF, being a REIT status entity, is subject to it's total liabilities being limited by the Listings Requirements of the JSE for REIT's to 60% of total assets. Furthermore, HPF's borrowings are limited in terms of the Listings Requirements of the JSE to 60% of the Directors' bona fide valuation of the consolidated property portfolio of HPF. These requirements were not breached during the year under review.

During 2019, the Group's internal covenants strategy was to ensure that net debt was no more than 3.0 times (2018 and 2017: 3.0 times) EBITDAR. EBITDAR, being the driver of profitability and equity contributor, is the critical measurement criteria used to manage debt and capital levels.

(ZAR'm)	2019	2018	2017
Total borrowings (Note 29)	3 370	3 041	4 121
Less: Cash and cash equivalents (Note 25)	(212)	(225)	(248)
Net debt	3 158	2 816	3 873
EBITDAR Net debt/EBITDAR (times)	1 491	1 590	1 465
	2.1	1.8	2.6

### 44. FAIR VALUE ESTIMATION

Specific valuation techniques used to value financial instruments include:

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 30):

(ZAR'm)	2019	2018	2017
Derivative financial instruments – interest rate swaps liability (net)	_	(6)	(1)

Financial instruments in level 3

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

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

The Group has the following level 3 financial instruments:

(ZAR'm)	2019	2018	2017
Investment properties (Note 16)	4 881	5 101	4 843

<sup>\*</sup> Prior year available-for-sale investments.

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.

### 45. OFFSETTING

The Group has the following financial instruments which are subject to enforceable master netting arrangements which are not offset as at 31 March 2019:

(ZAR'm)	2019	2018	2017
Interest rate swap derivatives			
Gross interest rate swap – asset	2	_	2
Gross interest rate swap – liability	(2)	(6)	(3)
Net asset/(liability) if offset	-	(6)	(1)

### 46. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

### 46.1 ANNOUNCEMENT IN RELATION TO THE LISTING AND UNBUNDLING OF TSOGO SUN HOTELS LIMITED

On the 15 March 2019 the Board of Directors of Tsogo Sun has resolved to restructure the Tsogo Sun Group's hotel interests under one holding company, being Tsogo Sun Hotels ("THL"), and to proceed with the separation of Tsogo Sun and THL, culminating in the listing and unbundling of THL.

The Pre-listing Statement for THL is expected to be released on or about 23 May 2019 with the Listing of THL expected to occur on or about 12 June 2019. Shareholders will be kept informed in this regard.

### 46.2 THE FOLLOWING MOVEMENTS IN DEBT INSTRUMENTS OCCURRED AFTER THE BALANCE SHEET DATE

HPF settled corporate bond notes HPF 08 and HPF 09, which matured on 15 April 2019, of R80 million and R150 million respectively. A new corporate bond note for R300 million was issued (HPF 12) and will mature in March 2024.

#### 46.3 ADDITIONAL SHARES IN RBH HOTEL GROUP LIMITED

Tsogo Sun Hotels acquired an additional 177 shares in RBH Hotel Group Limited for the consideration of £413,000. This results in an increase shareholding from 25% to of 26.4% on 18 April 2019.

Other then what is referred to above, the Directors are not aware of any matter or circumstance arising since the balance sheet date and the date of these annual financial statements, not otherwise dealt with within the financial statements, that would affect the operations or results of the Group significantly.

### **46.4 NEW SHARE INCENTIVE PLAN**

THL has adopted a new share incentive plan after year end, namely the THL SAR Plan, to incentivise, motivate and retain the right calibre of executives and senior management, and to recognise contributions made by selected employees.

Selected key senior employees of the THL Group are eligible for participation in the THL SAR Plan.

### 47. SUBSIDIARIES HAVING MATERIAL NON-CONTROLLING INTERESTS

The total non-controlling interests' share of profit for the year and accumulated non-controlling interests are allocated as follows:

		iership as a 31 March	at	Share of profit for the year 31 March			ted non-co s as at 31 N	0	
(ZAR'm)	2019	2018	2017	2019	2018	2017	2019	2018	2017
HPF Ikoyi Hotels Limited Other non-material non-controlling	41% 24%	41% 24%	49% 24%	22 2	165 (4)	543 (14)	2 767 161	3 036 159	2 384 163
interests:				(6)	5	(3)	11	14	12
				18	166	526	2 939	3 209	2 559

### 47. SUBSIDIARIES HAVING MATERIAL NON-CONTROLLING INTERESTS CONTINUED

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

	HPF			Ikoyi Hotels Limited			
(ZAR'm)	2019	2018	2017(1)	2019	2018	2017	
Summarised balance sheets as at 31 March					'		
Non-current assets	12 025	12 535	8 064	806	644	732	
Current assets	176	590	391	94	80	85	
Total assets	12 201	13 125	8 455	900	724	817	
Non-current liabilities	1 674	1 942	1 491	185	151	171	
Current liabilities	305	79	367	49	40	38	
Total liabilities	1 979	2 021	1 858	234	191	209	
Net assets	10 222	11 104	6 597	666	533	608	
Summarised income statements for the year ended 31 March							
Revenue	830	867	451	111	96	110	
Profit/(loss) before income tax	(194)	113	535	14	(6)	(29)	
Income tax credit/(expense)	_			(4)	4	43	
Profit/(loss) for the year	(194)	113	535	9	(2)	14	
Other comprehensive income Foreign currency translation	_	2 389	_	-	(16)	(72)	
	(104)	0.500	-		(16)	(72)	
Total comprehensive income	(194)	2 502	535	9	(18)	(58)	
Dividends paid to non-controlling interests	279	159	104	_	_	_	
Summarised cash flows for the year ended 31 March							
Cash generated from operations	762	725	308	27	16	17	
Interest received	17	28	15	1	1	_	
Finance costs paid	(184)	(192)	(86)	(10)	(8)	(6)	
Income tax paid Dividends paid	10 (688)	(351)	(27) (335)	_	_	_	
Net cash generated from operations	(83)	210	125)	18	9	11	
Net cash generated by/(utilised for)	()						
investment activities	(212)	(1 243)	335	(21)	(6)	(8)	
Net cash (utilised in)/generated from financing activities	(308)	1 214	(189)	_	_	9	
Net increase/(decrease) in cash and cash equivalents	12	181	21	(3)	3	12	
Cash and cash equivalents at	004	010		00	00	10	
beginning of the year Cash balances acquired with HPF	391	210	189	22	22	12	
Foreign currency translation	_	_	-	6	(3)	(2)	
Cash and cash equivalents at end of the year	403	391	210	25	22	22	

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

### 48. SUBSIDIARY COMPANIES

The following information relates to the Company's financial interest in its principal subsidiaries:

	Issued	l share cap	ital	Effe	ctive holdir	ng	Sha	ares at cos	t
(ZAR'm)	2019	2018	2017	2019	2018	2017	2019	2018	2017
Direct shareholding:									
Southern Sun Hotel									
Interests Proprietary									
Limited	1 061	2	2	100%	100%	100%	2 713	488	488
Hospitality Property									
Fund Limited	578	578	331	59%	59%	51%	5 224	5 224	2 674
Majormatic 194									
Proprietary Limited	*	*	*	100%	100%	100%	15	15	15
Elsivert Proprietary									
Limited	*	*	*	100%	100%	100%	75	75	75
Southern Sun									
Offshore Proprietary									
Limited	*	*	*	100%	100%	100%	1 923	*	*
Indirect									
shareholding:									
Southern Sun Middle									
East Investment									
Holdings Proprietary									
Limited	*	*	*	100%	100%	100%	*	*	*
Ikoyi Hotels Limited	3	3	3	76%	76%	76%	*	*	*
Southern Sun Africa	*	*			1000/				
Limited			*	100%	100%	100%	397	397	397
Lavado Holding BV	*	*	*	100%	100%	100%	2	2	2
Reshub Proprietary	*	*	*	1000/	1000/	4.000/	*	*	*
Limited	*		*	100%	100%	100%	*	*	*
							10 349	6 202	3 651

<sup>\*</sup>Amount less than R1 million.

The Group comprises a large number of companies. The list above only includes those subsidiary undertakings which materially affect the profit or net assets of the Group, or a business segment, together with the principal intermediate holding companies of the Group. In addition to the abovementioned subsidiaries, the Company has interests in other indirectly held subsidiaries. A register detailing such information in respect of all subsidiaries of the Company is available for inspection at the registered office of the Company, which may be inspected by members or their duly authorised agents.

All of the above subsidiaries are unlisted with the exception of Hospitality Property Fund Limited which is listed on the JSE. All of the subsidiaries are incorporated in South Africa except for Ikoyi Hotels Limited, Southern Sun Africa Limited and Lavado Holdings BV which are incorporated in Nigeria, Mauritius and the Netherlands respectively.

### Board and committees

### **BOARD PROFILE**



### M von Aulock (45) CA(SA)

Executive Director - Chief Executive Officer

### Date appointed: 10 May 2019

Marcel Nikolaus von Aulock served his articles at PwC and joined Tsogo Sun as Group Financial Manager in 1999. In 2004 he was promoted to Group Strategic Planning Director, in 2009 he was appointed CFO, and in September 2011 he assumed the role of CEO of Tsogo Sun. Marcel resigned from Tsogo Sun on 1 June 2017, but re-joined the Tsogo Sun Group on 1 June 2018, as Chief Executive Officer of THL. He has been a Non-executive Director of HPF since December 2018, and Nonexecutive Director of International Hotel Properties Limited since October 2018.

### L McDonald (37) CA(SA)

Executive Director - Chief Financial Officer

### Date appointed: 30 September 2011

Laurelle McDonald served her articles at Grant Thornton and joined Gold Reef Resorts as Assistant Financial Manager at Silverstar Casino in 2007. She was appointed as the Group Financial Manager and the Company Secretary of Gold Reef Resorts. After the acquisition of Gold Reef Resorts by Tsogo Sun, Laurelle was appointed Corporate Finance and Treasury Manager of Tsogo Sun. She was appointed Chief Financial Officer of THL upon its unbundling from the Tsogo Sun Group.



NON-EXECUTIVE DIRECTORS

### JA Copelyn (69) BA(Hons), BProc

Non-executive Chairman

#### Date appointed: 10 May 2019

John Anthony Copelyn joined HCI as Chief Executive Officer in 1997. He was previously General Secretary of the Southern African Clothing and Textile Workers Union from 1974 before becoming a member of parliament in 1994. He currently holds various directorships in companies within the HCI Group.

### JR Nicolella (50) 5 CA(SA), PLD

Non-executive Director

### Date appointed: 10 May 2019

James Robert Nicolella joined HCl in 2011. Rob is currently the Financial Director of HCl and serves on the boards of subsidiary companies Business Systems Group Africa Proprietary Limited and Group associate company Impact Oil and Gas Limited. Prior to joining HCI he was employed by Investec Bank Limited for 17 years, most notably in the capacity as Head of Corporate Banking, Western Cape, and subsequently Head of Private Banking, Western Cape.



INDEPENDENT NON-EXECUTIVE DIRECTORS

# MA Ahmed (55) A S R BCom (Accounting)

Lead Independent Non-executive Director

### Date appointed: 10 May 2019

Mohamed Haroun Ahmed has over 25 years of experience in finance and leadership and has served on boards of various listed companies, including as an alternate Director for MTN Group Limited. He is currently an independent Non-executive Director for HPF, Montauk Holdings and Deneb Investments, where he also serves as the Chair of the audit, risk and remuneration committees and is the founder of the Gallagher Charitable Trust.

# SC Gina (60) A S Bachelor of Arts, MBA

Independent Non-executive Director

### Date appointed: 10 May 2019

Sipho Christopher Gina is the deputy secretary general of the South African Clothing and Textile Workers Union and will be retiring from this position this year.

### ML Molefi (50) A S R B.Sc., MBChB

Independent Non-executive Director

#### Date appointed: 10 May 2019

Dr Molefi is a business woman with interests in healthcare and serves on the ministerial advisory committee on Ehealth in South Africa and has served as a strategic adviser to the WHO eHealth sector. Dr Molefi currently serves as a Director of HCl, the South Africa Post Office, Niveus Investments, International Society for Telemedicine and eHealth and vice-president of SA Telemedicine Association.

### JG Ngcobo (67) A S R

Independent Non-executive Director

### Date appointed: 10 May 2019

Jabulani Geffrey Ngcobo held the positions of General Secretary of the Southern African Clothing and Textile Workers Union from 1994 to 1999 and the Regional Secretary for Africa of the International Textile Garment and Leather Workers Federation from 1999 to 2006. He was appointed to the Board of HCl in 2004 and serves as a Director of HCl Coal.

## **Cornelia Carol September** (60) *Masters Technology Management*

Independent non-executive director

#### Date appointed: 15 August 2019

Connie served as Chairperson of the Portfolio Committee on Higher Education and Training in the Fifth Parliament. She previously served as Minister of Human Settlements. Connie first became a Member of Parliament in 1999 and served in various Portfolio Committees including Chairperson of the Portfolio Committee on Water Affairs & Forestry. She also served as Whip in the National Assembly in 2004. She obtained a Master's degree in Technology Management from Da Vinci Institute for Technology Management. Ms September retired from Parliament in May 2019.

### Non-executive committee key

A Audit and risk committee – Chairman: Mohamed Ahmed

Social and ethics committee – Chairman: Sipho Gina

Remuneration committee – Chairman: Mohamed Ahmed

## Notice of Annual General Meeting

#### TSOGO SUN HOTELS LIMITED

(formerly Southern Sun Hotels Proprietary Limited) (Incorporated in the Republic of South Africa) Registration number: 2002/006356/06 Share code: TGO ISIN:ZAE000272522 ("Company")

Notice is hereby given to the shareholders of the Company that the Annual General Meeting of the Company ("AGM") will be held at Palazzo Towers West, Montecasino Boulevard, Fourways, 2055, South Africa on Thursday, 17 October 2019 at 10:00 (or soon thereafter as the Annual General Meeting of Hospitality Fund Limited ("HPF") convened for 09:00 on the same day and at the same venue, shall have been concluded or adjourned), for the purpose of considering the following business to be transacted and, if deemed fit, passing with or without amendment, the ordinary and special resolutions and the non-binding advisory endorsement set

### 1. RECEIPT AND ADOPTION OF ANNUAL FINANCIAL STATEMENTS AND REPORTS

### Ordinary resolution 1

"Resolved as an ordinary resolution, to receive and adopt the annual consolidated financial statements of the Company for the financial year ended 31 March 2019, tabled at the meeting at which this resolution was proposed."

Having previously been part of the Tsogo Sun Gaming Limited ("TSG") group of companies ("TSG Group"), the Company has historically applied the principles of the King IV Report on Corporate Governance™\* for South Africa, 2016 ("King IV") as it relates to the TSG Group. Accordingly (i), the Company will continue to comply with King IV to the extent set out in the Tsogo Sun Gaming integrated annual report for 2019 ("TSG integrated annual report"), available at https://www.tsogosun.com/ gaming/investors. The Company which listed independently on the main Board of the JSE Limited ("JSE") on 12 June 2019, following its unbundling from the TSG Group, will disclose its compliance with King IV in its integrated annual report for 2020, in respect of its financial year ending 31 March 2020 and (ii) shareholders are referred to the directors', audit committee and remuneration policy and implementation reports of TSG for the year ended 31 March 2019 contained in the TSG integrated annual report.

### REAPPOINTMENT OF AUDITORS

### Ordinary resolution 2

"Resolved as an ordinary resolution, that upon the recommendation of the audit and risk committee, PricewaterhouseCoopers Inc be and are hereby reappointed as the independent auditors of the Company until the conclusion of the next AGM.'

The reason for ordinary resolution 2 is that the Company, being a public listed company, must have its financial results audited and its auditors must be appointed or re-appointed each year at the AGM as required by the Companies Act, No 71 of 2008, as amended ("Companies Act"). The Board of Directors of the Company ("Board") has considered the independence of PricewaterhouseCoopers Inc ("PwC") in accordance with the Companies Act and is satisfied that PwC is independent as contemplated by the Companies Act and the applicable rules of the International Federation of Accountants. Furthermore, the audit and risk committee has, in terms of paragraphs 3.84(g)(iii) and 3.86 of the Listings Requirements of the JSE, considered and satisfied itself that PwC is accredited by and appears on the JSE's list of Accredited Auditors in compliance with section 22 of the Listings Requirements of the JSE and is suitable for the appointment. The audit and risk committee has accordingly recommended PwC for appointment as the registered external auditor of the Company until the next AGM, subject to shareholder approval as required in terms of section 90(1) of the Companies Act. The individual registered auditor of PwC who will undertake the audit during the financial year ending 31 March 2020 is, at the date of this notice of Annual General Meeting ("Notice"), Mr P Calicchio.

<sup>\*</sup> Copyrights and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.

#### 3. RE-ELECTION OF DIRECTORS OF THE COMPANY BY SEPARATE RESOLUTIONS

#### 3.1 Ordinary resolution 3.1

"Resolved as an ordinary resolution, that Mr JA Copelyn (who has served on the Board of Directors of the Company as a Non-executive Director since 10 May 2019 and who retires by rotation in terms of the Company's memorandum of incorporation and is eligible and available for re-election as a Director of the Company), be and is hereby re-elected as a Non-executive Director of the Company."

### 3.2 Ordinary resolution 3.2

"Resolved as an ordinary resolution, that Mr MH Ahmed (who has served on the Board of Directors of the Company as the Lead Independent Non-executive Director since 10 May 2019 and who retires by rotation in terms of the Company's memorandum of incorporation and is eligible and available for re-election as a Director of the Company), be and is hereby re-elected as the Lead Independent Non-executive Director of the Company."

### 3.3 Ordinary resolution 3.3

"Resolved as an ordinary resolution, that Ms CC September (who was appointed to the Board of Directors of the Company as an Independent Non-executive Director with effect from 15 August 2019 and who retires by rotation in terms of the Company's memorandum of incorporation and is eligible and available for election as a Director of the Company), be and is hereby elected as an Independent Non-executive Director of the Company."

The reason for ordinary resolution numbers 3.1 to 3.3 is to re-elect those Directors of the Company who retire as Directors in accordance with the memorandum of incorporation of the Company.

Summarised curricula vitae, in respect of each of the Directors who retire at the AGM and who are standing for re-election are set out below.

John Anthony Copelyn: BA (Hons), BProc

Non-executive Chairman

John Anthony Copelyn joined Hosken Consolidated Investments ("HCI") as Chief Executive Officer in 1997. He was previously General Secretary of the Southern African Clothing and Textile Workers Union from 1974 before becoming a member of parliament in 1994. He currently holds various directorships in companies within the HCl group.

Mohamed Haroun Ahmed: BCom (Accounting)

Lead Independent Non-executive Director

Mohamed Haroun Ahmed has over 25 years of experience in finance and leadership and has served on boards of various listed companies, including as an Alternate Director for MTN Group. He is currently an Independent Non-executive Director for HPF, Montauk Holdings and Deneb Investments, where he also serves as the Chair of the audit, risk and remuneration committees and is the founder of the Gallagher Charitable Trust.

Cornelia Carol September: Magister Scientae – Technology Management (MTM)

Independent Non-executive Director

Cornelia Carol September served as Chairperson of the portfolio committee on Higher Education and Training in the Fifth Parliament of South Africa. She previously served as Minister of Human Settlements. She first became a Member of Parliament in 1999 and served on various Parliamentary Portfolio Committees, including Chairperson of the portfolio committee on water affairs and forestry. She also served as ANC Whip in the National Assembly in 2004. She obtained a Master's in Technology Management from Da Vinci Institute for Technology Management. Ms September retired from Parliament in May 2019.

### 4. RE-ELECTION OF MEMBERS OF THE AUDIT AND RISK COMMITTEE BY SEPARATE RESOLUTIONS

#### 4.1 Ordinary resolution 4.1

"Resolved as an ordinary resolution, that subject to the passing of ordinary resolution 3.2, Mr MH Ahmed be and is hereby re-elected as a member of the Company's audit and risk committee in terms of section 94(2) of the Companies Act until the conclusion of the next AGM."

#### 4.2 Ordinary resolution 4.2

"Resolved as an ordinary resolution, that Mr SC Gina be and is hereby re-elected as a member of the Company's audit and risk committee in terms of section 94(2) of the Companies Act until the conclusion of the next AGM."

### 4.3 Ordinary resolution 4.3

"Resolved as an ordinary resolution, that Dr ML Molefi be and is hereby re-elected as a member of the Company's audit and risk committee in terms of section 94(2) of the Companies Act until the conclusion of the next AGM."

### 4.4 Ordinary resolution 4.4

"Resolved as an ordinary resolution, that Mr JG Ngcobo be and is hereby elected as a member of the Company's audit and risk committee in terms of section 94(2) of the Companies Act until the conclusion of the next AGM."

The reason for ordinary resolution numbers 4.1 to 4.4 is that the Company, being a public listed company, must appoint an audit committee and the Companies Act requires that the members of such audit committee be elected at each annual general meeting of a company.

### 5. NON-BINDING ADVISORY ENDORSEMENT APPROVING THE COMPANY'S REMUNERATION POLICY AND IMPLEMENTATION REPORT

"Resolved on a non-binding advisory basis, to endorse the Company's remuneration policy (excluding the remuneration of the Non-executive Directors for their services as Directors and/or as members of the Board sub-committees) and implementation report, as set out on pages 85 to 94 of the TSG integrated annual report"

The Company's remuneration policy and implementation report are set out on pages 85 to 94 of the TSG integrated annual report and is submitted for endorsement by a non-binding advisory vote at the AGM, thus providing shareholders with an opportunity to express their views on the Company's remuneration policy. In the event that the non-binding advisory endorsement approving the Company's remuneration policy is voted against by shareholders exercising 25% or more of the voting rights exercised, the Company undertakes to engage with such shareholders in regard thereto.

### 6. NON-EXECUTIVE DIRECTORS' FEES

### Special resolution 1

"Resolved as a special resolution, that the proposed fees payable to the Non-executive Directors of the Company for their services as Directors of the Company and/or as members of the Board sub-committees, as set out below, be and are hereby approved for the period from 17 October 2019 until the conclusion of the next AGM:

Fees for the period 17 October 2019 until the conclusion of the next AGM	Chairman (Rand)	Member (Rand)
Board (per annum)	410 000	275 000
Lead Independent Director	_	325 000
Audit and risk committee (per annum)	170 000	109 000
Nomination committee (per meeting, assuming two per annum)	17 500	15 000
Remuneration committee (per meeting, assuming two per annum)	17 500	15 000
Social and ethics committee (per annum)	14 500	11 500

The reason for special resolution 1 is that in order to comply with the requirements of section 65(11)(b), read with sections 66(8) and (9), of the Companies Act, remuneration may only be paid to Directors for their services as Directors in accordance with a special resolution approved by the shareholders within the previous two years and if not prohibited in terms of a Company's memorandum of incorporation. The fees proposed to be paid to the Non-executive Directors of the Company for their services as Directors of the Company and/or as members of the Board sub-committees have been set so as to ensure that the remuneration of the Non-executive Directors remains competitive in order to enable the Company to attract and retain persons of the calibre required to make meaningful contributions to the Company.

The effect of special resolution 1, if passed and becoming effective, is that the Non-executive Directors of the Company will be entitled to receive the proposed fees as set out above, for the period from 17 October 2019 until the conclusion of the next AGM.

### 7. GENERAL AUTHORITY TO REPURCHASE SHARES

#### Special resolution 2

"Resolved as a special resolution, that the Company and/or any of its subsidiaries be and are hereby authorised, by way of a general approval in terms of the Listings Requirements of the JSE, to acquire ordinary shares issued by the Company, provided that:

- this general authority to repurchase ordinary shares issued by the Company 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;
- any such acquisition of ordinary shares shall only be made in compliance with the provisions of section 48 read with section 46 of the Companies Act;
- any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited):
- authorisation to effect repurchases is given by the Company's memorandum of incorporation;
- acquisitions under this general authority to repurchase ordinary shares may not, in aggregate in any one financial year, exceed 10% of the Company's issued ordinary share capital as at the date of the passing of this special resolution;
- no acquisitions under this general authority to repurchase ordinary shares may be made at a price which is more than 10% above the weighted average of the market price of the ordinary shares of the Company for the five business days immediately preceding the date of such acquisition. The JSE should be consulted for a ruling if the Company's ordinary shares have not traded in such five business day period;
- the Company may only appoint one agent at any point in time to effect any repurchase(s) on the Company's behalf;
- the Company and/or its subsidiaries may not repurchase ordinary shares during a prohibited period as defined by the Listings Requirements of the JSE unless they have in place a repurchase programme where the dates and quantities of ordinary shares to be traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing prior to the commencement of the prohibited period. The Company must instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;
- the Board of Directors of the Company authorises such transaction by passing a resolution authorising the repurchase, confirming that the Company and its subsidiaries have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Company and its subsidiaries; and
- the pre-approval by the JSE of any derivative transaction that may or will result in the repurchase of shares in terms of this general authority is obtained."

The reason for and effect of special resolution 2, if passed and becoming effective, is to grant the Company and its subsidiaries ("**Group**") a general authority in terms of the Listings Requirements of the JSE for the Company and/or a subsidiary of the Company, to acquire ordinary shares in the Company which are in issue from time to time.

Although there is no immediate intention to effect an acquisition of the Company's shares, the Directors of the Company consider that such a general authority should be put in place in order to enable an acquisition of the Company's ordinary shares should an opportunity to do so present itself during the year and which is in the best interests of the Company and its shareholders.

Having considered the impact of an acquisition by the Company and/or any of its subsidiaries of the maximum number of shares permissible under this general authority, the Directors of the Company are satisfied that, if such acquisition were implemented:

- the Company and the Group are able to pay its debts in the ordinary course for a period of 12 months after the date of this Notice:
- the assets of the Company and the Group will be in excess of the liabilities of the Company and the Group for a period of 12 months after the date of this Notice. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual group financial statements;
- the share capital and reserves of the Company and the Group will be adequate for the ordinary course of business purposes for a period of 12 months after the date of this Notice; and
- the working capital of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months after the date of this Notice.

The Directors of the Company confirm that no acquisition by the Company and/or any of its subsidiaries of ordinary shares in the Company will be implemented in terms of this authority unless the directors have passed a resolution authorising the acquisition, and a resolution to the effect that the Company and its subsidiary(ies), as the case may be, have satisfied the solvency and liquidity test and since the solvency and liquidity test had been applied, there had been no material changes to the financial position of the Company or the Group.

Should the Company or any subsidiary cumulatively acquire 3% of the initial number of ordinary shares in issue in terms of this general authority and for each 3% in aggregate of the initial number of ordinary shares acquired thereafter in terms of this general authority, the Company will make an announcement to such effect in terms of the Listings Requirements of the JSE.

For the purposes of considering special resolution number 2 and in compliance with the Listings Requirements of the JSE, the major shareholders of the Company as at 17 May 2019 (the last practicable date prior to the finalisation date of the Company's Pre-listing Statement 2019 ("PLS") (available at: https://www.tsogosun.com/investors/circulars/2019) are described on page 31 and 32 of the PLS of the Company and the share capital of the Company is described on page 31 of the PLS.

### Directors' responsibility statement

The Directors of the Company, whose names appear on pages 60 and 61 of this Notice:

- collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution 2; and
- · certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, that all reasonable enquiries to ascertain such facts have been made and that this Notice contains all information in relation to special resolution 2 required by the Listings Requirements of the JSE.

### Material changes

As at 30 August 2019, being the last practicable date before the finalisation of this Notice, there have been no material changes in the financial or trading position of the Company and its subsidiaries that have occurred between 31 March 2019 and 30 August 2019.

### 8. GENERAL APPROVAL OF THE PROVISION OF FINANCIAL ASSISTANCE IN TERMS OF SECTION 45 OF THE **COMPANIES ACT**

#### Special resolution 3

"Resolved as a special resolution, that to the extent required by section 45 of the Companies Act, the Board may, during the period of two years commencing on the date of the adoption of this special resolution 3, and subject to compliance with the requirements of the Companies Act, the Company's memorandum of incorporation and the Listings Requirements of the JSE, each as presently constituted, and as amended from time to time, authorise the Company to provide direct or indirect financial assistance, whether by way of loan, guarantee, the provision of security or otherwise, to:

- any of its present or future subsidiaries and/or any other company or corporation that is or becomes a related or inter-related company or corporation of the company; or
- any member of its present or future subsidiaries and/or any other company or corporation that is or becomes a related or inter-related company or corporation;

on such terms and conditions as the Board (or any one or more persons authorised by the Board from time to time for such purpose) may deem fit."

Section 45 of the Companies Act permits financial assistance to be provided to a related or inter-related company or corporation of the Company or to a member of a related or inter-related company or corporation, if the financial assistance is pursuant to, inter alia, a special resolution of the shareholders adopted within the previous two years and provided that the Board is satisfied that:

- (i) immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test (as contemplated in the Companies Act); and
- (ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

The reason for special resolution 3, if passed and becoming effective, is that as part of the normal conduct of the business of the Group, the Company provides financial assistance to its subsidiaries and other related and inter-related companies and entities (as contemplated in the Companies Act), including the provision of guarantees, the sub-ordination of loans and the provision of other forms of security to third parties which provide funding to the Group. In order to ensure, inter alia, that the Group's present and future subsidiaries and other related and inter-related companies and entities have access to financing and/or financial backing from the Group and are able to appropriately structure the financing of the Group's corporate and working capital requirements, it is necessary that the Company obtains the approval of shareholders in terms of special resolution 3.

The effect of special resolution 3, if passed and becoming effective, is to grant the Directors the continued authority to authorise the provision of financial assistance by the Company to any of its present or future subsidiaries and/or any other company or corporation that is or becomes a related or inter-related company or corporation of the Company or to any member of its present or future subsidiaries and/or any other company or corporation that is or becomes a related or inter-related company or corporation of the Company for the ensuing two years, subject to the requirements of the Companies Act, the Company's memorandum of incorporation and the Listings Requirements of the JSE.

Shareholders and interested and affected parties are advised to take note that the Board has, as part of the normal conduct of the business of the Group and consistent with standard practice, from time to time authorised the provision by the Company of direct or indirect financial assistance to Group members, as envisaged in section 45 of the Companies Act, including in relation to cash sweep management practices that result in intra-group liabilities for which provision of financial assistance had been authorised by a special resolution of the shareholders, adopted within the previous two years of the provision of such financial assistance.

## 9. ISSUE OF SHARES OR OPTIONS AND GRANT OF FINANCIAL ASSISTANCE IN CONNECTION WITH THE COMPANY'S SHARE-BASED INCENTIVE SCHEMES

### Special resolution 4

"Resolved as a special resolution that, to the extent required in terms of, and subject to the provisions of sections 41, 42, 44 and 45 of the Companies Act, the requirements (if applicable) of the Company's memorandum of incorporation and the Listings Requirements of the JSE:

- the issue by the Company of shares or securities convertible into shares, or the grant by the Company of options for the allotment or subscription of shares or other securities of the Company or the grant of any other rights exercisable for securities of the Company in accordance with the provisions of any share-based incentive scheme established by the Company; and/or
- the provision by the Company of direct or indirect financial assistance (whether by way of loan, guarantee, the provision of security or otherwise) in connection with any share-based incentive scheme established by the Company (i) to any person, a Director, future Director, Prescribed Officer or future Prescribed Officer of the Company or (ii) to a person related or interrelated to the Company or to their respective nominees, for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company, or by a related or inter-related company or for the purchase of any securities of the Company or of a related or inter-related company, at any time and from time to time during the period of two years commencing on the date of the adoption of this special resolution 4, be and are hereby approved."

The reason for and effect of special resolution 4, if passed and becoming effective, is (i) to authorise the issue of shares or options and the provision of financial assistance, in connection with any share-based incentive scheme established by the Company; and (ii) although section 44 of the Companies Act contains an exemption in respect of employee share schemes that satisfy the requirements of section 97 of the Companies Act, to the extent that any of the Company's share or other employee incentive schemes do not satisfy such requirements, financial assistance (as contemplated in section 44) to be provided under such schemes will, inter alia, also require approval by special resolution of the shareholders.

Sections 44 and 45 of the Companies Act provide, *inter alia*, that the particular financial assistance must be provided only pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category, and the Board of Directors of the Company must be satisfied that:

- immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

### **RECORD DATES**

The Directors of the Company have determined that the date on which a shareholder must be recorded as a shareholder in the Company's register of shareholders in order to:

- receive notice of the AGM is Friday, 6 September 2019; and
- participate in and vote at the AGM is Friday, 11 October 2019.

The last day to trade in order to be registered in the Company's register of shareholders to be able to participate in and vote at the AGM will therefore be Tuesday, 8 October 2019.

#### VOTING

Each ordinary resolution to be considered at the AGM requires the support of more than 50% of the voting rights exercised on that resolution, in order to be adopted.

Each special resolution to be considered at the AGM requires the support of at least 75% of the voting rights exercised on that resolution, in order to be adopted.

In terms of the Listings Requirements of the JSE, equity securities held by a share trust or scheme established by the Company will not have their votes at the AGM taken into account for the purposes of adopting the resolutions proposed thereat.

In terms of section 48(2)(b)(ii) of the Companies Act, subsidiaries of the Company which hold shares in the Company shall not be entitled to exercise voting rights on any resolutions proposed by the Company in respect of such shares.

Voting on the resolutions to be considered at the AGM will be conducted by way of a poll. In this regard, every shareholder present in person or represented by proxy shall have one vote for every share held by such shareholder.

Shareholders who hold dematerialised shares, other than holders of dematerialised shares registered in their own name, must inform their Central Securities Depository Participant ("CSDP") or broker of their intention to attend the AGM and must request their CSDP or broker to issue them with the necessary letter of representation to attend the AGM if they wish to attend the AGM in person or provide their CSDP or broker with their voting instructions should they not wish to attend the AGM in person, failing which the CSDP or broker will be obliged to act in terms of the mandate between such shareholder and their CSDP or broker.

### **PROXIES**

Shareholders holding certificated shares and shareholders holding dematerialised shares registered in such shareholders' own name and who are registered as such on Friday, 11 October 2019 are entitled to attend, participate in and vote at the AGM and, if unable to do so in person, may appoint a proxy or proxies (acting in the alternative) to attend, participate in, speak and vote at the AGM in such shareholders' stead. A proxy need not be a shareholder of the Company. The completion and lodging of a form of proxy will not preclude a shareholder from attending, participating in, speaking and voting at the AGM to the exclusion of the proxy(ies) so appointed.

It is recommended that the attached form of proxy, duly completed, should be returned to the transfer secretaries of the Company, Link Market Services South Africa Proprietary Limited, at their address below, in accordance with the instructions contained therein so as to be received by the transfer secretaries (for administrative purposes only) by 10:00 on Wednesday, 16 October 2019, but in any event, prior to the proxy exercising such shareholder's rights as a shareholder at the AGM or at any adjourned or postponed AGM, which date, if necessary, will be notified on the Stock Exchange News Service of the JSE and in the press.

### **IDENTIFICATION**

In terms of section 63(1) of the Companies Act, before any person may attend or participate in the AGM, that person must present reasonably satisfactory identification and the person presiding at the AGM must be reasonably satisfied that the right of the person to participate in and vote at the AGM, either as a shareholder, or as a representative or proxy for a shareholder, has been reasonably verified.

### **ELECTRONIC COMMUNICATION**

Should any shareholder (or a representative or proxy for a shareholder) wish to participate in the AGM by way of electronic participation, that shareholder should make an application in writing (including details as to how the shareholder or its representative (including its proxy) can be contacted) to so participate, to the transfer secretaries, at their address below, to be received by the transfer secretaries at least seven business days prior to the AGM (ie by Tuesday, 8 October 2019) in order for the transfer secretaries to arrange for the shareholder (or its representative or proxy) to provide satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act and for the transfer secretaries to provide the shareholder (or its representative or proxy) with details as to how to access the AGM by means of electronic participation. Shareholders participating electronically will not be able to vote electronically and must follow the standard voting arrangements indicated above. The Company reserves the right not to provide for electronic participation at the AGM in the event that it determines that it is not practical to do so, or an insufficient number of shareholders (or their representatives or proxies) request to so participate.

### **ENQUIRIES**

Any shareholder having difficulties or gueries in regard to the AGM is invited to contact, Ms J Mahloele, on +27 11 510 7844 or at moja.mahloele@tsogosun.com

### RESULTS OF THE ANNUAL GENERAL MEETING

The results of the AGM will be issued on the Stock Exchange News Service of the JSE as soon as practically possible after the AGM.

By order of the Board

J Mahloele

For: Southern Sun Secretarial Services Proprietary Limited

Company Secretary 30 August 2019

Registered office Palazzo Towers East Montecasino Boulevard Fourways, 2055 Private Bag X200

Transfer secretaries

Link Market Services South Africa Proprietary Limited 13th Floor, 19 Ameshoff Street Braamfontein, 2001 PO Box 4844, Johannesburg, 2000 Bryanston, 2021

### **FORM OF PROXY**

Tsogo Sun Hotels Limited (formerly Southern Sun Hotels Proprietary Limited) (Incorporated in the Republic of South Africa) Registration number: 2002/006356/06 Share code: TGO

I/We (full names in BLOCK LETTERS please)

3. the Chairperson of the Annual General Meeting,

Share code: TGO ISIN: ZAE000272522 ("Company")

of (insert address)
Email address

being the holder(s) of

2.

This form of proxy is for use by shareholders registered as such who hold certificated shares in the Company and shareholders who hold 'own name' dematerialised shares in the Company, to appoint a proxy or proxies for the Annual General Meeting of the Company ("Annual General Meeting") to be held at 10:00 on Thursday, 17 October 2019 (or soon thereafter as the Annual General Meeting of Hospitality Fund Limited convened for 09:00 on the same day and at the same venue, shall have been concluded or adjourned) at Palazzo Towers West, Montecasino Boulevard, Fourways, South Africa, or any adjournment or postponement thereof.

Shareholders who have dematerialised their shares in the Company and do not have 'own name' registration, must inform their Central Securities Depository Participant ("CSDP") or broker if they wish to attend the Annual General Meeting in person and must request their CSDP or broker to issue them with the necessary letters of representation authorising them to attend in person, alternatively, they must provide their CSDP or broker with their voting instructions should they not wish to attend the Annual General Meeting in person. Such dematerialised shareholders must not return this form of proxy to the transfer secretaries.

It is recommended that forms of proxy should be completed and delivered to the transfer secretaries, Link Market Services South Africa Proprietary Limited (for administrative purposes only) by no later than 10:00 (South African time) on Wednesday, 16 October 2019, but in any event, prior to the proxy exercising such shareholder's rights as a shareholder at the Annual General Meeting or at any adjourned or postponed Annual General Meeting, which date, if necessary, will be notified on the Stock Exchange News Service of the JSE Limited and in the press.

(insert number) ordinary shares in the Company, hereby appoint:

Mobile number

Telephone number

as my/our proxy to attend, speak at and participate in the Annual General Meeting or at any adjournment or postponement and/or against the ordinary and special resolutions to be proposed at such Annual General Meeting, or any postponement from voting thereon, in respect of the ordinary shares in the Company registered in my/our name(s).			
I/we wish to vote as follows:			
(In the absence of such indication, the proxy will be entitled to vote or abstain from voting in his/her discretion.)			
	or an 'X	ert number of v K' in the relevan notes 2 and 3 o	it column
	For	Against	Abstain
Ordinary resolution 1 - Receipt and adoption of annual financial statements and reports			
Ordinary resolution 2 – Reappointment of auditors			
Ordinary resolution 3.1 – Re-election of Mr JA Copelyn as a Non-executive Director			
Ordinary resolution 3.2 - Re-election of Mr MH Ahmed as Lead Independent Non-executive Director			
Ordinary resolution 3.3 - Election of Ms CC September as an Independent Non-executive Director			
Ordinary resolution 4.1 – Re-election of Mr MH Ahmed to the audit and risk committee			
Ordinary resolution 4.2 - Re-election of Mr SC Gina to the audit and risk committee			
Ordinary resolution 4.3 – Re-election of Dr ML Molefi to the audit and risk committee			
Ordinary resolution 4.4 - Re-election of Mr JG Ngcobo to the audit and risk committee			
Advisory endorsement – Non-binding advisory endorsement of the Company's remuneration policy			
Special resolution 1 – Approval of the proposed fees for Non-executive Directors			
Special resolution 2 – General authority to repurchase shares			
Special resolution 3 – General approval of the provision of financial assistance in terms of section 45 of the Companies Act			
Special resolution 4 – Approval of the issue of shares or options and the grant of financial assistance in connection with the Company's share-based incentive schemes			
Any shareholder entitled to participate in, attend, speak and vote at the Annual General Meeting may appoint a proxy or pr speak and vote in his/her stead. A proxy need not be a shareholder of the Company. The completion and lodging of a form from attending the Annual General Meeting, participating therein and speaking and voting thereat to the exclusion of the proxy	n of proxy wil	ill not preclude	
Signed at this day of			2019
Signature(s)			
Assisted by (where applicable)			
Please read the summary of the rights contained in section 58 of the Companies Act, No 71 of 2008, as amended ("Companies act, No 71 of 2008, as amended act, No 71 of 2008, as amended ("Companies act, No 71 of 2008, as amended act, No 71 of 2008, as a manufact, No 71 of 200	ies Act") and	the notes ove	rleaf.

or failing him/her,

or failing him/her,

### SUMMARY OF RIGHTS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

For purposes of this summary, the term 'shareholder' shall have the meaning ascribed thereto in section 57(1) of the Companies Act.

- 1. At any time, a shareholder of a company is entitled to appoint any individual, including an individual who is not a shareholder of that company, as a proxy to participate in, speak and vote at, a shareholders' meeting on behalf of the shareholder.
- A proxy appointment must be in writing, dated and signed by the relevant shareholder.
- Except to the extent that the memorandum of incorporation of a company provides otherwise:
  - 3.1 a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder;
  - a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
  - a copy of the instrument appointing a proxy must be delivered to the relevant company, or to any other person on behalf of the relevant company, before the proxy exercises any rights of the shareholder at a shareholders' meeting.
- 4. Irrespective of the form of instrument used to appoint a proxy:
  - the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company; and
  - should the instrument used to appoint a proxy be revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the relevant company.
- 5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date:
  - stated in the revocation instrument, if any; or
  - upon which the revocation instrument is delivered to the proxy and the relevant company.
- 6. Should the instrument appointing a proxy or proxies have been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company's memorandum of incorporation to be delivered by such company to the shareholder must be delivered by such company to the:
  - 6.1 shareholder: or
  - 6.2 proxy or proxies if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the company for doing so.
- 7. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the memorandum of incorporation of the relevant company or the instrument appointing the proxy provides otherwise.
- If a company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy:
  - such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised and must bear a reasonably prominent summary of the rights established by section 58 of the Companies Act;
  - 8.2 the company must not require that the proxy appointment be made irrevocable; and
  - the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act (see paragraph 5 above).

### NOTES TO THE FORM OF PROXY

- A registered shareholder may appoint and insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting 'the Chairperson of the Annual General Meeting', but any such deletion must be initialled by the shareholder. Should this space be left blank, the proxy will be exercised by the Chairperson of the Annual General Meeting. The proxy or proxies need not be shareholders of the company. The person whose name stands first on this form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of any proxy whose name follows.
- A shareholder's voting instructions to the proxy must be indicated by the insertion of an 'X' or the relevant number of votes exercisable by that shareholder in the appropriate box(es) provided overleaf. Failure to do so will be deemed to authorise the proxy to vote or abstain from voting at the meeting as he/she thinks fit in respect of the shareholders exercisable votes, and if the proxy is the Chairperson of the Annual General Meeting, he/she shall be entitled to vote in favour of the resolutions proposed at the Annual General Meeting in respect of all the shareholders' votes exercisable thereat. If an 'X' has been inserted in one of the blocks relating to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned in respect of such resolution.
- A shareholder or his/her proxy is not obliged to cast all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
- A minor or any other person under legal incapacity must be assisted by his/her parent or quardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries.
- It is recommended that the completed forms of proxy should be lodged with the transfer secretaries. Link Market Services South Africa Proprietary Limited, PO Box 4844, Johannesburg, 2000 or 13th Floor, Rennie House, 19 Ameshoff Street Braamfontein, Johannesburg, 2001 (for administrative purposes only by no later than 10:30 on Wednesday, 16 October 2019), but in any event, prior to the proxy exercising such shareholder's rights as a shareholder at the Annual General Meeting or at any adjourned or postponed Annual General Meeting which date, if necessary, will be notified on the Stock Exchange News Service of the JSE Limited and in the press.
- The form of proxy must be dated and signed. The completion of any blank spaces overleaf need not be initialled, but any alterations or corrections to the form of proxy must be initialled by the signatory(ies).
- 7. Where there are joint holders of ordinary shares in the company:
  - 7.1 any one holder may sign this form of proxy; and
  - 7.2. the vote(s) of the senior shareholder (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Company's securities register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
- Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company or unless this requirement is waived by the Chairperson of the Annual General Meeting.
- The Chairperson of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
- 10. The appointment by a shareholder of a proxy or proxies:
  - 10.1 is suspended at any time and to the extent that such shareholder chooses to act directly and in person in the exercise of any rights as a shareholder: and
  - 10.2 is revocable in which case a shareholder may revoke the proxy appointment by:
    - cancelling it in writing or making a later inconsistent 10.2.1 appointment of a proxy; and
    - 10.2.2 delivering a copy of the revocation instrument to the proxy and to the company.
- 11. The appointment of a proxy or proxies remains valid only until the end of the Annual General Meeting subject to any revocation thereof.

## Corporate information

### COMPANY SECRETARY AND REGISTERED OFFICE

### Southern Sun Secretarial Services Proprietary Limited

(Registration number: 1969/001208/07)

Palazzo Towers East Montecasino Boulevard Fourways, 2055

(Private Bag X200, Bryanston, 2021)

#### **SPONSOR**

#### Investec Bank Limited

(Registration number: 1969/004763/06) 100 Grayston Drive, Sandown

Sandton, 2196

(PO Box 785700, Sandton, 2146)

#### **ATTORNEYS**

### **Tabacks Attorneys**

(Registration number: 2000/024541/21) 13 Eton Road

Parktown, 2193

(PO Box 3334, Houghton, 2041)

### Nortons Inc.

(Registration number: 2009/006902/21)

135 Daisy Street Sandton, 2196

(PO Box 41162, Craighall, 2024)

### **AUDITORS**

### PricewaterhouseCoopers Inc.

Registered Accountants and Auditors (Registration number: 1998/012055/21)

4 Lisbon Lane, Waterfall City

Jukskei View, 2090

(Private Bag X36, Sunninghill, 2157)

### TRANSFER SECRETARIES

### Link Market Services South Africa Proprietary Limited

(Registration number: 2000/007239/07)

13th Floor

19 Ameshoff Street Braamfontein

Johannesburg, 2001

(PO Box 4844, Johannesburg, 2000)

### **COMMERCIAL BANKERS**

### **Nedbank Limited**

(Registration number: 1966/010630/06)

1st Floor, Corporate Park

**Nedcor Sandton** 135 Rivonia Road Sandown, 2196

(PO Box 1144, Johannesburg, 2000)

#### Rand Merchant Bank

A division of FirstRand Bank Limited (Registration number: 1929/001225/06)

1 Merchant Place

Cnr Fredman Drive and Rivonia Road

Sandton, 2196

(PO Box 786273, Sandton, 2146)

### Absa Group Limited

(Registration number: 1986/003934/06)

3rd Floor

Absa Towers East 170 Main Street Johannesburg, 2001

(PO Box 7735, Johannesburg, 2000)

### Standard Bank

(Registration number: 1969/017128/06)

9th Floor, Standard Bank Centre

5 Simmonds Street Johannesburg, 2001

(PO Box 7725, Johannesburg, 2000)



