Hosken Consolidated Investments Limited

ANNUAL FINANCIAL STATEMENTS

2018

CONTENTS

CORPORATE ADMINISTRATION

COMPANY REGISTRATION NUMBER	1973/007111/06
SHARE CODE	HCI
ISIN	ZAE000003257
REGISTERED OFFICE	Suite 801, 76 Regent Road, Sea Point, Cape Town, 8005 PO Box 5251, Cape Town, 8000 Telephone: 021 481 7560
WEBSITE ADDRESS	www.hci.co.za
COMPANY SECRETARY	HCI Managerial Services Proprietary Limited
DIRECTORS	**Executive directors** John Anthony Copelyn (Chief Executive Officer) Theventheran Govindsamy Govender [Kevin] (Financial Director) Yunis Shaik **Non-executive director** Ngiphiwe Mpumelelo Patience Mhlangu **Independent non-executive directors** Mohamed Salim Ismail Gani (Mac) Mimi Freddie Magugu Dr Lynette Moretlo Molefi Velaphi Elias Mphande (Chairman) Jabulani Geffrey Ngcobo Rachel Doreen Watson
AUDITORS	Grant Thornton Johannesburg Partnership @Grant Thornton, Wanderers Office Park, 52 Corlett Drive, Illovo, 2196 Private Bag X10046, Sandton, 2146
BANKERS	First National Bank of Southern Africa Limited
TRANSFER SECRETARIES	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, South Africa PO Box 61051, Marshalltown, 2107
SPONSOR	Investec Bank Limited 100 Grayston Drive, Sandown, Sandton, 2196

SHAREHOLDERS' SNAPSHOT

ANALYSIS OF SHAREHOLDERS

Listed below is an analysis of shareholdings extracted from the register of ordinary shareholders at 31 March 2018.

	Number of shareholders	% of current shareholders	Number of shares	% of issued capital
Range of holdings				
1 – 1 000	1 468	63.92	390 006	0.42
1 001 – 10 000	489	21.30	1 775 713	1.91
10 001 – 50 000	197	8.58	4 377 067	4.72
50 001 – 100 000	44	1.92	3 203 883	3.45
100 001 – 500 000	75	3.27	16 798 528	18.10
500 001 – 1 000 000	13	0.57	9 584 492	10.33
1 000 001 shares and over	10	0.44	56 684 959	61.07
	2 296	100.00	92 814 648	100.00
Type of shareholder				
Public companies	26	1.13	5 409 210	5.83
Banks	32	1.39	6 393 636	6.89
Close corporations	60	2.61	3 518 004	3.79
Individuals	1 810	78.84	22 028 808	23.73
Nominees and trusts	177	7.72	2 125 767	2.29
Other corporations	77	3.35	41 577 660	44.80
Pension funds	57	2.48	2 294 098	2.47
Private companies	57	2.48	9 467 465	10.20
	2 296	100.00	92 814 648	100.00

Shareholders' diary

Financial year-end	31 March
Annual general meeting	22 October
Reports	
– Preliminary report	May
– Interim report at 30 September	November
– Annual financial statements	July

SHAREHOLDINGS GREATER THAN 5%

	2018 %	2017 %
Southern African Clothing and Textile Workers Union	**32.3**	32.8
Ronaldgate Proprietary Limited	**7.0**	6.0
	39.3	38.8

SHAREHOLDER SPREAD

	Percentage held		Number of shareholders	
	2018 %	2017 %	**2018**	2017
Public	**52.0**	54.9	**2 286**	2 239
Non-public	**48.0**	45.1	**10**	8
Directors	**7.4**	6.5	**4**	3
Associates of directors	**0.8**	0.6	**1**	1
Significant shareholder	**32.3**	32.8	**1**	1
Share trust	**0.2**	0.7	**1**	1
Treasury shares*	**7.3**	4.5	**3**	2
	100.0	100.0	**2 296**	2 247

* 2 688 000 shares (2017: Nil) held by the company, pending cancellation, at year-end

Stock exchange performance

Total number of shares traded ('000)	14 393
Total value of shares traded (R'000)	1 942 350
Market price (cents per share)	
– Closing	14 400
– High	16 299
– Low	11 691
Market capitalisation (R'000)	12 367 045

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The directors of Hosken Consolidated Investments Limited are responsible for the preparation, integrity and fair presentation of the financial statements of the company and of the group and for other information contained therein. The annual financial statements for the year ended 31 March 2018 have been prepared in accordance with International Financial Reporting Standards and include amounts based on prudent judgements and estimates by management.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the group or any company within the group will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of the company and the group. The financial statements have been audited by the independent auditing firm, Grant Thornton Johannesburg Partnership, which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board.

The directors believe that all representations made to the independent auditors during the audit were valid and appropriate.

The annual financial statements for the year ended 31 March 2018 were approved by the board of directors on 25 July 2018 and are signed on its behalf by:

VE Mphande	**JA Copelyn**	**TG Govender**
Chairman	Chief Executive Officer	Financial Director

Cape Town
25 July 2018

DECLARATION BY COMPANY SECRETARY

We certify that Hosken Consolidated Investments Limited has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2018, all such returns as are required by a public company in terms of the Companies Act of South Africa and that such returns are true, correct and up to date.

HCI Managerial Services Proprietary Limited

HCI Managerial Services Proprietary Limited
Company secretary

Cape Town
25 July 2018

REPORT OF THE AUDIT COMMITTEE

Members: Mr MSI Gani [chairman], Dr ML Molefi, Mr JG Ngcobo.

The audit committee (committee) has pleasure in submitting this report in respect of the past financial year of the group, as required by section 94 of the Companies Act of South Africa, No. 71 of 2008, as amended (the Act).

The HCI audit committee is a formal committee of the board, appointed by the shareholders, and functions within its documented terms of reference. The terms of reference were reviewed and updated during the year and approved by the board. All members of the committee act independently. The chief financial officer, the group's risk officer and the group financial manager attend the meetings as permanent invitees, along with external audit and internal audit. Other directors and members of management attend as required.

The committee met four times during the year under review. At least two non-conflicting members are required to form a quorum.

Please see the table below for attendances at these meetings:

Committee member	Number of meetings	Attendance of members
MSI Gani (chair)	4	4
ML Molefi	4	4
JG Ngcobo	4	4

Role, purpose and function

The committee fulfils an independent oversight role regarding the group's financial statements and the reporting process, including the system of internal financial control, with accountability to both the board and to shareholders.

The committee assists the board in discharging its responsibilities. It also considers reports and information generated by the subsidiary companies' audit or finance committees to their respective boards. Each group company has its own board of directors responsible for the management, including risk management and internal control, of that company and its business.

The committee's responsibilities include the statutory duties prescribed by the Companies Act and the Listings Requirements of the Johannesburg Stock Exchange, recommendations by King IV and additional responsibilities assigned by the board. The committee is satisfied that, in respect of the financial period under review, it has performed all the functions required by law to be performed by an audit committee, as set out by section 94 of the Act and in terms of the committee's terms of reference.

Combined assurance

The Combined Assurance Forum (incorporating internal audit, external audit, the chief financial officer and the chief risk officer) provides assurance to the board that the risk management process is integrated into the daily business activities of the company and that the appropriate levels of assurance are obtained.

External auditors

The external auditors for the period under review were Grant Thornton Johannesburg Partnership and Mr Ben Frey was the designated auditor. Due to the mandatory audit partner rotation, the committee has recommended the appointment of Mr Theunis Schoeman as the designated registered auditor for the 2019 financial year.

The committee has:

- confirmed the independence of the external auditor as per section 92 of the Act;
- reviewed the performance of the external auditor and confirmed that the external auditor, the partner and the firm, have complied with the suitability requirements of the JSE as detailed in paragraph 22.15(h) of the JSE Listings Requirements;
- approved the fees to be paid to the external auditor and their terms of engagement;
- determined the nature and extent of any non-audit services that the external auditor may provide to the company and its wholly-owned subsidiaries;
- preapproved any proposed agreement with the external auditor for the provision of non-audit services to the company and its wholly-owned subsidiaries; and
- provided for regular confidential meetings between the committee members and the external and internal auditors.

Risk management

The board acknowledges that it is accountable for the process of risk management and the system of internal control of the group. Mr D Levin holds the position of group risk officer. As HCI is an investment holding company, the risk management process takes into account the risks and opportunities within the company as well as those inherent in its portfolio of investments.

The committee is an integral component of the risk management process and, specifically, the committee ensures, by enquiry of management, external and internal auditors, that all material corporate risks have been identified, assessed, monitored and effectively managed.

The committee further enables the principle that risk management is also about analysing opportunities and not only guarding against downside possibilities. Internal control structures have been implemented to ensure that significant business and financial risk is identified and appropriately managed:

- it is management's responsibility to design, implement and monitor the risk management policies;
- risk assessments are performed on a continual basis;
- frameworks and methodologies are implemented to increase probability of anticipating unpredictable risks;
- risk responses by management are considered and implemented;
- risks are monitored continuously; and
- the board should receive assurance regarding effectiveness of risk management.

The committee is accountable to the board for implementing and monitoring the processes of risk management and integrating this into day-to-day activities. The committee, however, does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

A disciplined and timeous reporting structure enables the committee to be fully apprised of group company activities, risks and opportunities. This is achieved by requiring that controlled companies report their key risks and responses to the committee on a biannual basis, with additional exception reporting as required. The focus of the committee is on those risks which may negatively impact the long-term sustainability of the particular business or have a material impact on short-term performance.

This continual emphasis on risk management assists the board to foster a culture in the HCI group that emphasises and demonstrates the benefits of a risk-based approach to internal controls and management of the group. Effective risk management is seen as fundamental to the sustainability of the group's interests.

Internal audit

The group has established an internal audit function at the holding company level. Where appropriate, subsidiaries have their own internal audit departments that perform the internal audit function for the relevant subsidiary in accordance with the subsidiary's agreed internal audit plan.

HCI has a majority shareholding in Gripp Advisory Services Proprietary Limited which, subject to the approval of the shareholders of the subsidiary companies, will be responsible for the internal audit function within the group.

IT governance

As an investment holding company with limited technology needs, HCI has not deemed it necessary to focus on IT at a group level. The company has outsourced its IT operations to a credible service provider via a service level agreement. The committee considers all the reports from the subsidiary companies, as included in the risk report.

Due to the increasing possibility of cyberthreats the company engaged PricewaterhouseCoopers Inc. to assess the security maturity and vulnerability of the company's IT infrastructure. The committee has reviewed the recommendations and the implementation thereof to improve the cybersecurity posture at HCI.

Compliance

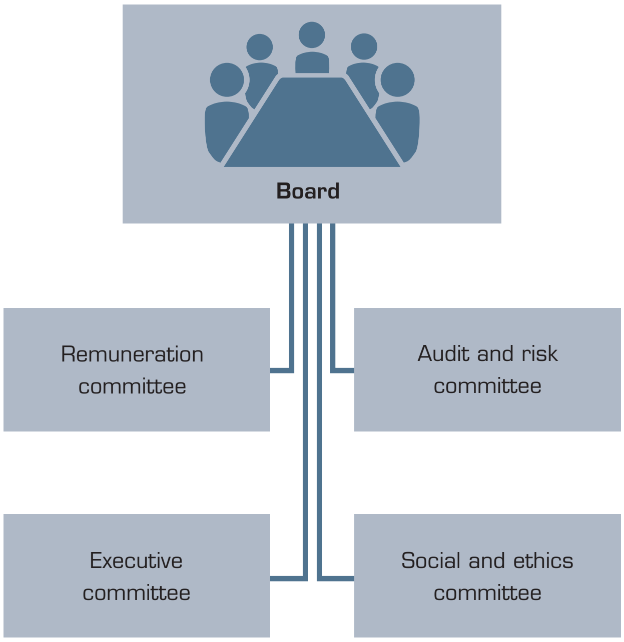
The social and ethics committee has oversight of the group's compliance programme. It is the responsibility of this committee to review the matters that pertain specifically to audit committees, such as tax compliance.

Whistle-blowing

The committee has oversight of the company's whistle-blowing programme. During the period under review it was satisfied that adequate and appropriate provision was made for whistle-blowing. No instances requiring action at a group level were raised or identified during the period under review.

Corporate governance

Corporate governance structure as at 31 March 2018:



HCI is committed to the highest standards of business integrity, ethics and professionalism. The King Report on Corporate Governance™ for South Africa 2016 (King IV), which is on an apply-and-explain basis, was released on 1 November 2016. King IV advocates an outcomes-based approach and defines corporate governance as the exercise of ethical and effective leadership towards the achievement of the following governance outcomes:

- ethical culture;
- good performance;
- effective control; and
- legitimacy.

HCI has reviewed the practices underpinning the principles promoted in King IV. Many of these principles are entrenched in the group's internal controls, policies and procedures governing corporate conduct. The board is satisfied that HCI, in all material aspects, complies with the major recommendations of the King IV code to ensure that sound corporate governance and structures are applied within the group.

For the detailed King IV application register please visit the company website: www.hci.co.za.

Chief financial officer and finance function
During the period under review the committee considered the expertise and experience of the chief financial officer (CFO), Mr TG Govender, and is satisfied that, in terms of paragraph 3.84(g) of the JSE Listings Requirements, the CFO has the appropriate skills, expertise and experience to meet the responsibilities of the position.

The committee has also, in terms of King IV, assessed the expertise of the finance function and the committee is satisfied that the finance team has the required and adequate skills to perform their duties.

Financial statements and going concern
The committee has reviewed the stand-alone and consolidated financial statements of the company and is satisfied that they comply with International Financial Reporting Standards and the Companies Act, and that the accounting policies used are appropriate.

The review of the financial statements include a review of the legal matters that could have a significant impact on the group's financial statements and the key audit matters contained in the external audit report.

The committee has also reviewed a documented assessment by management of the going concern premise of the company before recommending to the board that the company will be a going concern in the foreseeable future.

Sustainability reporting
The committee considered the company's sustainability information and has assessed its consistency with operational and other information known to committee members. The committee is satisfied that the sustainability information is reliable and consistent with the financial results.

Recommendation of the annual financial statements
The committee has evaluated the annual financial statements of Hosken Consolidated Investments Limited and the group for the period ended 31 March 2018 and, based on the information provided to the committee, the committee recommends the adoption of the annual financial statements by the board.

Mr MSI Gani
Chairperson: Audit committee

25 July 2018

REPORT OF THE INDEPENDENT AUDITOR
TO THE SHAREHOLDERS OF HOSKEN CONSOLIDATED INVESTMENTS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Hosken Consolidated Investments Limited (the group and company) set out on pages 15 to 112, which comprise the consolidated and separate statements of financial position as at 31 March 2018, and the consolidated and separate statements of profit and loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Hosken Consolidated Investments Limited as at 31 March 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following key audit matters relate to the consolidated and separate financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

Key audit matter	How our audit addressed the key audit matter
Goodwill and indefinite life intangible assets relating to the gaming segment	
The group's net assets include a significant amount of goodwill. Further, due to the nature of the gaming segment, the group also recognised a significant amount of indefinite life intangible assets in the form of casino licences. IFRS requires goodwill and intangible assets with indefinite useful lives to be reviewed annually for impairment. To determine the recoverable amounts of the cash-generating units (CGUs), management has used the value-in-use methodology. Management applied a discounted cash flow analysis for each of the individual CGUs, being the individual casinos. Significant estimates and judgements were applied by management when performing these calculations to determine whether any impairment is required. The key assumptions applied in the valuation models for the casinos were the discount rate and the terminal growth rate. Management concluded, based on its assessment, that the current carrying values of each of the individual CGUs were below the recoverable amount for goodwill but that some casino licences required impairment at 31 March 2018. The impairment assessment is considered to be a key audit matter to the current year audit due to: • the significant judgements made by management regarding the discount rate, the terminal growth rates and other forecasts included in the analyses used to perform the impairment assessment; and • the magnitude of both of these balances. Refer to note 3 Goodwill and note 4 Intangible assets where detail on these items is included.	The most significant amount of goodwill arises on consolidation and relates to one particular CGU, namely gaming and hotels. Other goodwill balances are accounted for in various components of the group and are not considered to be key audit matters. We tested the mathematical accuracy of the valuation models relating to the goodwill that arises on consolidation and assessed the allocation of assets and liabilities to the CGUs, and are satisfied that the approach adopted by management in the valuation models is appropriate and in line with market practice as well as the applicable requirements of IAS 36: Impairment of Assets. The casino licences originate in one of the significant components of the group. We issued group instructions to the component auditor of this component. The instructions covered the significant audit areas in general as well as specific information required to be reported on to the group audit team relating to intangible assets. We held various planning, execution and completion meetings and calls during the audit with management of the component as well as the component auditor. The component auditor agreed management's cash flow forecasts to its latest five-year strategic plan which has been presented to and approved by the board of directors. Actual results were compared to the 2017 financial year figures included in the prior year forecast. Based on the testing it was found that management's cash flow forecasts are consistent with the historical actual results. The terminal growth rate in the licence impairment calculation was compared to forecast industry trends and to management's past forecast history was found to be consistent and within an acceptable range. The component's valuation expertise independently recalculated a discount rate for the component, taking into account independently obtained data such as the cost of debt, risk-free rates in the market, market risk premiums, debt/equity ratios as well as the beta of comparable companies; and this was compared to the discount rate used by management. We assessed the competence, knowledge and experience of our component audit team and performed a review of the significant audit areas to assess the adequacy of the process performed in pursuit of our audit opinion. We reviewed the impairment calculations and our valuation experts independently reviewed the growth and discount rates applied by management which were considered to be within an acceptable range of our independent calculation. As part of our sensitivity procedures we flexed the discount rate, the annual growth rates, the terminal growth rate and forecast cash flows for each CGU. An impairment was recorded by management in the financial statements, based on the calculations performed. Our technical department also reviewed the disclosures made by management.

CONSOLIDATED FINANCIAL STATEMENTS continued

Key audit matter	How our audit addressed the key audit matter
Impairment consideration of hotel properties	
The group owns a portfolio of hotel properties to the value of R17.1 billion. Some hotel properties are carried at fair value in the Hospitality Property Fund (HPF) subsidiary where these are considered to be investment properties. On consolidation all the owner-occupied hotel properties are carried at cost less accumulated depreciation and any impairment losses in terms of IAS 16: Property, Plant and Equipment. Management assesses the useful lives and residual values of each hotel building on an annual basis. Management utilises an independent external valuer to perform valuations on a cyclical basis while internal valuations are performed for all hotel properties. Casino licence impairments were identified in the hotel and gaming segment and as a result the possible impairment of hotel properties in the same segment was considered a key audit matter.	We have considered indicators of impairment relating to hotel properties. The only indicator that we identified was the impairment of the casino licences in the same segment. The hotel properties originate in one of the significant components of the group. We issued group instructions to the component auditor of this component. The instructions covered the significant audit areas in general as well as specific information required to be reported on to the group audit team relating to hotel properties. We held various planning, execution and completion meetings and calls during the audit with management of the component as well as the component auditor. For the properties carried in HPF the component auditor independently agreed the fair values of properties to valuation reports. In addition, the component auditor independently assessed the calculation of the fair values by assessing the discount rate and terminal growth rate against market-related data. They reconciled the cash flows used in the valuations to management-approved budgets for a sample of properties and independently recalculated the accuracy of the calculation. We assessed the competence, knowledge and experience of our component audit team and performed a review of the significant audit areas to assess the adequacy of the process performed in pursuit of our audit opinion. For the properties not held in HPF we obtained the external valuation reports. We independently assessed the calculation of the fair values by assessing the capitalisation rate to market-related data. We reconciled the budgeted revenue to the management-approved budget. We compared the fair values to the carrying amounts of the hotel properties in order to determine whether there are any potential impairments. We agreed the impairments identified to adjustments passed by management. The impairments were not considered to be significant at group level. We are satisfied that the calculation management performed is in line with market practice as well as the applicable requirements of IAS 36: Impairment of Assets.

SEPARATE FINANCIAL STATEMENTS

Key audit matter	How our audit addressed the key audit matter
Recoverability of the investment in subsidiary and inter-company loans	
The company is required to consider indicators of impairment with respect to recoverability of the interests in subsidiary companies and inter-company loans. This annual consideration is a key audit matter as the balance of interests in subsidiary companies and inter-company loans is significant in the separate financial statements and requires key management judgements. Management has performed impairment testing on the CGU assigned to the investment in subsidiary in the media and broadcasting segment. The impairment testing resulted in an impairment in the value of the investment in subsidiaries and loans in the current year of R1.3 billion.	Our audit procedures included the following: • Considering indicators of impairment, obtaining the discounted cash flows for the underlying entities to evaluate the recoverability of the interests in subsidiary companies and inter-company loans. • With assistance of our internal valuations specialist we assessed the assumptions and methodologies used by the company in the models used to assess the disclosure adequacy to the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Hosken Consolidated Investments Limited Annual Financial Statements, which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by Companies Act of South Africa and further information contained in the Hosken Consolidated Investments Limited Integrated Annual Report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Grant Thornton has been the auditor of Hosken Consolidated Investments Limited for 21 years.

Grant Thornton

GRANT THORNTON
Registered Auditors
Practice Number: 903485E

B Frey
Partner
Registered Auditor
Chartered Accountant (SA)

31 July 2018

@Grant Thornton
Wanderers Office Park
52 Corlett Drive
Illovo, 2196

1. Nature of business

Hosken Consolidated Investments Limited (HCI) is an investment holding company, incorporated in South Africa and listed on the JSE Limited.

2. Operations and business

The business operations of HCI include the making of investments in opportunities as identified by the board of directors and the adding of value to these investments over time. As such, HCI has itself consciously established and pursued an investment policy in terms of which it has endeavoured to maintain significant equity and capital participation in entrepreneurially run companies with significant growth potential. The investments are constantly reviewed and new ones sought to complement them.

Refer to pages 12 to 29 of the integrated annual report for an overview of operations for the year under review.

3. Restatement of comparative results

Details of the restatement of comparative results are set out in note 48 of the annual financial statements.

4. Business combinations

Details of business combinations are set out in note 45 of the annual financial statements.

5. Discontinued operations and disposal group assets and liabilities held for sale

Details of discontinued operations and disposal group assets and liabilities held for sale are set out in notes 36 and 16 of the annual financial statements, respectively.

6. Dividends

Ordinary dividend number 56, in the amount of fifty cents per share, was paid to shareholders on 18 December 2017. Ordinary dividend number 57, in the amount of one hundred and ninety cents per share, was paid to shareholders on 25 June 2018.

7. Share capital

Details of the authorised and issued share capital are set out in note 17 of the annual financial statements.

8. Directorate

Details of the directors of the company appear under the corporate administration section of this report. There were no changes to the directorate for the period under review.

9. Composition of the board

The board has assumed responsibility, in line with the board charter, for the composition of the board by ensuring diversity, gender parity, skills, knowledge and resources to effectively discharge its governance role and responsibilities and carry out all its duties. The board is comprised of 10 members which include three executive directors and seven non-executive directors of which six are independent non-executive directors. There is a clear balance of power and authority at the board of directors' level.

The board is chaired by Mr Mphande, an independent non-executive director, who is not a former CEO of the company. There is a clear division of responsibilities between the chairman and chief executive officer. The board does not deem it necessary to appoint a lead independent director.

Board member	Number of board meetings	Attendance of members
VE Mphande (chair)	5	5
JA Copelyn	5	5
MSI Gani	5	5
TG Govender	5	4
FM Magugu	5	4
NMP Mhlangu	5	5
ML Molefi	5	5
JG Ngcobo	5	5
Y Shaik	5	5
RD Watson	5	5

10. Gender diversity

The board of directors has adopted a policy on gender diversity at board level and agreed on voluntary targets. The board has surpassed its gender target of 25% women, all of whom are women of colour.

11. Race diversity

The board of directors has adopted a policy on race diversity at board level. The voluntary target was set at a majority of members being people of colour. 90% of the members of the board are people of colour.

12. Company secretary

HCI Managerial Services Proprietary Limited held the office of the company secretary for the 12 months ended 31 March 2018. The secretarial department is under the supervision of Cheryl Philip (FCIS) who is empowered, and authorised, to provide corporate governance services to the board and management. The board has evaluated the performance and independence of the company secretary during the period under review and it is satisfied that the company secretary is competent and has the appropriate qualifications and experience required by the group to administer the secretarial obligations of the company. The secretary has an arm's length relationship with the board of directors.

The name, business and postal address of the company secretary are set out in the corporate administration section of this report.

13. Financial director

Mr TG Govender is the full-time executive financial director of the company.

14. Auditors

Subject to shareholder approval, Grant Thornton Johannesburg Partnership will continue in office in accordance with section 90 of the South African Companies Act for the 2019 financial year. Due to mandatory audit partner rotation, the directors have recommended that Mr Theunis Schoeman replace Mr Ben Frey as the designated auditor.

15. Auditor's report

The consolidated and separate annual financial statements have been audited by Grant Thornton Johannesburg Partnership and their unqualified audit report on the consolidated and separate annual financial statements is included on pages 8 to 12 of this report.

16. Significant shareholders

The company's shareholders that own more than 5% of the issued shares are Southern African Clothing and Textile Workers Union and Ronaldgate Proprietary Limited who own 32.3% and 7.0% respectively. No shareholder has a controlling interest in the company.

17. Special resolutions

The following special resolutions were passed by the company's shareholders at the annual general meeting of shareholders held on 1 November 2017:

- approval of the fees payable to non-executive directors for their services as directors or as members of the board sub-committees in respect of the financial period 1 November 2017 until the next annual general meeting of the company; and
- granting the company and the subsidiaries of the company a general authority contemplated in terms of the JSE Listing Requirements 5.72, for the acquisition by the company, or a subsidiary of the company, of ordinary shares issued by the company.

18. Special resolutions of subsidiaries

The statutory information relating to special resolutions passed by subsidiaries is available from the registered office of the company.

19. Shareholding of directors

The shareholding of directors of the company and their participation in the share incentive scheme of the company as at 31 March 2018, are set out in notes 40 and 39 of the annual financial statements, respectively.

20. Directors' emoluments

Directors' emoluments incurred by the company and its subsidiaries for the year ended 31 March 2018 are set out in note 41 of the annual financial statements.

21. Subsidiaries

Details of the company's subsidiaries are set out in annexure A to the annual financial statements.

22. Borrowing powers

There are no limits placed on borrowings in terms of the memorandum of incorporation. Certain companies in the group have entered into various loan agreements with providers of loan finance. These loan agreements include various covenants and undertakings by companies in the group which may restrict the group's borrowing powers. Details of these covenants and undertakings are available from the registered office of the company.

23. Litigation statement

There are no material legal or arbitration proceedings (including proceedings which are pending or threatened of which the directors of HCI are aware) which may have or have had, during the 12-month period preceding the last practicable date, a material effect on the financial position of HCI.

24. Material change

There has been no material change in the financial or trading position of the HCI group since the publication of its provisional results for the year ended 31 March 2018.

25. Events subsequent to reporting date

Events occurring subsequent to the reporting date are set out in note 47 of the annual financial statements.

26. Preparer

These annual financial statements were prepared under the supervision of the financial director, Mr TG Govender, B.Compt (Hons).

VE Mphande
Chairman

JA Copelyn
Chief Executive Officer

Cape Town
25 July 2018

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2018

		Group		Company	
	Notes	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000
ASSETS					
Non-current assets		**61 902 246**	61 845 515	**19 053 619**	17 038 159
Property, plant and equipment	1	**24 913 188**	25 127 835	**–**	–
Investment properties	2	**9 587 532**	8 510 174	**–**	–
Goodwill	3	**4 700 758**	4 785 158	**–**	–
Intangible assets	4	**18 637 844**	19 529 696	**–**	–
Intangible assets mining	5	**53 942**	75 990	**–**	–
Investments in associates	6	**1 521 370**	1 267 048	**3 000**	3 000
Investments in joint arrangements	7	**198 577**	187 734	**–**	–
Other financial assets	8	**1 324 206**	1 275 663	**–**	–
Investments in and amounts owing from subsidiary companies	9	**–**	–	**19 039 587**	16 997 511
Deferred taxation	10	**487 352**	379 252	**–**	–
Operating lease equalisation asset		**96 628**	80 393	**–**	–
Finance lease receivables	11	**56 780**	88 349	**–**	–
Non-current receivables	12	**324 069**	538 223	**11 032**	37 648
Current assets		**8 090 494**	8 563 616	**3 538**	878 224
Inventories	13	**939 711**	955 733	**–**	–
Programme rights	14	**870 674**	866 244	**–**	–
Other financial assets	8	**18 317**	38 333	**–**	–
Amounts owing from subsidiary companies	9	**–**	–	**–**	810 488
Trade and other receivables	15	**2 478 554**	2 541 697	**1 310**	–
Taxation		**59 433**	101 431	**–**	–
Cash and cash equivalents	38.5	**3 723 805**	4 060 178	**2 228**	67 736
Disposal group assets held for sale	16	**329 473**	126 632	**–**	–
Total assets		**70 322 213**	70 535 763	**19 057 157**	17 916 383
EQUITY AND LIABILITIES					
Capital and reserves		**35 661 005**	36 119 875	**17 760 474**	15 963 237
Equity attributable to equity holders of the parent		**15 273 850**	15 755 603	**17 760 474**	15 963 237
Ordinary share capital	17	**21 470**	22 008	**22 532**	23 204
Share premium	17	**–**	–	**17 158**	17 158
Other reserves	18	**271 043**	412 040	**–**	–
Accumulated profits		**14 981 337**	15 321 555	**17 720 784**	15 922 875
Non-controlling interest	9	**20 387 155**	20 364 272	**–**	–
Non-current liabilities		**24 864 963**	22 868 060	**–**	–
Operating lease equalisation liability		**242 094**	254 740	**–**	–
Financial liabilities	19	**132 423**	41 448	**–**	–
Borrowings	20	**16 275 305**	13 999 138	**–**	–
Post-retirement medical benefit liabilities	21	**159 098**	165 115	**–**	–
Long-term incentive plan	22	**27 094**	18 919	**–**	–
Long-term provisions	23	**249 247**	278 496	**–**	–
Deferred revenue and income	24	**184 432**	28 646	**–**	–
Deferred taxation	10	**7 595 270**	8 081 558	**–**	–
Current liabilities		**9 691 070**	11 543 748	**1 296 683**	1 953 146
Trade and other payables	25	**3 017 588**	3 210 411	**3 120**	1 861
Deferred revenue and income	24	**112 517**	93 634	**–**	–
Financial liabilities	19	**44 569**	60 409	**–**	–
Amounts owing to subsidiary companies	9	**–**	–	**1 112 205**	1 551 644
Current portion of borrowings	20	**3 857 154**	5 194 588	**–**	–
Taxation		**171 331**	124 115	**65**	10
Provisions	23	**394 672**	335 905	**–**	–
Long-term incentive plan	22	**59 537**	128 650	**–**	–
Bank overdrafts	26	**2 033 702**	2 396 036	**181 293**	399 631
Disposal group liabilities held for sale	16	**105 175**	4 080	**–**	–
Total equity and liabilities		**70 322 213**	70 535 763	**19 057 157**	17 916 383

STATEMENTS OF PROFIT AND LOSS

FOR THE YEAR ENDED 31 MARCH 2018

		Group		Company	
	Notes	**2018 R'000**	2017* R'000	**2018 R'000**	2017 R'000
Revenue	29	**14 960 540**	14 310 035	**2 836 514**	1 128 159
Net gaming win		**8 841 724**	8 805 745	**–**	–
		23 802 264	23 115 780	**2 836 514**	1 128 159
Depreciation and amortisation		**(1 397 887)**	(1 377 634)	**–**	–
Other operating expenses and income		**(17 516 637)**	(16 580 970)	**(16 895)**	(19 493)
Investment income	30	**304 490**	266 792	**282**	97
Share of profits/(losses) of associates and joint arrangements		**102 967**	(74 752)	**–**	–
Investment surplus	31	**134 030**	88 663	**1 004 516**	79 409
Gain on bargain purchase		**–**	81 764	**–**	–
Fair value adjustments of investment properties	2	**(72 604)**	941 655	**–**	–
Impairment reversals		**40 653**	–	**–**	–
Asset impairments	1, 4	**(951 938)**	(25 134)	**–**	–
Fair value adjustments of financial instruments		**(23 690)**	–	**–**	–
Impairment of goodwill and investments	32	**(103 897)**	(33 159)	**(1 421 946)**	(608 822)
Finance costs	33	**(1 797 766)**	(1 606 475)	**(23 755)**	(23 527)
Profit before taxation	34	**2 519 985**	4 796 530	**2 378 716**	555 823
Taxation	35	**(441 132)**	(1 066 537)	**(137)**	(134)
Profit for the year from continuing operations		**2 078 853**	3 729 993	**2 378 579**	555 689
Discontinued operations	36	**(102 470)**	(455 516)	**–**	–
Profit for the year		**1 976 383**	3 274 477	**2 378 579**	555 689
Attributable to:					
Equity holders of the parent		**939 749**	1 237 909		
Non-controlling interest	9	**1 036 634**	2 036 568		
		1 976 383	3 274 477		
Earnings per share (cents)	37	**1 062.91**	1 312.99		
Continuing operations		**1 151.47**	1 593.47		
Discontinued operations		**(88.56)**	(280.48)		
Diluted earnings per share (cents)	37	**1 056.23**	1 298.47		
Continuing operations		**1 144.24**	1 575.85		
Discontinued operations		**(88.01)**	(277.38)		

* Restated

STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Profit for the year	**1 976 383**	3 274 477	**2 378 579**	555 689
Other comprehensive income net of tax:				
Items that may subsequently be reclassified to profit or loss				
Foreign currency translation differences	**(192 785)**	(230 431)	**–**	–
Reclassification of foreign currency translation differences on disposal	**(1 448)**	(253 799)	**–**	–
Cash flow hedges:				
– Fair value adjustments	**(81 961)**	(127 784)	**–**	–
– Capitalised to property, plant and equipment	**6 633**	–	**–**	–
Fair value adjustments on available-for-sale financial assets	**4 034**	–	**–**	–
Income tax relating to items that may subsequently be reclassified to profit or loss	**19 789**	24 900	**–**	–
Items that may not subsequently be reclassified to profit or loss				
Actuarial gains on post-employment benefit liability	**15 379**	809	**–**	–
Revaluation of land and buildings	**77 009**	–	**–**	–
Income tax relating to items that may not subsequently be reclassified to profit or loss	**(38 902)**	(229)	**–**	–
Total comprehensive income for the year	**1 784 131**	2 687 943	**2 378 579**	555 689
Attributable to:				
Equity holders of the parent	**803 795**	805 310		
Non-controlling interest	**980 336**	1 882 633		
	1 784 131	2 687 943		

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

GROUP	Share capital R'000	Share premium R'000	Other reserves R'000	Accumulated profits R'000	Non-controlling interest R'000	Total R'000
Balance at 31 March 2016	26 027	–	841 432	15 672 288	16 388 703	32 928 450
Share capital and premium						
Treasury shares released	70	18 501	–	–	–	18 571
Shares repurchased	(4 089)	(448 156)	–	(1 274 949)	–	(1 727 194)
Current operations						
Total comprehensive income	–	–	(431 778)	1 237 088	1 882 633	2 687 943
Equity-settled share-based payments	–	–	13 084	–	–	13 084
Acquisition of subsidiaries	–	–	–	438 116	2 476 015	2 914 131
Effects of changes in holding	–	–	–	(132 833)	611 416	478 583
Disposal of subsidiaries	–	–	–	–	(319 422)	(319 422)
Capital reductions and dividends	–	–	–	(199 198)	(675 073)	(874 271)
Transfer of negative share premium	–	429 655	–	(429 655)	–	–
Release of share-based payment reserve to accumulated profits	–	–	(10 698)	10 698	–	–
Balance at 31 March 2017	22 008	–	412 040	15 321 555	20 364 272	36 119 875
Share capital and premium						
Treasury shares released	**134**	**–**	**–**	**32 045**	**–**	**32 179**
Shares repurchased	**(672)**	**–**	**–**	**(376 589)**	**–**	**(377 261)**
Current operations						
Total comprehensive income	**–**	**–**	**(143 025)**	**946 820**	**980 336**	**1 784 131**
Equity-settled share-based payments	**–**	**–**	**13 509**	**–**	**–**	**13 509**
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**1 536**	**1 536**
Effects of changes in holding	**–**	**–**	**–**	**(758 995)**	**(11 733)**	**(770 728)**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**7 688**	**7 688**
Capital reductions and dividends	**–**	**–**	**–**	**(194 980)**	**(954 944)**	**(1 149 924)**
Release of share-based payment reserve to accumulated profits	**–**	**–**	**(11 481)**	**11 481**	**–**	**–**
Balance at 31 March 2018	**21 470**	**–**	**271 043**	**14 981 337**	**20 387 155**	**35 661 005**
Notes	17	17	18		9	

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018 continued

COMPANY	Share capital R'000	Share premium R'000	Accumulated profits R'000	Total R'000
Balance at 31 March 2016	26 239	17 158	16 841 411	16 884 808
Share capital and premium				
Shares repurchased	(3 035)	–	(1 274 949)	(1 277 984)
Current operations				
Total comprehensive income	–	–	555 689	555 689
Dividends	–	–	(199 276)	(199 276)
Balance at 31 March 2017	23 204	17 158	15 922 875	15 963 237
Share capital and premium				
Shares repurchased	**(672)**	**–**	**(376 589)**	**(377 261)**
Current operations				
Total comprehensive income	**–**	**–**	**2 378 579**	**2 378 579**
Dividends	**–**	**–**	**(204 081)**	**(204 081)**
Balance at 31 March 2018	**22 532**	**17 158**	**17 720 784**	**17 760 474**
Note	17	17		

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

		Group		Company	
	Notes	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000
Cash flows from operating activities		**2 842 768**	3 337 138	**480 813**	559 561
Cash generated by operating activities		**6 759 040**	6 990 480	**708 731**	784 006
Cash generated by operations	38.1	**6 795 004**	7 275 484	**708 500**	783 599
Investment income		**201 502**	246 920	**282**	97
Changes in working capital	38.2	**(237 466)**	(531 924)	**(51)**	310
Finance costs		**(1 798 366)**	(1 676 222)	**(23 755)**	(23 527)
Taxation paid	38.3	**(968 276)**	(970 155)	**(82)**	(1 642)
Dividends paid		**(1 149 630)**	(1 006 965)	**(204 081)**	(199 276)
Cash flows from investing activities		**(2 773 743)**	(3 202 455)	**49 278**	(195 795)
Business combinations/disposals	38.4	**(109 923)**	230 635	**–**	–
Investment in:					
– Subsidiary companies		**–**	–	**(354 048)**	(295 005)
– Associated companies and joint arrangements		**(429 461)**	(300 846)	**–**	–
– Financial assets		**(2 010)**	(1 294 215)	**–**	–
Return of investment in subsidiary companies		**–**	–	**403 326**	–
Dividends received		**116 156**	63 387	**–**	–
Short-term loans repaid		**–**	1 112	**–**	–
Long-term receivables repaid		**69 944**	358 757	**–**	–
Proceeds on disposal of investments		**5 890**	2 636	**–**	99 210
Intangible assets					
– Additions		**(59 744)**	(32 788)	**–**	–
– Disposals		**85 004**	–	**–**	–
Investment properties					
– Additions		**(924 105)**	(617 768)	**–**	–
– Disposals		**27 811**	166 806	**–**	–
Property, plant and equipment					
– Additions		**(1 681 145)**	(1 854 710)	**–**	–
– Disposals		**127 840**	74 539	**–**	–
Cash flows from financing activities		**(11 176)**	1 060 825	**(377 261)**	(412 784)
Ordinary shares issued and treasury shares sold		**26 616**	8 078	**–**	–
Ordinary shares repurchased		**(377 261)**	(438 070)	**(377 261)**	(412 784)
Other liabilities raised		**908**	5 756	**–**	–
Transactions with non–controlling shareholders		**(748 810)**	(930 813)	**–**	–
Borrowings raised	20	**7 690 857**	5 796 604	**–**	–
Borrowings repaid	20	**(6 603 486)**	(3 380 730)	**–**	–
Cash and cash equivalents					
Movements		**57 849**	1 195 508	**152 830**	(49 018)
At the beginning of the year		**1 673 363**	520 432	**(331 895)**	(282 877)
Foreign exchange difference on translation of foreign subsidiaries		**(9 713)**	(42 577)	**–**	–
At the end of the year	38.5	**1 721 499**	1 673 363	**(179 065)**	(331 895)

1. ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated and company annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE and the Companies Act of South Africa and have been prepared under the historical cost convention, as modified by the revaluation to fair value of certain financial instruments as described in the accounting policies below.

(b) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee (Exco), consisting of three executive directors, including the CEO and CFO.

(c) Basis of consolidation

The consolidated financial statements include the financial information of the subsidiaries, associated entities and joint arrangement entities owned by the group.

(i) Subsidiaries

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.

The company records its investment in subsidiaries at cost less any impairment charges. These interests include any intergroup loans receivable, which represent by nature a further investment in the subsidiary.

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(ii) Associates

Investments in associates are accounted for using the equity method of accounting. Under the equity method of accounting, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investments in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount immediately in profit or loss.

(iii) Joint arrangements

Investments in joint arrangements are initially recognised at cost and its post-acquisition results incorporated in the financial statements using the equity method of accounting. Joint arrangements relating to investment properties are accounted for on a proportionally consolidated basis. Joint arrangements' accounting policies have been changed, where necessary, to ensure consistency with the policies adopted by the group. The group's investments in joint arrangements include goodwill (net of any accumulated impairment loss) identified on acquisition.

(iv) Goodwill

Goodwill is stated at cost less impairment losses and is reviewed for impairment on an annual basis.

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.

The carrying amount of goodwill in respect of associates and joint arrangements is included in the carrying value of the investment in the respective associate and joint arrangement.

(d) Foreign exchange

(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 South African Rand which is the group's presentation and the company's functional currency.

(ii) Transactions and balances

The financial statements for each group company have been prepared on the basis that transactions in foreign currencies are recorded in their functional currency at the rate of exchange ruling at the date of the transaction. Monetary items denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date with the resultant translation differences being recognised in profit or loss. Translation differences on non-monetary assets such as equity investments classified as available-for-sale are recognised in other comprehensive income.

(iii) Foreign subsidiaries and associates – translation

Once-off items in the statement of profit and loss and statement of cash flows of foreign subsidiaries and associates expressed in currencies other than the South African Rand are translated to South African 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 reporting date. All translation exchange differences arising on the retranslation of opening net assets together with differences between statements of profit and loss translated at average and closing rates are recognised as a separate component of equity. 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 equity are recycled through profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rate of exchange at reporting date.

(e) Property, plant and equipment

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

Assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

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.

(f) Investment properties

Investment properties are stated at fair value representing estimated market value. Changes in fair value are recognised in profit or loss in the period in which they arise.

(g) Intangible assets

Intangible assets are stated at cost less accumulated amortisation 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 with indefinite lives are not amortised but are subject to annual reviews for impairment.

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

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

(i) Computer software

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

Direct costs associated with the production of identifiable and unique internally generated software products controlled by the group that will probably generate future economic benefits are capitalised. Direct costs include software development employment costs (including those of contractors used) and an appropriate portion of overheads.

Internally generated costs associated with maintaining computer software programs are expensed as incurred.

(ii) Bid costs and casino licences

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

Casino licences that do not have an expiry date are not amortised as they are considered to have an indefinite life and are tested annually for impairment on the same basis as goodwill.

Costs associated with unsuccessful casino licence applications are immediately impaired.

(iii) Trademarks

Trademarks are recognised initially at cost. Trademarks have finite useful lives and are carried at cost less accumulated amortisation. Trademarks are amortised on a straight-line basis over their estimated useful economic lives.

(iv) Distribution rights

Distribution rights represent multi-territory and multi-platform programming rights that the group is able to "onsell" to other broadcasters. Distribution rights are initially recognised at cost. Distribution rights are amortised over the products' economic life cycle which is determined on a pro rata basis of the individual titles' total cost based on the territory and broadcast platform for which the distribution rights have been "onsold".

Distribution rights are amortised on a revenue-earned basis.

Distribution rights are tested for impairment annually until they are brought into use.

(v) Capitalised evaluation and exploration expenditure, and capitalised development expenditure

Capitalised evaluation and exploration expenditure, and capitalised development expenditure with finite lives are amortised over their estimated useful economic life.

Direct attributable expenses relating to mining and other major capital projects, site preparations, and exploration and development are capitalised until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent that these are recognised as a provision.

Costs capitalised to evaluation and exploration expenditure are transferred to capitalised development costs once the technical feasibility and commercial viability of developing the mine has been established and the decision to develop the mine has been taken by the directors.

(vi) Management contracts

Management contracts are recognised initially at fair value on business acquisitions as intangibles. Management contracts that do not have an expiry date are not amortised as they are considered to have an indefinite life and are tested annually for impairment on the same basis as goodwill.

(vii) Programming under development

Programming under development represents costs relating to programming that is still in the process of development and cannot yet be brought into use. Once brought into use, these assets will be amortised and transferred to programming rights.

(h) Financial assets and financial liabilities

Financial assets and financial liabilities are initially recognised at fair value plus any directly attributable transaction costs (transaction costs are not included on initial recognition for financial instruments carried at fair value through profit or loss).

Finance costs are charged against income in the year in which they accrue using the effective interest rate method. Premiums or discounts arising from the difference between the net proceeds of financial instruments purchased or issued and the amounts receivable or repayable at maturity are included in the effective interest calculation and taken to finance costs over the life of the instrument.

(i) Financial instruments at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of other income when the group's right to receive payments is established.

(ii) Loans and receivables

Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost less allowance for impairment. An allowance account is utilised to account for credit losses.

(iii) Financial liabilities at amortised cost

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds and the redemption value is recognised in profit or loss over the period of the borrowings. Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Trade payables are analysed between current and non-current liabilities on the face of the statement of financial position, depending on when the obligation to settle will be realised.

(iv) Available-for-sale investments

Investments in this category are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as gains and losses from investment securities.

Dividends on available-for-sale equity instruments are recognised in profit or loss as part of investment income when the group's right to receive payments is established.

(v) Cash and cash equivalents

Cash and cash equivalents are carried at cost and include cash in hand, bank deposits, other short-term highly liquid investments and bank overdrafts.

Bank overdrafts are included within cash and cash equivalents in the statement of cash flows as they form an integral part of the group's cash management.

Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, and for unlisted securities, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity specific inputs.

(i) Derivative financial assets and financial liabilities

Derivative financial assets and liabilities are analysed between current and non-current assets and liabilities on the face of the statement of financial position, depending on when they are expected to mature. For derivatives that are not designated to have a hedging relationship, all fair value movements thereon are recognised immediately in profit or loss. See accounting policy (j) for the group's accounting policy on hedge accounting.

Certain derivative instruments, while providing effective economic hedges under the group's policies, are not designated as hedges; these include forward exchange contracts. Changes in the fair value of any derivative instruments that do not qualify or have not been designated as hedges are recognised immediately in profit or loss. The group does not hold or issue derivative financial instruments for speculative purposes.

(j) Hedge accounting

The derivative instruments used by the group, which are used solely for hedging purposes, comprise interest rate swaps. Such derivative instruments are used to alter the risk profile of an existing underlying exposure of the group in line with the group's risk management policies.

Derivatives are initially recorded at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the hedging relationship.

In order to qualify for hedge accounting, the group is required to document the relationship between the hedged item and the hedging instrument. The group is also required to document and demonstrate that the relationship between the hedged item and the hedging instrument will be highly effective. This effectiveness test is reperformed at each period-end to ensure that the hedge has remained and will continue to remain highly effective.

Derivatives are designated as hedges of highly probable forecast transactions or commitments (cash flow hedge).

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

Cash flow hedges comprise derivative financial instruments designated in a hedging relationship to manage currency or interest rate risk to which the cash flows of certain liabilities are exposed. The effective portion of changes in the fair value of the derivative that is designated and qualifies for hedge accounting is recognised in other comprehensive income. The ineffective portion is recognised immediately in profit or loss. Amounts accumulated in other comprehensive income are recycled to the statement of profit and loss in the period in which the hedged item affects profit or loss. If a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

(k) 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. Allowance 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.

(l) Programming rights

Programming rights acquired by the group are initially measured at cost and are amortised over the number of licensed broadcasting runs. Programming rights classified as features and acquired during prior periods are amortised on the first run at 70% and on the second run at 30%. This amortisation method is in line with the advertising revenue earned. The genre of features acquired in the current financial year will generate advertising revenue over more than two runs and the amortisation method was therefore changed to 60% on the first run, 30% on the second run and 10% on the remaining run. For genres other than features the cost is amortised on the first run. If, at the end of the licence period, the number of licensed broadcasting runs has not been fully utilised, a write-off is accounted for through the statement of profit and loss. Programming rights are tested on an annual basis for impairment.

(m) Share capital

Ordinary shares are classified as equity. Mandatory redeemable preference shares are classified as liabilities.

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

Where subsidiaries hold shares in the holding company's equity share capital, the consideration paid to acquire these shares is deducted from total shareholders' equity as treasury shares. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity. Shares issued to or held by share incentive plans within the group are treated as treasury shares until such time when participants pay for and take delivery of such shares.

(n) Impairment

This policy covers all assets except inventories (see accounting policy (k)), financial assets (see accounting policy (h)) and disposal group assets classified as held for sale (see accounting policy (o)). Impairment reviews are performed by comparing the carrying value of the asset to its recoverable amount, being the higher of the fair value less costs to sell and value-in-use. The fair value less costs to sell is considered to be the amount that could be obtained on disposal of the asset. The value-in-use of the asset is determined by discounting, at a market-based pre-tax discount rate, the expected future cash flows resulting from its continued use, including those arising from its final disposal. When the carrying values of non-current assets are written down by any impairment amount, the loss is recognised in profit or loss in the period in which it is incurred.

Where the asset does not generate cash flows that are independent from the cash flows of other assets, the group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

Intangible non-current assets with an indefinite life and goodwill are tested annually for impairment. Assets subject to amortisation are reviewed for impairment if circumstances or events change to indicate that the carrying value may not be fully recoverable.

(o) Disposal group assets and liabilities held for sale

Items classified as disposal group assets and liabilities held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Such disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continued use.

(p) Capitalisation of borrowing costs

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalised at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of group borrowings was utilised. Capitalisation of borrowing costs ceases when the asset is substantially complete.

(q) Provisions

Restructuring provisions comprise lease termination penalties and employee termination payments.

Provision is made for the potential jackpot payouts on slot machines and table progressives and is based on the meter readings.

The group also recognises a provision for bonus plans based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments and the performance of the respective employees. These criteria are only finalised after the group's year-end.

A liability for long-service awards is also recognised as a provision where cash is paid to employees at certain milestone dates in their careers with the group. The actuarial valuation to determine the liability is performed annually.

Long-term environmental obligations are based on the group's environmental plans, in compliance with current regulatory requirements. Provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. The estimated cost of rehabilitation is reviewed annually and adjusted as appropriate for changes in legislation or technology. Cost estimates are not reduced by the potential proceeds from the sale of assets or from plant clean-up at closure, in view of the uncertainty of estimating the potential future proceeds.

Annual contributions are made to the group's Environmental Rehabilitation Trust Fund created in accordance with statutory requirements, to provide for the funding of the estimated cost of pollution control and rehabilitation during and at the end of the life of mines.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

(i) Sale of goods

Revenue is recognised when significant risks and rewards of ownership have been transferred.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sale agreement.

(ii) Rendering of services

Hotel, gaming, theme park and cinema revenue

Revenue includes the fair value of income derived from hotel trading, restaurant revenues, theme park entrance fees, banqueting and venue hire, parking revenues and ticket sales. Revenue is recognised on the accrual basis as goods and services are provided to the customer.

Royalty and management fee income

Royalty and management fee income are recognised on an accrual basis in accordance with the relevant agreements as and when royalties become due and when services are provided.

Customer reward programmes

Provision is made for the estimated liability arising from the issue of benefits under the group's customer reward programmes, based on the value of rewards earned by the programme members, and the expected utilisation of these rewards. The fair value attributed to these awards is deferred as a liability included in deferred revenue and income in the statement of financial position and released to profit or loss as the awards are redeemed. The expected utilisation is determined through consideration of historical usage and forfeiture rates.

Advertising revenue

Advertising revenue from the group's free to air television and radio platforms are recognised on flighting and over the period of the advertising contract.

Bus ticket sales

Revenue from bus ticket sales is recognised when the services are rendered.

Operational contract revenue

Operational contracts with The Department of Transport and The City of Cape Town relate to contracts for the provision of bus services. Revenue is recognised when the kilometres in respect of the services have been travelled.

(iii) 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.

(iv) Dividend and investment-related income

Company dividend income is recognised when the right to receive payment is established and investment-related income is recognised when earned.

(s) Net gaming win

Net gaming win comprises the net table and slot machine win derived by casino and limited payout route operations from gambling patrons. In terms of accounting standards betting transactions concluded under gaming operations meet the definition of derivatives and therefore income from gaming operations represents the net position arising from financial instruments. The net gaming win is measured as the net cash received from betting transactions from casino and limited payout route operations. Due to the short-term nature of the group's casino and limited payout route operations, all income is recognised in profit or loss immediately, at fair value. VAT and other taxes, including gaming levies, that are charged on casino and limited payout winnings are included in net gaming win and are treated as direct costs as these are borne by the group and not customers.

(t) Investment income

(i) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired the group reduces the carrying amount to its recoverable amount by discounting the estimated future cash flows at the original effective interest rate and continuing to unwind the discount as interest income.

(ii) Dividend income

Dividend income in the group is recognised when the right to receive payment is established.

(u) Leases

(i) The group is the lessee

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases.

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 recognised in profit or loss on a straight-line basis over the period of the lease.

(ii) The group is the lessor

The group recognises finance lease receivables on its statement of financial position. Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the group's net investment in the finance lease.

Assets leased to third parties under operating leases are included in investment properties and property, plant and equipment in the statement of financial position. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(v) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. 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 reporting date.

Deferred tax is provided in full using the statement of financial position 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.

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 the reporting date.

(w) Employee benefits

(i) Defined contribution plans

For the defined contribution plans, subsidiaries of the group pay contributions to both in-house pension funds managed by employer and employee-nominated trustees and public administered provident plans on a contractual basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. The rules of the funds do not allow for prepaid contributions.

(ii) Other post-employment obligations

Subsidiaries of the group operate 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 statement of financial position in respect of the plan is the present value of the defined benefit obligation at the reporting 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 interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related plan liability.

Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised in full as they arise outside the statement of profit and loss 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.

(iv) Bonus plans

The group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation. An accrual is maintained for the appropriate proportion of the expected bonuses which would become payable at the year-end. This liability is included in provisions in the statement of financial position.

(v) Employee leave entitlement

An accrual is made for the estimated liability to the employees for annual leave up to the reporting date.

(vi) Long-service awards

A subsidiary of 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.

(vii) Other long-term employee benefits

A subsidiary of the group provides death-in-service benefits, permanent and temporary disability benefits, together with funeral cover to qualifying employees. The liability for benefits payable that are not linked to a service condition is recognised as and when a claim arises and is expensed in full in the statement of profit and loss at that point. The liability for benefits that are linked to an employee's service period is recognised through the statement of profit and loss over the estimated service period of the employee up to the estimated date of a claim occurring while in service. The method of accounting for benefits linked to service is similar to that used for defined benefit schemes.

(x) Share-based payments

(i) Equity-settled

The group has granted share options to employees in terms of the HCI Employee Share Trust (2001) and The HCI Employee Share Scheme. In terms of IFRS 2 these options are fair valued at the date of grant and the fair value determined on the date of grant recognised as an expense over the relevant vesting periods. The fair value of options granted is measured using the Black-Scholes model.

(ii) Cash-settled

Goods or services, including employee services received in exchange for cash-settled share-based payments, are recognised at the fair value of the liability incurred and are expensed when consumed or capitalised as assets, which are depreciated or amortised. The liability is remeasured at each reporting date to its fair value, with all changes recognised immediately in profit or loss. The fair value of the share appreciation scheme is determined at each reporting date by reference to the company's share price. This is adjusted for management's best estimate of the appreciation units expected to vest and management's best estimate of the performance criteria assumption.

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

The liability is included in current liabilities, except for maturities greater than 12 months after the reporting date. These are classified as non-current liabilities.

(y) Earnings per share

Earnings per share is calculated on the weighted average number of shares in issue, net of treasury shares, in respect of the year and is based on profit attributable to ordinary shareholders. Headline earnings per share is calculated in terms of the requirements set out in Circular 02/2015 issued by SAICA.

(z) Government grants

Government grants are recognised as other income when there is reasonable assurance that the group will comply with the relevant conditions attached to them and that the grant will be received.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the cost that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

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.

(i) 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.

(ii) Investment properties

Investment properties owned by the group represents a significant proportion of the group's asset base. The judgements made in determining the classification and fair values of investment properties in the group's gaming and hotels segment, in particular, affect the group's financial position and performance.

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

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

Based on the above, the group concluded that these 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 the gaming and hotels segment's 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. For more details regarding the estimates and judgements involved in the valuation of these investment properties, refer to note 2.

(iii) 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 (c)(iv) and (g). 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 3 and 4.

(iv) Income taxes

The group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(v) Deferred tax assets

Management has applied a probability analysis to determine future taxable income against which calculated tax losses will be utilised.

(vi) 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 available-for-sale 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. The group has used a discounted cash flow analysis for the valuing of the group's available-for-sale asset that is not traded in an active market.

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

3.1 Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 April 2018 or later periods which the group has not early adopted:

Standard	Details	Annual periods beginning on or after
IFRS 9: Financial Instruments	A final version of IFRS 9 has been issued which replaces IAS 39: Financial Instruments – Recognition and Measurement. The completed standard comprises guidance on classification and measurement, impairment, hedge accounting and derecognition: • IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. • The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial assets. • IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity. In addition, enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements. • IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39. The group has reviewed its financial assets and financial liabilities and is expecting the following impact from the adoption of the new standard on 1 April 2018: **Classification and measurement** The majority of financial assets held by the group include: • debt instruments – trade and other receivables – currently classified as loans and receivables and are measured at amortised cost. Trade and other receivables 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 accounting for these assets; and • an investment in unlisted equity instruments – these are currently classified as available-for-sale financial assets for which the fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL) elections are available. The group has elected to measure equity instruments at FVOCI. Accordingly, the group does not expect the new guidance to affect the classification and measurement of these financial assets. The new requirements only affect the accounting for financial liabilities that are designated at FVPL. The carrying value of these liabilities, as identified by the group, is not significant at a group level and will therefore have no impact on the group. The derecognition rules have been transferred from IAS 39: Financial Instruments – Recognition and Measurement and have not been changed.	The group will apply IFRS 9 from annual periods beginning 1 April 2018

Standard	Details	Annual periods beginning on or after
	Hedge accounting The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. The group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9. **Impairment** Trade and other receivables is the most significant financial asset in the group that will be impacted. The provision matrix is used to calculate expected credit losses. The impact of forward-looking information is immaterial on trade receivables and as such no significant impact is expected upon the adoption of IFRS 9. Impairment tests will need to be performed on inter-company balances but these will be eliminated on consolidation. **Disclosure** The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. **Date of adoption** The impact of applying IFRS 9 will be adjusted against opening retained earnings on 1 April 2018 and comparatives will not be restated.	
IFRS 15: Revenue from Contracts with Customers	This new standard requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five-step methodology that is required to be applied to all contracts with customers. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The new standard supersedes: • IAS 11: Construction Contracts; • IAS 18: Revenue; • IFRIC 13: Customer Loyalty Programmes; • IFRIC 15: Agreements for the Construction of Real Estate; • IFRIC 18: Transfers of Assets from Customers; and • SIC-31: Revenue – Barter Transactions Involving Advertising Services. As the group already recognises significantly all of its revenue at the point in time when the performance obligation is achieved, there will be no significant impact on the group's revenue recognition by the adoption of the new standard, IFRS 15: Revenue from Contracts with Customers. A subsidiary, Tsogo Sun Holdings, has identified its customer loyalty programme as being impacted but the impact will also not be significant to the group.	The group will apply IFRS 15 from annual periods beginning 1 April 2018

Standard	Details	Annual periods beginning on or after
IFRS 16: Leases	This new standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset, representing its right to use the underlying leased asset and a lease liability, representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7: Statement of Cash Flows. IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. IFRS 16 supersedes the following standards and interpretations: • IAS 17: Leases; • IFRIC 4: Determining whether an Arrangement Contains a Lease; • SIC-15: Operating Leases – Incentives; and • SIC-27: Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The group is in the process of assessing the possible impact of the application of IFRS 16 and has identified its Sandton Convention Centre and some hotel property leases, where the group is the lessee, as mostly impacted.	The group will apply IFRS 16 from annual periods beginning 1 April 2019
IAS 40: Investment Property	The amendments clarify that transfers to or from investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets or ceases to meet the definition of investment property. A change in intention alone is not sufficient to support a transfer. The list of evidence for a change of use in the standard was recharacterised as a non-exhaustive list of examples to help illustrate the principle. The board provided two options for transition: • prospectively, with any impact from the reclassification recognised as an adjustment to opening retained earnings as at the date of initial recognition; or • retrospectively, only permitted without the use of hindsight. Additional disclosures are required if an entity adopts the requirements prospectively.	The group will apply IAS 40 from annual periods beginning 1 April 2018
IFRIC 23: Uncertainty over Income Tax Treatments	The interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes. The group is in the process of assessing the impact of IFRIC 23.	The group will apply IFRIC 23 from annual periods beginning 1 April 2019

	Group 2018 R'000	Group 2017 R'000
1. PROPERTY, PLANT AND EQUIPMENT		
Cost		
Broadcast studios and equipment	**564 839**	738 728
Buses	**1 748 466**	1 589 121
Land and buildings	**20 092 439**	20 255 334
Leased land and buildings	**1 034 242**	908 165
Leasehold improvements	**50 992**	209 888
Mining infrastructure	**229 389**	231 339
Other equipment and vehicles	**823 172**	1 500 855
Plant and machinery	**8 194 323**	7 340 406
Properties under construction	**681 867**	219 009
	33 419 729	32 992 845
Accumulated depreciation		
Broadcast studios and equipment	**(414 640)**	(475 505)
Buses	**(679 760)**	(589 448)
Land and buildings	**(1 847 019)**	(1 559 847)
Leased land and buildings	**(303 472)**	(264 562)
Leasehold improvements	**(37 300)**	(116 656)
Mining infrastructure	**(172 627)**	(161 986)
Other equipment and vehicles	**(365 312)**	(759 146)
Plant and machinery	**(4 686 411)**	(3 937 860)
	(8 506 541)	(7 865 010)
Carrying value		
Broadcast studios and equipment	**150 199**	263 223
Buses	**1 068 706**	999 673
Land and buildings	**18 245 420**	18 695 487
Leased land and buildings	**730 770**	643 603
Leasehold improvements	**13 692**	93 232
Mining infrastructure	**56 762**	69 353
Other equipment and vehicles	**457 860**	741 709
Plant and machinery	**3 507 912**	3 402 546
Properties under construction	**681 867**	219 009
	24 913 188	25 127 835
Movements in property, plant and equipment		
Balance at the beginning of the year		
Broadcast studios and equipment	**263 223**	306 870
Buses	**999 673**	882 557
Land and buildings	**18 695 487**	17 869 910
Leased land and buildings	**643 603**	621 543
Leasehold improvements	**93 232**	98 130
Mining infrastructure	**69 353**	107 614
Other equipment and vehicles	**741 709**	816 153
Plant and machinery	**3 402 546**	3 580 017
Properties under construction	**219 009**	88 926
	25 127 835	24 371 720

	Group 2018 R'000	Group 2017 R'000
1. PROPERTY, PLANT AND EQUIPMENT continued		
Additions		
Broadcast studios and equipment	**36 605**	41 630
Buses	**175 776**	188 165
Land and buildings	**129 450**	239 754
Leased land and buildings	**64 854**	51 567
Leasehold improvements	**20 183**	29 005
Mining infrastructure	**1 452**	4 499
Other equipment and vehicles	**234 681**	241 770
Plant and machinery	**552 230**	768 308
Properties under construction	**604 672**	230 523
	1 819 903	1 795 221
Business combinations/(disposal of subsidiaries and businesses)		
Broadcast studios and equipment	**–**	5 307
Buses	**–**	25 180
Land and buildings	**–**	860 288
Leased land and buildings	**–**	39
Leasehold improvements	**122**	3 588
Other equipment and vehicles	**2 613**	(66 459)
Plant and machinery	**–**	(236 324)
	2 735	591 619
Transfer to disposal group assets held for sale		
Broadcast studios and equipment	**(65 456)**	–
Land and buildings	**–**	(22 985)
Leasehold improvements	**(13 419)**	–
Other equipment and vehicles	**(6 768)**	(379)
	(85 643)	(23 364)
Disposals and operating equipment usage		
Broadcast studios and equipment	**(1 612)**	(2 530)
Buses	**(4 070)**	(4 476)
Land and buildings	**(6 400)**	(1 538)
Leased land and buildings	**(546)**	–
Leasehold improvements	**(256)**	(7 097)
Other equipment and vehicles	**(50 779)**	(71 167)
Plant and machinery	**(25 411)**	(13 592)
Properties under construction	**–**	(391)
	(89 074)	(100 791)

	Group	
	2018 R'000	2017 R'000
1. PROPERTY, PLANT AND EQUIPMENT continued		
Transfers		
Broadcast studios and equipment	**343**	–
Land and buildings	**(262 743)**	92 054
Leased land and buildings	**61 717**	–
Leasehold improvements	**(61 659)**	(1 022)
Mining infrastructure	**(3 403)**	(9 166)
Other equipment and vehicles	**(344 372)**	(810)
Plant and machinery	**460 753**	72 055
Properties under construction	**(150 629)**	(100 049)
	(299 993)	53 062
Depreciation		
Broadcast studios and equipment	**(82 904)**	(88 054)
Buses	**(102 673)**	(91 753)
Land and buildings	**(149 842)**	(189 187)
Leased land and buildings	**(38 585)**	(29 546)
Leasehold improvements	**(23 512)**	(28 402)
Mining infrastructure	**(10 640)**	(33 594)
Other equipment and vehicles	**(108 375)**	(147 944)
Plant and machinery	**(834 561)**	(735 988)
	(1 351 092)	(1 344 468)
Impairments		
Land and buildings	**(81 489)**	–
Leased land and buildings	**(273)**	–
Leasehold improvements	**(999)**	(970)
Other equipment and vehicles	**(6 600)**	(987)
Plant and machinery	**(21 763)**	(5 698)
	(111 124)	(7 655)
Impairment reversals		
Plant and machinery	**77**	–
	77	–
Currency translation		
Land and buildings	**(156 052)**	(152 809)
Other equipment and vehicles	**(4 249)**	(28 468)
Plant and machinery	**(25 959)**	(26 232)
	(186 260)	(207 509)
Borrowing costs capitalised		
Properties under construction	**8 815**	–
	8 815	–
Revaluations		
Land and buildings	**77 009**	–
	77 009	–

	Group	
	2018 R'000	2017 R'000
1. PROPERTY, PLANT AND EQUIPMENT continued		
Balances at the end of the year		
Broadcast studios and equipment	**150 199**	263 223
Buses	**1 068 706**	999 673
Land and buildings	**18 245 420**	18 695 487
Leased land and buildings	**730 770**	643 603
Leasehold improvements	**13 692**	93 232
Mining infrastructure	**56 762**	69 353
Other equipment and vehicles	**457 860**	741 709
Plant and machinery	**3 507 912**	3 402 546
Properties under construction	**681 867**	219 009
	24 913 188	25 127 835

The following useful lives were used in the calculation of depreciation:

Broadcast studios and equipment	5 years
Buses	12 to 15 years
Buildings	20 to 50 years
Leased land and buildings	Shorter of the lease term or 50 years
Leasehold improvements	Shorter of the lease term or 50 years
Mining infrastructure	Life of the mine
Other equipment and vehicles	3 to 10 years
Plant and machinery	5 to 50 years

The group recognised impairments of property, plant and equipment with a net book value of R111 million (2017: R8 million) during the year. Land and buildings and plant and equipment at Suncoast Casino with a book value of R64 million were impaired during the year due to the redevelopment project and therefore these assets are no longer used. The casino and hotel building shells at The Ridge Casino complex were impaired by R31 million following the reassessment of the value-in-use of the precinct. The group also recognised impairments of plant and equipment with a net book value of R16 million (2017: R8 million) due to scrapping of assets not being in use anymore.

Impairment losses on property, plant and equipment have been included in the asset impairments and discontinued operations line items in the statement of profit and loss.

The Tsogo Sun group reassessed the useful lives of property, plant and equipment during the year. These 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 credit of R36 million (2017: credit of R28 million). The group also reviewed the residual values during the year and the impact on depreciation was a debit of R2 million (2017: Rnil).

A register of land and buildings is available for inspection at the registered office of the company.

Encumbrances

Details of the assets that serve as security for borrowings are presented in note 20.

		Group	
		2018 R'000	2017 R'000
2.	**INVESTMENT PROPERTIES**		
	Investment properties consist of:		
	Investment properties at cost	**1 653 979**	1 448 496
	Investment properties at fair value	**7 933 553**	7 061 678
		9 587 532	8 510 174
	Investment properties relate to the group's interests in the following segments:		
	Properties	**3 179 479**	2 770 096
	Gaming and hotels	**5 237 943**	4 958 427
	Branded products and manufacturing	**907 352**	759 113
	Other	**262 758**	22 538
		9 587 532	8 510 174

Properties segment

Properties totalling R1 654.0 million (2017: R1 448.5 million) are carried at cost as they were still undergoing construction or improvements, and fair values could not be reliably measured at year-end.

The fair value of certain investment properties totalling R172.0 million at 31 March 2018, has been arrived at on the basis of valuations carried out by the directors at 31 March 2018. The directors referred to an external valuation that was carried out in the prior period by Mills Fitchet Magnus Penny & Wolffs, an independent firm of valuers not related to the group. The fair value of properties totalling R117.0 million was determined by using a capitalisation of net income into perpetuity method and applying a capitalisation rate of 10%. The fair value of properties totalling R55.0 million was determined by applying the direct comparable sales valuation technique.

The fair value of an investment property totalling R82.4 million at 31 March 2018 has been arrived at on the basis of valuations carried out by the directors at 31 March 2018. The directors referred to an external valuation that was carried out in the prior period by Africa Corporate Real Estate Solutions Proprietary Limited, an independent firm of valuers not related to the group. The fair value was determined by using the discounted cash flow method and using the following key assumptions:

Discount rate:	14.50%
Terminal capitalisation rate:	10.00%
Expense growth:	8.00%
Income growth:	5.50%

The fair value of another investment property owned by the group's property interests, totalling R190 million at 31 March 2018, has been arrived at on the basis of an external valuation carried out at 31 March 2018 by Mills Fitchet Magnus Penny & Wolffs, an independent firm of valuers not related to the group. A discounted cash flow approach was adopted in valuing the investment property. A second check, being the capitalisation of net income, was also performed. This approach considers the current market views on a yield basis but is based on the valuer establishing the fair rental value for the various lettable components, using information of comparable properties. The key assumptions used in the discounted cash flow approach are:

Discount rate:	14.25%
Terminal capitalisation rate:	8.25%
Expense growth:	7.00%
Income growth:	6.00%
Initial yield:	8.50%
Number of years:	9 years

The fair value measurement of other investment properties, totalling R1 081.1 million, has been arrived at on the basis of internal valuations carried out by the directors and by applying the income capitalisation valuation method. Significant unobservable inputs were as follows:

Rental growth rate:	7% – 8%
Cost growth rate:	6% – 8%
Occupation rate:	99% – 100%
Capitalisation rate:	8.3% – 13.5%

2. INVESTMENT PROPERTIES continued

Gaming and hotels segment

The fair value of investment properties owned by the group's gaming and hotels interests at 31 March 2018, totalling R5 237.9 million, has been arrived at on the basis of valuations carried out at 31 March 2018 by external, independent property valuers not related to the group. Fair values were 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. Valuations are 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. Significant unobservable inputs were as follows:

Weighted average rental growth rate:	5.0% (2017: 5.5%);
Terminal capitalisation rate:	7.23% – 8.07% (2017: 7.26%); and
Risk-adjusted discount rate:	12.23% – 13.07% (2017: 12.76%).

Branded products and manufacturing segment

The fair value of investment properties owned by the group's branded products and manufacturing interests at 31 March 2018, totalling R907.4 million, has been arrived at on the basis of a valuation carried out at 31 March 2018 by David Newman Property Management, an independent property valuer not related to the group. The valuation technique applied is the capitalisation of income method. The valuation model considers the net operating income of the rent collected and dividing it by the capitalisation rate (investor's rate of return), taking into account expected rental income and anticipated expenses for the next 12 months, the properties' location, structure and rental-producing capacity of similar buildings in similar locations. Significant unobservable inputs were as follows:

Capitalisation rate:	8% – 12%
Occupation rate:	98% – 100%
Projected income:	R20/m² – R98/m² based on 194 741m² lettable area

Other segment

The fair value of investment properties owned by the group's other interests, totalling R262.8 million at 31 March 2018, has been arrived at on the basis of external valuations carried out by Real Direct Proprietary Limited, an independent firm of valuers not related to the group. The fair value of vacant land totalling R176.8 million was determined by applying the direct comparable sales valuation technique and buildings with a fair value of R86 million were valued using the income capitalisation method. Significant unobservable inputs were as follows:

Rental growth rate:	7%
Cost growth rate:	6%
Occupation rate:	95%
Capitalisation rate:	10.5%

Investment properties are classified as level 3 fair value measurements – refer to note 46.3 Fair value estimation.

Details of investment properties are available at the registered office of the company.

	Group	
	2018 R'000	2017 R'000
Reconciliation of carrying value		
At the beginning of the year	**8 510 174**	3 021 423
Business combinations	**–**	4 185 475
Fair value adjustments	**(72 604)**	941 655
Transfer from/(to) property, plant and equipment	**299 993**	(54 836)
Transfer to non-current assets held for sale	**–**	(67 350)
Transfer to inventory	**(75 181)**	–
Additions	**480 186**	99 113
Disposals	**(26 900)**	(120 294)
Improvements	**471 864**	504 988
At the end of the year	**9 587 532**	8 510 174
Rental income from investment property (excluding recoveries)	**802 462**	627 740
Direct operating expenses arising from investment property that generated rental income during the period	**(207 598)**	(162 081)
Direct operating expenses arising from investment property that did not generate rental income during the period	**(292)**	–

Encumbrances

Details of the assets that serve as security for borrowings are presented in note 20.

		Group	
		2018 R'000	2017 R'000
3.	**GOODWILL**		
	Arising on obtaining control of subsidiaries	**4 700 758**	4 785 158
	Reconciliation of carrying value		
	At the beginning of the year	**4 785 158**	4 999 002
	– Cost	**5 002 542**	5 212 428
	– Accumulated impairment	**(217 384)**	(213 426)
	Business combinations – acquisitions	**37 245**	24 822
	– disposals	**–**	(213 368)
	Transfer to disposal group assets held for sale	**(91 782)**	–
	Impairment	**(31 299)**	(3 958)
	Effects of foreign exchange differences	**1 436**	(21 340)
	At the end of the year	**4 700 758**	4 785 158
	– Cost	**4 949 441**	5 002 542
	– Accumulated impairment	**(248 683)**	(217 384)

Goodwill relates to the group's interests in the following segments:

- gaming and hotels (2018: R4 595.0 million; 2017: R4 546.9 million);
- media and broadcasting (2018: R19.5 million; 2017: R142.2 million);
- transport (2018: R16.1 million; 2017: R12.4 million);
- branded products and manufacturing (2018: R58.5 million; 2017: R23.8 million); and
- other (2018: R11.7 million; 2017: R59.9 million).

The value of cash-generating units (CGUs) to which goodwill has been allocated has been determined based on value-in-use calculations using management-generated cash flow projections. The value-in-use calculations were performed per CGU using inputs within the below ranges. The following were the principal assumptions, based on past experience, that were used to calculate the net present value of those CGUs:

Post-tax discount rates (gaming and hotels):	12.2%
Pre-tax discount rates:	12% – 18%
Number of years:	1 to 6 years
Cost growth rate:	4% – 6%
Long-term growth rate:	5.1% – 5.7%

Goodwill was impaired in CGUs within the following subsidiaries in the current year:

- Niveus Investments Limited (2018: Rnil million; 2017: R4.0 million);
- eMedia Holdings Limited (2018: R31.0 million; 2017: Rnil million); and
- Deneb Investments Limited (2018: R0.3 million; 2017: Rnil million).

The following assumptions were applied when reviewing goodwill impairment:

- Asset values were based on the carrying amounts for the financial period.
- Future expected profits were estimated using historical information and approved budgets extending over one to six years.
- Sales growths and gross margins were based on historical performance and known future prospects.
- Costs were assumed to grow in line with expansion and expected inflation.
- Cash flows were extended into perpetuity as management has no reason to believe that the group will not continue past the budget period.

Based on the above calculations, the group has not identified any impairment to goodwill in the remaining CGUs during the current year under review.

4. INTANGIBLE ASSETS

Group	Bid costs R'000	Computer software R'000	Distribution rights R'000	Licences R'000
2018				
Carrying value at the beginning of the year	**6 558**	**75 900**	**248 061**	**18 686 553**
Business combinations/(disposal of subsidiaries and businesses)	**(1 187)**	**–**	**–**	**–**
Additions	**3 287**	**21 413**	**9 850**	**3 089**
Foreign exchange differences	**–**	**–**	**(1 467)**	**–**
Disposals	**–**	**(4)**	**–**	**–**
Amortisation	**(403)**	**(22 935)**	**(13 901)**	**(34 794)**
Impairment	**(362)**	**(490)**	**–**	**(830 176)**
Amounts written off	**–**	**–**	**(16 532)**	**–**
Transfers	**(6 321)**	**–**	**(15 048)**	**6 378**
Carrying value at the end of the year	**1 572**	**73 884**	**210 963**	**17 831 050**
Cost	**6 887**	**424 227**	**357 926**	**18 951 063**
Accumulated amortisation	**(5 315)**	**(350 343)**	**(146 963)**	**(1 120 013)**
	1 572	**73 884**	**210 963**	**17 831 050**
2017				
Carrying value at the beginning of the year	10 109	114 738	273 152	18 835 254
Business combinations/(disposal of subsidiaries and businesses)	–	(32 093)	–	(102 459)
Additions	340	18 884	19 325	1 447
Foreign exchange differences	–	(7)	(559)	(11 566)
Disposals	–	(195)	–	–
Amortisation	(662)	(26 553)	(30 611)	(35 262)
Impairment	–	(31)	(7 390)	(861)
Amounts written off	–	–	(5 856)	–
Transfer to disposal group assets held for sale	(1 327)	(8)	–	–
Transfers	(1 902)	1 165	–	–
Carrying value at the end of the year	6 558	75 900	248 061	18 686 553
Cost	11 108	402 818	381 123	18 941 596
Accumulated amortisation	(4 550)	(326 918)	(133 062)	(255 043)
	6 558	75 900	248 061	18 686 553

Amortisation expenses amounting to R17.7 million (2017: R36.6 million) have been included in the line item other operating expenses and income in the statement of profit and loss.

During the year, given the weak local economy within which certain of the group's casinos operate and the continued pressure on trading, impairment losses of R822 million have been recognised against casino licence intangible assets. The licences consist of the following: The Ridge, Emnotweni, Hemingways, Goldfields and Blackrock. These licences were recognised at fair value upon the acquisition of Tsogo Sun in August 2014. Bid costs of R1 million relating to the fourth casino licence in Mpumalanga were also impaired during the year due to uncertainty surrounding the allocation of the licence.

Impairment losses of R7 million on licences relating to the group's branded sporting goods' international leg, which has been accounted for as discontinued operations, have been recognised during the year.

Impairment losses on intangible assets have been included in the asset impairments and discontinued operations line items in the statement of profit and loss.

There were no significant changes made to useful lives or residual values of other intangible assets during the year.

Brands R'000	Management contracts R'000	Programming completed R'000	Programming under development R'000	Trade-marks R'000	Customer-related intangible assets R'000	Total R'000
368 535	**17 344**	**86 245**	**–**	**13 225**	**27 275**	**19 529 696**
–	**–**	**–**	**–**	**3 228**	**–**	**2 041**
–	**–**	**–**	**11 833**	**195**	**828**	**50 495**
–	**–**	**–**	**–**	**–**	**–**	**(1 467)**
–	**–**	**–**	**–**	**–**	**–**	**(4)**
–	**–**	**(873)**	**(2 836)**	**(2 015)**	**(1 915)**	**(79 672)**
–	**–**	**–**	**–**	**–**	**–**	**(831 028)**
–	**–**	**(637)**	**–**	**–**	**–**	**(17 169)**
–	**–**	**–**	**–**	**(57)**	**–**	**(15 048)**
368 535	**17 344**	**84 735**	**8 997**	**14 576**	**26 188**	**18 637 844**
368 535	**17 344**	**104 417**	**11 833**	**61 999**	**29 680**	**20 333 911**
–	**–**	**(19 682)**	**(2 836)**	**(47 423)**	**(3 492)**	**(1 696 067)**
368 535	**17 344**	**84 735**	**8 997**	**14 576**	**26 188**	**18 637 844**
368 535	17 344	88 405	–	179 653	–	19 887 190
–	–	–	–	(141 894)	27 852	(248 594)
–	–	1 757	–	825	1 000	43 578
–	–	–	–	(9 107)	–	(21 239)
–	–	–	–	–	–	(195)
–	–	(3 917)	–	(4 251)	(1 577)	(102 833)
–	–	–	–	–	–	(8 282)
–	–	–	–	–	–	(5 856)
–	–	–	–	(12 001)	–	(13 336)
–	–	–	–	–	–	(737)
368 535	17 344	86 245	–	13 225	27 275	19 529 696
368 535	17 344	105 054	–	58 633	28 852	20 315 063
–	–	(18 809)	–	(45 408)	(1 577)	(785 367)
368 535	17 344	86 245	–	13 225	27 275	19 529 696

4. INTANGIBLE ASSETS continued

The following useful lives were used in the calculation of amortisation:

Bid costs	10 to 12.5 years
Computer software	2 to 10 years
Trademarks	5 to 25 years
Licences with expiry date	12 to 15 years
Programming under development	*
Programming completed	Period of economic life
Distribution rights	**
Brands	Indefinite
Management contracts	Indefinite
Customer-related intangible assets	3 to 10 years

* Programming under development has not yet been brought into use. Once brought into use the assets are transferred to programming completed.
** Distribution rights represent multi-territory and multi-platform programming rights that the group is able to onsell to other broadcasters. These rights are amortised over the estimated useful life, based on the territory and platform for which the respective rights have been onsold.

Casino licences with a carrying value of R17 620 million (2017: R18 252 million), hotel brands of R369 million (2017: R369 million) and management contracts having no expiry dates are considered to have an indefinite life, are not amortised and are tested annually for impairment. Casino licences with a carrying value of R112 million (2017: R333 million) having an expiry date, are amortised over the exclusivity period of the respective licence.

The carrying values of individual casino licences were tested for impairment and recoverable amounts determined with reference to their value-in-use as part of the CGU to which it relates. The value-in-use of individual CGUs were determined using, inter alia, post-tax cash flow projections and the following variables:

– Term	5 years
– Post-tax discount rate	11.7%
– Long-term growth rate	5.5%
– Opex cost growth	5.9% – 6.8%

A sensitivity analysis was performed on the key assumptions used in the value-in-use calculations and it was concluded that further impairments may be recognised in respect of certain CGUs, given a possible change in any one assumption. An increase in post-tax discount rates of 1% may result in further impairments of R787 million and a decrease in long-term growth rates of 1% in further impairments of R943 million.

The carrying values of individual brands were tested for impairment and recoverable amounts determined with reference to their value-in-use using a royalty model. The values-in-use were determined using, inter alia, post-tax cash flow projections and the following variables:

– Term	5 years
– Post-tax discount rate	12.7%
– Long-term growth rate	5.6%
– Royalty rates	1.1% – 1.6%

A sensitivity analysis was performed on the key assumptions used in the value-in-use calculations and it was concluded that no impairment would be recognised in respect of any of the brands, given a reasonably possible change in any one assumption.

Encumbrances

Details of the assets that serve as security for borrowings are presented in note 20.

5. INTANGIBLE ASSETS MINING

Group	Evaluation and exploration R'000	Development expenditure R'000	Total R'000
2018			
Carrying value at the beginning of the year	**13 160**	**62 830**	**75 990**
Amortisation	**–**	**(21 417)**	**(21 417)**
Rehabilitation provision capitalised	**–**	**8 966**	**8 966**
Additions	**1 745**	**3 242**	**4 987**
Disposals	**(14 584)**	**–**	**(14 584)**
Carrying value at the end of the year	**321**	**53 621**	**53 942**
2017			
Carrying value at the beginning of the year	12 457	81 925	94 382
Amortisation	–	(17 468)	(17 468)
Rehabilitation provision released	–	(1 627)	(1 627)
Additions	703	–	703
Carrying value at the end of the year	13 160	62 830	75 990

Additions include capitalised expenses such as geology costs, engineering costs, environmental costs, feasiblility costs, consultants' fees, mining staff costs and capitalised interest.

A subsidiary of the group agreed to sell its mining right over the remainder of mineral area 1, the remaining extent of portions 12, 13, 14, 15, 19, 35, 44 and 45 of the farm Oogiesfontein 4, situated in Mpumalanga, Witbank, registered under MPT No. 92/2014 to South 32 SA Coal Holdings Proprietary Limited (South 32) for a cash consideration of R85 million which was paid in full and final settlement within seven days of signing the sale agreement. The parties to the agreement acknowledge that the granting of the section 11 application by the minister falls outside the control of the parties and the risk of refusal of the section 11 application is borne by South 32, and in the case of such an event no part of the purchase consideration will be refunded or returned to South 32. Pending the granting of the section 11 application by the minister, South 32 has full and free access to and right of way over the mining right through its officials, employees, labourers, contractors and subcontractors in a manner necessary or desirable for their purpose and have hereby indemnified Nokuhle against any costs, claims or damages of any nature whatsoever.

Capitalised development assets are amortised over the total expected tons to be produced during the life of the mine. The total expected tons to be produced for the Palesa and Mbali Mines are 67 813 114 and 3 593 857 tons respectively and the actual tons produced during the year were 3 285 920 (2017: 3 416 395) tons which included parting mined at Palesa, whereas the actual tons produced during the year at Mbali were 1 319 132 (2017: 1 302 472) tons.

Capitalised development expenditure is tested annually for impairment in accordance with IAS 36. The recoverable amount of the cash-generating units, being each separate mine, has been determined with reference to a discounted cash flow valuation of the mines. An inflation rate of 6% (2017: 6%) has been applied on cash flows that have been discounted at 12.25% (2017: 12.25%) for Mbali Coal Proprietary Limited and 13% (2017: 13%) for Palesa Proprietary Limited.

The following assumptions have been applied when reviewing capitalised development expenditure for impairment:

- future expected profits have been estimated using budgeted projected cash flows extending over the remaining life of 300 months for the Palesa Mine (including Rooipoort Reserve) and 26 months for the Mbali Mine respectively;
- sales growth and gross margins were based on expected sales prices and sales volumes for export and inland coal. Sales and sales prices were assumed to grow in line with expansion and expected inflation as well as taking prices per agreements into account; and
- costs were assumed to grow in line with expansion and expected inflation.

The recoverable amount of the cash-generating units was determined to exceed the net asset value of the mines as at 31 March 2018 (excluding the effect of the shareholder financing) and therefore no impairment was necessary.

As a sensitivity test for the Palesa projected cash flows, a 10% increase in operating costs per year and a 5% decrease in yield did not indicate that an impairment was required.

As a sensitivity test for the Mbali projected cash flows, a 5% decrease in the API4 price and/or a 5% decrease in the exchange rate did not indicate that an impairment was required.

6. INVESTMENTS IN ASSOCIATES

Set out below are the associates which, in the opinion of the directors, are material to the group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly and indirectly by the group. The country of incorporation or registration is also their principal place of business and the proportion of ownership interest is the same as the proportion of voting rights held.

			Group interest		Group		Company	
Name of associates	Place of business/Country of incorporation	Principal activity	**2018 %**	2017 %	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000
Business Systems Group Proprietary Limited	South Africa	Information technology	**40**	40	**29 049**	24 608	**3 000**	3 000
Cape Town Film Studios Proprietary Limited	South Africa	Media	**42.5**	42.5	**97 482**	86 649	**–**	–
Da Vinci Media GmbH	Germany	Media	**33**	33	**–**	70 393	**–**	–
Impact Oil & Gas Limited	United Kingdom	Oil and gas exploration	**46**	32.5	**806 300**	503 102	**–**	–
RBH Hotel Group Limited (previously Redefine BDL Hotel Group Limited)	United Kingdom	Hotel management	**25**	25	**147 653**	141 622	**–**	–
International Hotel Properties Limited	British Virgin Islands	Hotel and leisure	**25.9**	25.9	**328 141**	303 439	**–**	–
Other associates[1]					**112 745**	137 235	**–**	–
					1 521 370	1 267 048	**3 000**	3 000

Market valuation of listed investment in International Hotel Properties Limited[2]	**–**	227 000
Directors' valuation of unlisted associates	**1 521 370**	963 609

[1] A list of these is available for inspection at the company's registered office

[2] International Hotel Properties Limited, which had a dual listing in Luxembourg and on the JSE, was delisted during the year as the listing has not provided the anticipated liquidity or access to equity capital markets to facilitate the growth of the company

6. INVESTMENTS IN ASSOCIATES continued

The summarised financial information in respect of the group's principal associates is set out below:

	Business Systems Group Proprietary Limited		Cape Town Film Studios Proprietary Limited		Da Vinci Media GmbH	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000
Summarised statement of financial position						
Total non-current assets	**11 746**	12 803	**298 463**	300 801	**43 181**	26 961
Total current assets	**71 586**	51 321	**5 517**	6 325	**73 026**	85 615
Total non-current liabilities	**(896)**	(1 689)	**(62 357)**	(84 834)	**–**	–
Total current liabilities	**(13 906)**	(5 008)	**(259 001)**	(242 571)	**(18 034)**	(21 143)
Net assets/(liabilities)	**68 530**	57 427	**(17 378)**	(20 279)	**98 173**	91 433
Reconciliation to carrying amounts:						
Opening net assets/(liabilities) at 1 April	**57 427**	69 963	**(20 279)**	(23 805)	**91 433**	102 118
Profit/(loss) for the year	**14 616**	(7 276)	**2 901**	3 526	**1 221**	9 195
Other equity movements	**–**	–	**–**	–	**5 519**	(19 880)
Dividends paid	**(3 513)**	(5 260)	**–**	–	**–**	–
Closing net assets/(liabilities) attributable to owners	**68 530**	57 427	**(17 378)**	(20 279)	**98 173**	91 433
Group's share in %	**40%**	40%	**42.5%**	42.5%	**33%**	33%
Group's share in R'000	**27 413**	22 972	**(7 385)**	(8 616)	**32 397**	30 173
Loans to associates	**–**	–	**104 867**	95 265	**–**	–
Reporting entities' adjustment for fair value*	**–**	–	**–**	–	**2 021**	2 021
Impairment**	**–**	–	**–**	–	**(64 359)**	–
Translation	**–**	–	**–**	–	**(3 237)**	5 021
Goodwill and intangible asset	**1 636**	1 636	**–**	–	**33 178**	33 178
Carrying value of investments in associates	**29 049**	24 608	**97 482**	86 649	**–**	70 393
Summarised statement of comprehensive income						
Revenue	**125 383**	94 274	**44 798**	40 007	**24 488**	87 511
Profit/(loss) from operations	**14 616**	(7 276)	**2 901**	3 526	**1 221**	9 195
Profit/(loss) for the period	**14 616**	(7 276)	**2 901**	3 526	**1 221**	9 195
Other comprehensive income	**–**	–	**–**	–	**–**	–
Total comprehensive income/(loss)	**14 616**	(7 276)	**2 901**	3 526	**1 221**	9 195
Dividends received from associates	**1 405**	2 104	**–**	–	**–**	–
Group's share of associates' profits/(losses) for the year	**5 846**	(2 910)	**1 233**	1 498	**403**	3 034

* The group revalued its existing interests in associates in accordance with accounting standards for business acquisitions and adjustments were made to the carrying value of associates as at the acquisition date

** At 31 March 2018, the group fully impaired its investment in Da Vinci Media GmbH as management does not believe that the investment is recoverable based on the historical performance of the business and its current business plan. The company is not profitable without financial assistance and there is significant uncertainty that financial assistance will continue for future periods

	2018 R'000	2017 R'000
Group's share of associates':		
– Contingent commitments	**–**	46
– Capital commitments	**–**	–

6. INVESTMENTS IN ASSOCIATES continued

	Impact Oil & Gas Limited		RBH Hotel Group Limited (previously Redefine BDL Hotel Group Limited)		International Hotel Properties Limited	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000
Summarised statement of financial position						
Total non-current assets	**525 611**	510 009	**78 548**	126 103	**1 949 530**	1 787 921
Total current assets	**538 924**	269 952	**127 940**	95 877	**84 138**	88 736
Total non-current liabilities	**(50 842)**	(39 559)	**–**	–	**(886 434)**	(929 467)
Total current liabilities	**(121 495)**	(158 436)	**(135 644)**	(149 553)	**(66 469)**	(59 532)
Net assets	**892 198**	581 966	**70 844**	72 427	**1 080 765**	887 658
Reconciliation to carrying amounts:						
Opening net assets at 1 April	**581 966**	883 202	**72 427**	35 894	**887 658**	1 012 044
Profit/(loss) for the year	**85 368**	(377 656)	**48 542**	125 558	**156 165**	14 090
Other comprehensive (loss)/income	**–**	–	**(25 709)**	37 712	**97 734**	(78 924)
Other equity movements	**224 864**	76 420	**–**	–	**–**	–
Dividends paid	**–**	–	**(24 416)**	(126 737)	**(60 792)**	(59 552)
Closing net assets attributable to owners	**892 198**	581 966	**70 844**	72 427	**1 080 765**	887 658
Group's share in %	**46%**	32.5%	**25%**	25%	**25.9%**	25.9%
Group's share in R'000	**410 411**	189 139	**17 711**	18 107	**279 918**	229 903
Translation	**(51 285)**	43 093	**11 528**	5 101	**7 263**	32 576
Goodwill and intangible asset	**447 174**	270 870	**118 414**	118 414	**40 960**	40 960
Carrying value of investments in associates	**806 300**	503 102	**147 653**	141 622	**328 141**	303 439
Summarised statement of comprehensive income						
Revenue	**–**	–	**972 764**	1 032 100	**295 502**	304 947
Profit/(loss) from operations	**85 368**	(377 656)	**48 542**	125 558	**156 165**	14 090
Profit/(loss) for the period	**85 368**	(377 656)	**48 542**	125 558	**156 165**	14 090
Other comprehensive (loss)/income	**–**	–	**(25 709)**	37 712	**97 734**	(78 924)
Total comprehensive income/(loss)	**85 368**	(377 656)	**22 833**	163 270	**253 899**	(64 834)
Dividends received from associates	**–**	–	**6 104**	31 684	**15 745**	15 424
Group's share of associates' profits/(losses) for the year	**29 367**	(122 738)	**12 136**	31 390	**40 447**	3 649

7. INVESTMENTS IN JOINT ARRANGEMENTS

The following are the group's principal joint arrangements:

Name of joint arrangements	Principal activity	Group interest 2018 %	Group interest 2017 %	Group 2018 R'000	Group 2017 R'000
Clare Developments Proprietary Limited	Property	**50**	50	**53 423**	48 804
Regal Holding Proprietary Limited	Property	**50**	50	**16 778**	12 689
United Resorts and Hotels Limited	Hotels	**50**	50	**128 094**	126 241
Other joint arrangements[1]				**282**	–
				198 577	187 734
Cost				**198 577**	199 963
Accumulated impairment				**–**	(12 229)
Carrying value				**198 577**	187 734

[1] A list of these is available for inspection at the company's registered office

The summarised financial information in respect of the group's principal joint arrangements is set out below:

	Clare Developments Proprietary Limited 2018 R'000	Clare Developments Proprietary Limited 2017 R'000	Regal Holding Proprietary Limited 2018 R'000	Regal Holding Proprietary Limited 2017 R'000	United Resorts and Hotels Limited 2018 R'000	United Resorts and Hotels Limited 2017 R'000
Current assets	**3 932**	3 993	**913**	2 769	**44 279**	17 152
Non-current assets	**232 332**	232 282	**85 648**	15 565	**399 784**	402 629
Current liabilities	**(16 068)**	(30 799)	**(411)**	–	**(24 288)**	(26 627)
Non-current liabilities	**(104 991)**	(107 864)	**(92 155)**	(19 720)	**–**	–
Income	**30 284**	27 980	**6**	2	**122 410**	117 199
Expenses	**(16 216)**	(11 975)	**(2 479)**	(14)	**(115 951)**	(123 323)
Group's share of joint arrangements' profits/(losses) for the year	**4 619**	15 132	**(1 237)**	(6)	**1 853**	(3 062)

The group has performed an impairment indicator test on Regal Holding Proprietary Limited and although the joint arrangement is in a loss-making position, the group does not consider its investment in the joint arrangement material and therefore no further information has been presented in this regard.

		Group	
		2018 R'000	2017 R'000
8.	**OTHER FINANCIAL ASSETS**		
	Financial assets carried at fair value through profit or loss		
	Equity securities	**10 255**	14 979
	Available-for-sale investments held at fair value		
	Equity securities	**1 279 656**	1 275 623
	Other	**40**	40
		1 279 696	1 275 663
	Amortised cost		
	Loans and receivables	**8 062**	8 799
	Put option	**–**	–
	Cumulative redeemable preference shares	**44 510**	–
		52 572	8 799
	Derivative financial instruments		
	Interest rate swaps – cash flow hedges	**–**	14 555
		1 342 523	1 313 996
	Current portion	**18 317**	38 333
	Non-current portion	**1 324 206**	1 275 663
		1 342 523	1 313 996

Fair value of equity securities carried at fair value through profit or loss
The fair value of the listed equity instruments was determined using the quoted price available for the instruments.

Fair value of equity securities held as available-for-sale
During the prior year, aligned with the Tsogo group's desire to increase its exposure in the Western Cape province, the group entered into a transaction with Sun International Limited (SI) and Grand Parade Investments Limited (GPI) for the acquisition of a 20% equity interest in each of SunWest and Worcester Casinos. The group has pre-emptive rights but no representation on the board of directors of either company and has no operational responsibilities. The group also has no access to any information regarding the companies, except for that to which it has statutory rights as a shareholder. This investment is classified as a level 3 fair value measurement and has been accounted for as an available-for-sale financial asset – refer to note 46.3 Fair value estimation.

At the end of each reporting period, the investment is remeasured and the increase or decrease recognised in other comprehensive income. The asset has been remeasured to R1 275.4 million at 31 March 2018 (2017: R1 272.6 million). A discounted cash flow valuation was used to estimate the fair value. The valuation model considers the present value of net cash flows to be generated from SunWest and Worcester, together with their operating capital expenditure, taking into account expected growth in gaming win and other revenue generated from non-gaming-related activities. The expected net cash flows are discounted using a risk-adjusted discount rate. Among other factors, the discount rate estimation considers risks associated with the gaming and hospitality industry in which SunWest and Worcester operates.

The significant unobservable inputs used in the fair value measurement of the group's investment in SunWest and Worcester as at 31 March 2018 are shown below. A change in the assumption used for expected gaming win growth is accompanied by a directionally similar pro-rata change in operating expenditure cost growth:

- expected gaming win growth between 4.3% and 6.3% (2017: 4.3% and 7.0%);
- operating expenditure cost growth between 5.1% and 5.6% (2017: 5.5% and 6.5%);
- risk-adjusted discount rate of 11.3% (2017: 12.3%); and
- long-term growth rate of 5.6% (2017: 5.6%).

Fair value of put option at amortised cost
In terms of the Tsogo Sun group's acquisition agreement of the SunWest and Worcester interests, in the event that any party acquires 35% or more of the issued ordinary shares of SI, triggering a change in control of the SI group, the group may elect to put its equity interests in SunWest and Worcester to SI. SI can elect to either settle the put option by the issue of new ordinary shares in SI and/or for a cash consideration, based on the aggregate value of the group's interest in SunWest and Worcester. At the end of each reporting period the derivative is remeasured and the increase or decrease recognised in the statement of profit and loss. The derivative is calculated in accordance with the terms of the put option agreement, effectively a 7.5 times EBITDA multiple valuation of the SunWest and Worcester assets, less net debt, times the 20% shareholding the group holds. No derivative has been recognised as the fair value of the option is Rnil at 31 March 2018 (2017: Rnil).

Cumulative redeemable preference shares at amortised cost
The preference shares issued by Retail Africa Fund to the group have a redemption date of 8 October 2022. Dividends accrue at 72% of the twelve-month JIBAR rate plus 280 basis points and are paid annually on 31 March.

Fair vaue of interest rate swaps
The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets and liabilities in the statement of financial position.

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 statement of profit and loss from cash flow hedges for the year amounted to R2 million (2017: R6 million).

	Company 2018 R'000	Company 2017 R'000
9. SUBSIDIARY COMPANIES		
Shares at cost less impairment	**15 903 824**	13 348 389
Amounts owing from subsidiary companies – non-current portion	**3 135 763**	3 649 122
– current portion	**–**	810 488
	19 039 587	17 807 999
Amounts owing to subsidiary companies	**(1 112 205)**	(1 551 644)
	17 927 382	16 256 355

These loans are interest free and have no set repayment dates.

The company recognised impairments of R1 422 million (2017: R609 million) on investments in subsidiaries with pre-impaired carrying values totalling R4 476 million. Indicators of impairment included net asset deficiency of the relevant entity's statement of financial position and deteriorating market conditions, combined with subdued share prices. The impairments were determined using net asset carrying value of the borrowing entities.

There were no further indicators of impairment at reporting date for the remaining investments.

Interests in subsidiaries

Set out below are the group's principal subsidiaries at year-end. Unless otherwise stated the subsidiaries have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business.

Name of entity	Principal activities	Place of business/ Country of incorporation	% of effective interest held by the group 2018 %	% of effective interest held by the group 2017 %	% exercisable voting rights 2018 %	% exercisable voting rights 2017 %
Tsogo Sun Holdings Limited*	Gaming and hotels	South Africa	**47.2**	43.4	**51.4**	48.0
Niveus Investments Limited	Investment holding	South Africa	**52.3**	52.3	**52.3**	52.3
eMedia Investments Proprietary Limited*	Media and broadcasting	South Africa	**42.4**	42.4	**67.7**	67.7
Deneb Investments Limited	Branded products and manufacturing	South Africa	**83.5**	84.0	**83.5**	84.0
Hosken Passenger Logistics and Rail Limited*	Transport	South Africa	**73.5**	**	**100.0**	**

* These investments are held through various intermediary companies controlled by the group, resulting in exercisable voting rights being in excess of effective economic interest

** Hosken Passenger Logistics and Rail Limited (HPLAR) owns 100% of HPL and R Investments Proprietary Limited and Golden Arrow Bus Services Proprietary Limited. During the current year the group diluted its shareholding in the HPLAR group from 100% to 73.5%

Significant restrictions

There are no significant statutory, contractual or regulatory restrictions on the group's ability to access or use its assets and settle its liabilities.

There are no contractual arrangements in place for the provision of financial support to any of the principal subsidiaries, nor has there been any financial or other support provided to these entities during the reporting period. There is no current intention of providing financial or other support to these entities.

Non-controlling interests

The group includes the following subsidiaries with non-controlling interests (NCIs) that are material to the group:

	Effective interest held by NCIs 2018 %	Effective interest held by NCIs 2017 %	Profit/(loss) allocated to NCI for the year 2018 R'000	Profit/(loss) allocated to NCI for the year 2017 R'000	Accumulated NCI 2018 R'000	Accumulated NCI 2017 R'000
Tsogo Sun Holdings Limited (including NCI at Tsogo Investment Holding Company Proprietary Limited level)	**52.8**	56.6	**977 135**	1 942 864	**18 251 317**	17 680 691
Niveus Investments Limited	**47.7**	47.7	**68 128**	(121 663)	**724 769**	1 390 242
eMedia Investments Proprietary Limited	**57.6**	57.6	**(49 095)**	114 118	**813 618**	863 085
Deneb Investments Limited	**16.5**	16.0	**(2 961)**	20 929	**282 123**	314 668
Hosken Passenger Logistics and Rail Limited	**26.5**	–	**21 857**	–	**175 105**	–
Other non-material non-controlling interests			**21 570**	80 320	**140 223**	115 586
			1 036 634	2 036 568	**20 387 155**	20 364 272

9. SUBSIDIARY COMPANIES continued

Set out below is summarised financial information for each subsidiary that has NCIs that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	Tsogo Sun Holdings Limited		Niveus Investments Limited	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Summarised statement of financial position				
Non-current assets	**51 664 285**	51 684 214	**476 602**	1 315 728
Current assets	**3 789 514**	3 313 064	**1 151 011**	1 057 007
Disposal group assets held for sale	**65 601**	65 610	**–**	5 419
Non-current liabilities	**(20 362 184)**	(17 658 365)	**(44 088)**	(231 344)
Current liabilities	**(4 648 845)**	(7 061 180)	**(183 314)**	(262 596)
Disposal group liabilities held for sale	**–**	–	**–**	(2 459)
Net assets	**30 508 371**	30 343 343	**1 400 211**	1 881 755
Summarised statement of comprehensive income				
Revenue	**13 975 095**	13 222 231	**1 042 435**	1 409 249
Profit/(loss) for the year	**1 590 894**	3 065 925	**208 159**	(126 448)
Other comprehensive (loss)/income	**(142 279)**	(192 343)	**20 190**	(20 725)
Total comprehensive income/(loss) for the year	**1 448 615**	2 873 582	**228 349**	(147 173)
Dividends paid to non-controlling interests	**681 126**	623 764	**214 220**	21 873
Summarised cash flows				
Cash flows from operating activities	**1 492 166**	1 986 213	**249 153**	357 744
Cash flows from investing activities	**(3 105 786)**	(2 590 943)	**(571 179)**	293 536
Cash flows from financing activities	**1 967 778**	855 716	**(128 279)**	(102 512)

* Restated

Full details of subsidiary companies are provided in annexure A.

	eMedia Investments Proprietary Limited		Deneb Investments Limited		Hosken Passenger Logistics and Rail Limited	
	2018 R'000	2017* R'000	**2018 R'000**	2017* R'000	**2018 R'000**	2017 R'000
	1 340 157	1 704 559	**2 054 980**	1 750 492	**1 709 119**	1 344 793
	1 384 470	1 540 798	**1 511 988**	1 478 611	**630 699**	366 857
	262 792	53 618	**1 080**	1 985	**–**	–
	(166 584)	(353 482)	**(953 411)**	(811 754)	**(557 397)**	(537 070)
	(1 340 749)	(1 475 985)	**(940 011)**	(640 904)	**(376 013)**	(345 010)
	(105 175)	(1 621)	**–**	–	**–**	–
	1 374 911	1 467 887	**1 674 626**	1 778 430	**1 406 408**	829 570
	2 196 250	2 303 112	**3 010 671**	2 674 156	**1 808 472**	1 682 964
	(86 820)	194 108	**(16 489)**	72 192	**245 496**	241 738
	(7 458)	(67 247)	**14 049**	22 320	**16 670**	(6 908)
	(94 278)	126 861	**(2 440)**	94 512	**262 166**	234 830
	345	5 252	**–**	–	**11 986**	–
	8 922	270 517	**135 536**	131 076	**255 965**	252 588
	(44 364)	(50 857)	**(182 319)**	(66 276)	**(259 228)**	(220 013)
	(40 410)	(182 171)	**(48 060)**	446 981	**22 996**	13 022

		Group	
		2018 R'000	2017 R'000
10.	**DEFERRED TAXATION**		
	Movements in deferred taxation		
	At the beginning of the year	**(7 702 306)**	(7 686 142)
	Asset revaluations	**(3 438)**	40 765
	Accelerated tax allowances	**304 559**	(71 150)
	Provisions and accruals	**237 438**	(76 633)
	Assessed losses	**40 343**	96 701
	Business combinations: Provisions and accruals	**–**	(4 647)
	Accelerated tax allowances	**(9 203)**	(6 784)
	Other	**9 549**	1 085
	Transfer to disposal groups held for sale	**(5 739)**	–
	Other	**20 879**	4 499
	At the end of the year	**(7 107 918)**	(7 702 306)
	Analysis of deferred taxation		
	Accelerated tax allowances	**(2 513 636)**	(2 852 572)
	Fair value remeasurements	**(5 683 378)**	(5 642 574)
	Provisions and accruals	**664 607**	416 092
	Deferred revenue	**71 529**	12 801
	Asset revaluations	**(119 343)**	(118 937)
	Assessed losses	**520 759**	486 280
	Other	**(48 456)**	(3 396)
		(7 107 918)	(7 702 306)
	Composition of deferred taxation		
	Deferred taxation assets	**487 352**	379 252
	Deferred taxation liabilities	**(7 595 270)**	(8 081 558)
		(7 107 918)	(7 702 306)

There are tax losses in respect of certain subsidiary companies. The directors have considered the future profitability of these entities and to the extent that they are projected to produce taxable income in the foreseeable future, deferred tax assets have been recognised and are considered fully recoverable.

	Group	
	2018 R'000	2017 R'000
11. FINANCE LEASE RECEIVABLES		
Gross investment in leases	**123 105**	154 604
– within one year	**50 143**	60 475
– in second to fifth year	**72 962**	94 129
Unearned finance income	**(23 302)**	(23 940)
Present value of minimum lease payments	**99 803**	130 664
– within one year (included in trade and other receivables)	**43 023**	42 315
– in second to fifth year	**56 780**	88 349

Finance lease receivables relates to the group's branded products and manufacturing segment interests. The finance lease arrangement is for copiers, faxes and point-of-sale equipment. All leases are denominated in South African Rands. The average term of finance leases entered into is four to five years.

Interest is charged at rates varying between 14% and 25%.

There were no contingent rents recognised as income during the year.

Fair value of finance lease receivables

The carrying value approximates fair value as market-related rates have been applied to discount the receivables.

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
12. NON-CURRENT RECEIVABLES				
Financial instruments				
Loan to HCI Employee Share Trust (2001)	**–**	–	**11 032**	37 648
Prepayments	**35 080**	42 956	**–**	–
Amounts due by share scheme participants	**8 766**	9 379	**–**	–
Promissory notes	**456 400**	630 967	**–**	–
Other loans	**58 892**	58 546	**–**	–
Non-financial instruments				
Prepayments	**4 079**	6 523	**–**	–
	563 217	748 371	**11 032**	37 648
Less: Current portion (included in trade and other receivables)	**(239 148)**	(210 148)	**–**	–
	324 069	538 223	**11 032**	37 648

Prepayments (included in financial instruments) comprise mainly a prepaid property lease rental deposit by a subsidiary of the group in Nairobi which is carried at cost, together with an upfront rental payment by another of the group's subsidiaries in Maputo which is amortised over the period of the lease (both are considered refundable).

Loans to share scheme participants incur fringe benefit tax on interest at 7.75% (2017: 8%) as the loans are interest free.

On 14 October 2016, R575 million, approximately 50% of the purchase consideration for the sale of the KWV operational assets, was paid by the buyer. The remainder of the purchase consideration was deferred in the form of promissory notes and will be settled in two remaining instalments on 1 October 2018 and 1 October 2019. The instalments are secured by way of Investec Bank payment obligations that carry interest at 8.5%, compounded annually.

Other loans are due within one to ten years and bear interest at rates ranging from 0% to 12.25% per annum.

12. NON-CURRENT RECEIVABLES continued

Fair value of long-term loans and receivables

The fair value of long-term interest-bearing receivables approximates the carrying value as market-related rates of interest are charged on these outstanding amounts.

Non-current receivables are denominated in the following currencies:

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
South African Rand	**288 989**	495 267	**11 032**	37 648
United States Dollar	**35 080**	42 956	**–**	–
	324 069	538 223	**11 032**	37 648

	Group	
	2018 R'000	2017 R'000
13. INVENTORIES		
Raw materials	**155 792**	179 567
Work in progress	**127 658**	65 636
Finished goods	**494 625**	567 454
Consumables and spares	**122 911**	104 436
Coal	**17 835**	16 011
Operating equipment	**26 048**	29 383
Allowance for obsolete inventory	**(5 158)**	(6 754)
	939 711	955 733

Inventories stated at net realisable value – R393 million (2017: R247 million).

Encumbrances

Details of assets that serve as security for borrowings are presented in note 20.

	Group	
	2018 R'000	2017 R'000
14. PROGRAMME RIGHTS		
Television programmes		
– International	**752 997**	733 651
– Local	**117 677**	132 593
	870 674	866 244
Reconciliation of carrying value		
At the beginning of the year	**866 244**	490 973
Additions	**645 226**	917 395
Amortised through other operating expenses	**(571 951)**	(542 124)
Written off through cost of sales	**(68 845)**	–
At the end of the year	**870 674**	866 244

International movie inventory with a carrying value of R68.8 million has been written off during the current year due to the reduction in the movie slots on e.tv as well as movies that will not generate revenue to recover its carrying value.

Nature of useful lives and amortisation method

Programming rights acquired by the group are initially measured at cost and are amortised over the number of licensed broadcasting runs. In prior periods, programming rights classified as features were amortised on the first run at 70% and on the second run at 30%. This amortisation method was in line with the advertising revenue earned. The genre of features acquired in the current financial year will generate advertising revenue over more than two runs and the amortisation method for these features was therefore changed to 60% on the first run, 30% on the second run and 10% on the remaining run. For genres other than features the cost is amortised on the first run.

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
15. TRADE AND OTHER RECEIVABLES				
Trade receivables	**1 475 155**	1 624 769	**–**	–
Prepayments	**240 672**	219 781	**–**	–
Other receivables	**876 985**	808 982	**1 310**	–
Allowance for impairment of trade and other receivables	**(114 258)**	(111 835)	**–**	–
	2 478 554	2 541 697	**1 310**	–

The carrying value approximates fair value because of the short period to maturity of these instruments.

Trade receivables neither past due nor impaired

The credit quality of trade and other receivables that are neither past due nor impaired is assessed on an ongoing basis for individual debtors and based on repayment history. No individual customer represents more than 10% of the group's trade receivables.

Collateral

The group holds no collateral over the trade receivables, which can be sold or repledged to a third party.

Trade receivables past due but not impaired

At 31 March 2018 trade receivables of R220.4 million (2017: R330.8 million) were past due but not impaired. These relate mainly to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group	
	2018 R'000	2017 R'000
30 to 60 days	**93 337**	194 830
61 to 90 days	**21 483**	27 242
More than 90 days	**105 546**	108 710

Other receivables past due but not impaired

At 31 March 2018 other receivables of R34.0 million (2017: R11.5 million) were past due but not impaired. These relate mainly to loans, banqueting debtors and vending commission.

None of the financial assets that are fully performing have been renegotiated in the last year.

	Group	
	2018 R'000	2017 R'000
15. TRADE AND OTHER RECEIVABLES continued		

Impairment of trade and other receivables

At 31 March 2018 trade and other receivables of R114.3 million (2017: R111.8 million) were impaired. Impaired trade receivables relate to debtors that have been handed over to attorneys for collection and debtors that have been outstanding for more than one year.

Movements on the allowance for impairment of trade and other receivables are as follows:

	Group 2018 R'000	Group 2017 R'000
At the beginning of the year	**111 835**	102 185
Disposal of subsidiaries	**–**	(3 421)
Currency translation	**(2 690)**	66
Allowance for receivables impairment	**38 288**	31 988
Receivables written off during the year as uncollectible	**(11 854)**	(11 329)
Unused amounts reversed	**(21 321)**	(7 654)
At the end of the year	**114 258**	111 835

For both trade and other receivables the creation and release of allowance for impaired receivables have been included in other operating expenses and income in the statement of profit and loss. Amounts charged to the allowance account are written off when there is no expectation of recovery.

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

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Australian Dollar	**–**	10	**–**	–
British Pound	**441**	106	**–**	–
Euro	**493**	602	**–**	–
Kenyan Shilling	**5 670**	678	**–**	–
Mozambican Metical	**8 920**	9 726	**–**	–
Nigerian Naira	**12 010**	13 383	**–**	–
South African Rand	**2 343 646**	2 395 259	**1 310**	–
Seychelles Rupee	**8 407**	8 078	**–**	–
Swiss Franc	**5 213**	247	**–**	–
Tanzanian Shilling	**5 979**	14 558	**–**	–
United Arab Emirates Dirham	**2 435**	2 263	**–**	–
United States Dollar	**79 496**	90 937	**–**	–
Zambian Kwacha	**5 844**	5 850	**–**	–
	2 478 554	2 541 697	**1 310**	–

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable as shown above.

Encumbrances

Details of assets that serve as security for borrowings are presented in note 20.

	Group 2018 R'000	Group 2017 R'000
16. DISPOSAL GROUP ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE		
Disposal group assets classified as held for sale	**329 473**	126 632
Liabilities associated with the disposal group assets held for sale	**(105 175)**	(4 080)
	224 298	122 552

16.1 Deneb Investments Limited

	2018 R'000	2017 R'000
Assets associated with the Deneb group classified as held for sale included in branded products and manufacturing		
Property	**510**	935
Plant and machinery	**570**	1 050
	1 080	1 985

16.2 eMedia Holdings Limited

The group has disposed of its Lalela Music Proprietary Limited (RSA), Lalela Music LLC (USA), e.Botswana Proprietary Limited and e.tv Botswana Proprietary Limited businesses during the current year. The results of these operations were included in discontinued operations in the statement of profit and loss in the current and prior year and the related assets and liabilities included in disposal groups held for sale in the statement of financial position in the prior year.

Following a decision to dispose of a commercial building situated at 73 Richefond Circle, Umhlanga Rocks, KwaZulu-Natal, the value of the building at the lower of its carrying value and fair value less costs to sell has been included in disposal groups held for sale in the statement of financial position in the prior year.

In the current financial year a decision was taken to dispose of Silverline Three Sixty Proprietary Limited. The results of these operations were reclassified to discontinued operations in the statement of profit and loss and its assets and liabilities reclassified to disposal groups held for sale in the statement of financial position.

	2018 R'000	2017 R'000
Assets and liabilities associated with eMedia Holdings Limited classified as held for sale included in media and broadcasting		
Property, plant and equipment	**85 643**	26 082
Goodwill	**91 782**	–
Intangible assets	**–**	12 001
Deferred taxation asset	**5 739**	1 815
Inventories	**6 301**	–
Taxation receivable	**977**	–
Cash and cash equivalents	**31 396**	8 116
Trade and other receivables	**40 954**	5 604
Trade and other payables	**(42 245)**	(1 258)
Provisions	**(5 364)**	–
Taxation payable	**(188)**	(321)
Deferred taxation liability	**–**	(42)
Financial liabilities	**(57 378)**	–
	157 617	51 997

Refer to note 36.2 for details of operations related to the above assets and liabilities that have been classified as discontinued.

16. DISPOSAL GROUP ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE continued

16.3 Niveus Investments Limited

During March 2017 Niveus contracted to dispose of its subsidiaries Jacaranda Royal Casino Limited, VSlots Lesotho Proprietary Limited and VSlots Swaziland Proprietary Limited. The disposals were concluded in June 2017 and the results of these operations included in discontinued operations in the statement of profit and loss in the current and prior year.

Assets and liabilities associated with Niveus Investments Limited classified as held for sale included in other

	Group	
	2018 R'000	2017 R'000
Property, plant and equipment	–	1 718
Intangible assets	–	1 335
Cash and cash equivalents	–	1 105
Trade and other receivables	–	1 261
Trade and other payables	–	(2 419)
Financial liabilities	–	(40)
	–	2 960

Refer to note 36.3 for details of operations related to the above assets and liabilities that have been classified as discontinued.

16.4 Tsogo Sun Holdings Limited

Non-current investment property held for sale consists of the Kopanong Hotel and Conference Centre property which consists of a country estate with 57 chalets and conference facilities. During the year under review one chalet was sold and management intends to sell the remaining chalets.

Assets associated with Tsogo Sun Holdings Limited classified as held for sale included in gaming and hotels

	2018 R'000	2017 R'000
Investment properties	**65 601**	65 610

Encumbrances
Details of assets that serve as security for borrowings are presented in note 20.

17. ORDINARY SHARE CAPITAL

	Number of shares 2018 '000	2017 '000	2018 R'000	2017 R'000
Authorised				
Ordinary shares of 25 cents each	**450 000**	450 000	**112 500**	112 500
Issued				
In issue in company	**90 128**	92 816	**22 532**	23 204
Treasury shares held by company subsidiary and employee share trust	**(4 246)**	(4 782)	**(1 062)**	(1 196)
On consolidation	**85 882**	88 034	**21 470**	22 008

Details of the issued share capital and share premium and changes during the current and prior year are as follows:

	Number of shares '000	Share capital R'000	Share premium R'000
In issue at 31 March 2016	104 956	26 239	17 158
Shares repurchased	(12 140)	(3 035)	–
Treasury shares held by company subsidiary and employee share trust	(4 782)	(1 196)	(17 158)
In issue at 31 March 2017	88 034	22 008	–
In issue at 31 March 2017	**92 816**	**23 204**	**17 158**
Shares repurchased	**(2 688)**	**(672)**	**–**
Treasury shares held by company subsidiary and employee share trust	**(4 246)**	**(1 062)**	**(17 158)**
In issue at 31 March 2018	**85 882**	**21 470**	**–**

	2018	2017
The following shares were repurchased by the group:		
– Held as treasury shares by a subsidiary	**–**	4 218 274
– Reverted to authorised but unissued shares	**2 688 000**	12 140 000
	2 688 000	16 358 274

The weighted average price paid for these shares was R140.00 (2017: R105.32) per share.

Details of options over shares are set out in note 39.

The unissued shares are under the control of the directors until the next annual general meeting.

18. OTHER RESERVES

Group	FCTR R'000	Share-based payments R'000	Hedging R'000	Revaluation R'000	Other R'000	Total R'000
2018						
At the beginning of the year	**415 082**	**20 450**	**(13 967)**	**(2 704)**	**(6 821)**	**412 040**
Exchange differences on translation of foreign subsidiaries	**(149 054)**	**–**	**–**	**–**	**–**	**(149 054)**
Reclassification of foreign currency differences on disposal of subsidiaries	**(686)**	**–**	**–**	**–**	**–**	**(686)**
Equity-settled share-based payments	**–**	**13 509**	**–**	**–**	**–**	**13 509**
Fair value adjustments on available-for-sale financial assets	**–**	**–**	**–**	**2 048**	**–**	**2 048**
Revaluation of land and buildings	**–**	**–**	**–**	**28 190**	**–**	**28 190**
Fair value losses on cash flow hedges	**–**	**–**	**(23 523)**	**–**	**–**	**(23 523)**
Release of share-based payment reserve to accumulated profits	**–**	**(11 481)**	**–**	**–**	**–**	**(11 481)**
At the end of the year	**265 342**	**22 478**	**(37 490)**	**27 534**	**(6 821)**	**271 043**
2017						
At the beginning of the year	797 847	18 064	30 126	2 216	(6 821)	841 432
Exchange differences on translation of foreign subsidiaries	(166 499)	–	–	–	–	(166 499)
Reclassification of foreign currency differences on disposal of subsidiaries	(216 266)	–	–	–	–	(216 266)
Equity-settled share-based payments	–	13 084	–	–	–	13 084
Deferred tax on available-for-sale financial assets	–	–	–	(4 920)	–	(4 920)
Fair value losses on cash flow hedges	–	–	(44 093)	–	–	(44 093)
Release of share-based payment reserve to accumulated profits	–	(10 698)	–	–	–	(10 698)
At the end of the year	415 082	20 450	(13 967)	(2 704)	(6 821)	412 040

19. FINANCIAL LIABILITIES

	Group 2018 R'000	Group 2017 R'000
Financial liabilities carried at fair value through profit or loss		
Foreign exchange contracts	**41 701**	23 463
Financial liabilities carried at amortised cost		
Short-term loans	**–**	6 852
Derivative financial instruments		
Interest rate swaps – cash flow hedges	**135 291**	65 252
Pound Sterling forward contracts – cash flow hedges	**–**	6 290
	135 291	71 542
	176 992	101 857
Current portion	**44 569**	60 409
Non-current portion	**132 423**	41 448
	176 992	101 857

19. FINANCIAL LIABILITIES continued

Fair value of derivative financial instruments carried at fair value through profit or loss

The fair value of derivatives was based upon market valuations. The net market value of all foreign exchange contracts at year-end was calculated by comparing the foreign exchange contracted rates to the equivalent year-end market foreign exchange rates.

Interest rate swaps

The full fair value of a derivative financial instrument is classified as a non-current liability if the remaining maturity of the hedging instrument is more than 12 months and as a current liability if the maturity of the hedging instrument is less than 12 months.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative liabilities in the statement of financial position.

For effective hedges, gains and losses are recognised in the hedging reserve directly in other comprehensive income (after tax). The ineffective portion from cash flow hedges recognised in the statement of profit and loss for the year amounted to R2 million (2017: R6 million).

The group's gaming and hotel operations manages its interest rate risk by using floating-to-fixed interest rate swaps. Interest rate swaps have the economic effect of converting floating rate borrowings to fixed rates. Where the group raises long-term borrowings at floating rates, it swaps them into fixed rates in terms of group intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to an agreed reference interest rate calculated on agreed notional principal amounts.

Hedge accounting is applied to the group's interest rate swaps. The ineffective portion is recognised immediately in profit or loss and the effectiveness of the hedges is tested at inception and thereafter annually.

As at 31 March 2018, 49% (2017: 55%) of consolidated gross borrowings and 53% (2017: 58%) of consolidated net borrowings were in fixed rates taking into account interest rate swaps.

Fixed interest rate swaps ranged from 6.93% to 8.09% as at 31 March 2018 referenced against the three-month JIBAR of 6.867%, as well as one-month JIBAR of 6.633% (2017: Fixed interest rate swaps ranged from 6.46% to 8.09% referenced against the three-month JIBAR of 7.358%, as well as one-month JIBAR of 7.108% at 31 March 2017).

	Group	
	2018 R'000	2017 R'000
The notional amounts of the outstanding effective interest rate swap contracts at 31 March were:		
Tsogo Sun Proprietary Limited linked to the three-month JIBAR rate		
With a fixed rate of 7.68% matured 29 March 2018	**–**	200 000
With a fixed rate of 6.46% matured 29 March 2018	**–**	1 500 000
With a fixed rate of 6.93% maturing 30 June 2020	**1 500 000**	–
With a fixed rate of 8.045% maturing 30 June 2021	**1 000 000**	1 000 000
With a fixed rate of 8.09% maturing 30 June 2021	**2 000 000**	2 000 000
With a fixed rate of 7.80% maturing 30 June 2021	**500 000**	500 000
With a fixed rate of 7.82% maturing 30 June 2021	**500 000**	500 000
Hospitality Property Fund linked to the three-month JIBAR rate		
With a fixed rate of 7.05% matured 4 September 2017	**–**	200 000
With a fixed rate of 7.595% matured 2 October 2017	**–**	300 000
With a fixed rate of 6.78% matured 5 February 2018	**–**	346 000
With a fixed rate of 7.24% maturing 30 June 2020	**500 000**	–
With a fixed rate of 7.16% maturing March 2023	**300 000**	–
Silverstar Casino Proprietary Limited linked to the one-month JIBAR rate		
With a fixed rate of 7.22%, excluding credit and liquidity margins, maturing 3 April 2018	**90 000**	255 000
	6 390 000	6 801 000
The notional amounts of the outstanding ineffective interest rate swap contracts at 31 March were:		
Hospitality Property Fund		
With a fixed rate of 7.88% maturing 14 February 2019	**250 000**	250 000
Total notional amounts of interest rate swaps	**6 640 000**	7 051 000

Forward contracts

The group used forward foreign exchange contracts to mitigate exchange rate exposure arising from a firm commitment purchase of equipment in Pound Sterling. These forward exchange contracts have been designated as hedging instruments in cash flow hedges in accordance with IAS 39. All transactions for which hedge accounting has been used have occurred.

During 2018 a loss of R0.3 million (2017: R6.3 million) was recognised in other comprehensive income and a loss of R6.6 million (2017: Rnil) was recycled from equity and capitalised against property, plant and equipment.

	Group 2018 R'000	Group 2017 R'000
20. BORROWINGS		
Bank borrowings	**14 171 859**	13 046 083
Bank mortgages	**2 195 669**	1 919 159
Instalment sale liabilities	**445 176**	442 260
Loans from non-controlling interests	**510 799**	766 040
Corporate bonds	**901 622**	981 955
Other borrowings	**357 334**	408 549
Redeemable preference shares	**1 550 000**	1 629 680
	20 132 459	19 193 726
Current portion of borrowings	**(3 857 154)**	(5 194 588)
	16 275 305	13 999 138
Secured	**19 123 276**	17 939 137
Unsecured	**1 009 183**	1 254 589
	20 132 459	19 193 726

Loans from non-controlling interests are unsecured, bear no interest and have no fixed terms of repayment.

The redemption dates for the preference shares vary between 23 April 2018 and 21 July 2020, as they will be redeemed in tranches. The dividend rates also vary between 69% of prime rate and 71.48% of prime rate.

Movements in the carrying value of borrowings are as follows:

Group	**Long-term borrowings R'000**	**Short-term borrowings R'000**	**Total R'000**
2018			
Carrying value at the beginning of the year	**13 999 138**	**5 194 588**	**19 193 726**
Cash flows:			
Raising of new debt	**6 521 250**	**1 169 607**	**7 690 857**
Debt repayments	**(2 886 437)**	**(3 717 049)**	**(6 603 486)**
Non-cash:			
Effect of changes in foreign exchange rates	**(128 998)**	**–**	**(128 998)**
Transfer to disposal group liabilities held for sale	**(31 887)**	**(22 160)**	**(54 047)**
Reclassification	**(1 238 316)**	**1 238 316**	**–**
Other	**40 555**	**(6 148)**	**34 407**
Carrying value at the end of the year	**16 275 305**	**3 857 154**	**20 132 459**

20. BORROWINGS continued

The following represents the book value of the security for these borrowings:

	Group	
	2018 R'000	2017 R'000
Property, plant and equipment	**6 559 108**	7 508 504
Investment properties*	**13 016 763**	8 160 898
Available-for-sale financial assets	**1 275 419**	1 272 595
Inventory	**147 840**	66 418
Intangible assets	**37 515**	47 686
Pledge of cash in bank accounts	**1 851 721**	2 100 935
Trade and other receivables	**331 543**	456 775
Cession of Tsogo Sun shares (treasury shares)	**532 602**	630 995
Non-current assets held for sale	**65 601**	65 610
	23 818 112	20 310 416

* Investment properties with a carrying value of R9 271.5 million relates to Hospitality Property Fund (HPF) properties over which mortgage bonds have been registered in favour of the debt funding providers to HPF included in borrowings. On consolidation, however, some of these properties leased and managed by Southern Sun Hotel Interests Proprietary Limited are accounted for as property, plant and equipment (both companies being subsidiary companies of the group).

The above securities are inclusive of securities pledged for bank overdrafts. Refer to note 26.

The group's shareholding in:

- Hosken Passenger Logistics and Rail Limited;
- eMedia Holdings Limited;
- Niveus Investments Limited; and
- Tsogo Sun Holdings Limited (82 497 961 shares)

has been pledged as security for various debt facilities.

For further information on guarantees issued and suretyships provided for group and company debt facilities, refer to note 44.

	Group	
	2018 R'000	2017 R'000
The interest rate profile of the group's interest-bearing borrowings, including the effect of interest rate swaps, is as follows:		
Fixed rates	**8 020 350**	8 644 947
Floating rates	**12 112 109**	10 548 779
	20 132 459	19 193 726
Maturity of these borrowings is as follows:		
Due within one year	**3 857 154**	5 194 588
Due within two to five years	**15 596 667**	13 438 160
Due after five years	**678 638**	560 978
	20 132 459	19 193 726
Analysis by currency		
Mozambican Metical	**21 813**	–
South African Rand	**19 166 639**	18 211 577
United States Dollar	**944 007**	982 149
	20 132 459	19 193 726

	%	%
Weighted average effective interest rates	**8.99**	8.95

At 31 March 2018 the carrying value of borrowings approximates their fair value as market-related rates have been applied to discount the instruments.

21. RETIREMENT BENEFIT INFORMATION

21.1 Pension funds

Certain subsidiaries of the group operate pension funds. These 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

Certain subsidiaries of the group also operate provident funds. All 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.

	Group	
	2018 R'000	2017 R'000
21.2 Medical aid		
Non-current post-retirement benefit liabilities	**159 098**	165 115
Current portion of post-retirement benefit liabilities*	**11 414**	10 667
	170 512	175 782

21.2.1 A subsidiary pays a monthly grant to the Golden Arrow Employees' Medical Benefit Fund (MBF). The Fund uses the grant to cover the outgoings not financed from member contributions. The administrators of the MBF are the Metropolitan Health Group. The subsidiary also makes contributions to Discovery Health.

The calculation of accrued service liability in respect of post-retirement healthcare was performed by Willis Towers Watson Actuaries and Consultants as at 31 March 2018.

Movements in the liability recognised in the statement of financial position are as follows:

	2018 R'000	2017 R'000
Balance at the beginning of the year	**72 416**	62 716
Net expense recognised in the statement of profit and loss	**7 169**	6 396
Actuarial (gains)/losses	**(16 863)**	3 304
	62 722	72 416
Less: Current portion*	**(3 794)**	(3 536)
Balance at the end of the year	**58 928**	68 880
The amounts recognised in the statement of profit and loss are as follows:		
Current service cost	**3 443**	2 923
Interest cost	**7 262**	6 600
Pensioner subsidy	**(3 536)**	(3 127)
Total included in employee costs	**7 169**	6 396

* Included in trade and other payables

		Group 2018 %	Group 2017 %
21.	**RETIREMENT BENEFIT INFORMATION continued**		
	21.2 Medical aid continued		
21.2.1	The principal actuarial assumptions used for the valuation were:		
	Discount rate	**9.20**	9.80
	Medical aid subsidy increase rate	**7.30**	8.40
	Normal retirement age (years)	**65**	65
	Continuation of membership at retirement	**55.00**	55.00

	2018 R'000	2017 R'000	2016 R'000	2015 R'000	2014 R'000
As at 31 March					
Present value of obligations	**62 722**	72 416	62 716	82 173	63 762

Contributions of R63.8 million (2017: R59.1 million) are expected to be paid into the group's defined benefit scheme during the annual period after 31 March 2018.

	Group 2018 R'000	Group 2017 R'000
As at 31 March the effects of a 0.5% and 1% movement in the discount rate and subsidy rate respectively, would change the post-retirement medical aid liability to the following:		
Upward movement		
Discount rate increased by 0.5%	**59 384**	68 321
Subsidy increase rate increased by 1%	**70 359**	81 771
Downward movement		
Discount rate decreased by 0.5%	**66 399**	76 933
Subsidy increase rate decreased by 1%	**56 330**	64 601
21.2.2 A subsidiary of the group subsidises certain past employees who participate in the Discovery Medical Aid Scheme and who joined before 1 July 1996. These past employees are eligible for a 50% retirement subsidy of the total medical scheme contributions.		
Movements in the liability recognised in the statement of financial position are as follows:		
Balance at the beginning of the year	**98 992**	97 592
Net expense recognised in the statement of profit and loss	**9 879**	9 816
Contributions	**(7 465)**	(7 109)
Actuarial losses/(gains)	**5 110**	(1 307)
	106 516	98 992
Less: Current portion*	**(7 620)**	(7 131)
Balance at the end of the year	**98 896**	91 861

* Included in trade and other payables

	Group 2018 R'000	Group 2017 R'000
21. RETIREMENT BENEFIT INFORMATION continued		
21.2 Medical aid continued		
21.2.2 The amounts recognised in the statement of profit and loss are as follows:		
Current service cost	**376**	369
Interest on obligation	**9 503**	9 447
	9 879	9 816

	%	%
The principal actuarial assumptions used for the valuation were:		
Discount rate	**8.88**	9.60
Medical aid subsidy increase rate	**8.23**	8.23
Normal retirement age (years)	**65**	65

	2018 R'000	2017 R'000	2016 R'000	2015 R'000	2014 R'000
As at 31 March					
Present value of obligations	**106 516**	98 992	97 592	109 107	97 460
Experience adjustments on plan liabilities	**5 110**	(1 307)	(14 387)	9 549	(5 965)

There is no surplus or deficit in the plan as there are no plan assets.

Contributions of R8.0 million (2017: R7.5 million) are expected to be paid into the group's defined benefit scheme during the annual period after 31 March 2018.

	Group 2018 R'000	Group 2017 R'000
As at 31 March a 1% movement in the assumed medical cost trend rate would change the current service cost and interest cost, and the post-retirement medical aid liability to the following:		
Upward movement		
Current service cost and interest cost	**10 945**	10 863
Post-retirement medical aid liability	**117 735**	109 184
Downward movement		
Current service cost and interest cost	**8 968**	8 920
Post-retirement medical aid liability	**96 894**	90 236

21. RETIREMENT BENEFIT INFORMATION continued

21.2 Medical aid continued

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

	Present value of obligation R'000	Fair value of plan assets R'000	Total R'000
The movement in the defined benefit obligation is as follows:			
2018			
At 1 April 2017	**35 218**	**(30 844)**	**4 374**
Other post-retirement benefits – medical aid	**836**	**(310)**	**526**
Current service cost	**101**	**–**	**101**
Expected return on plan assets	**–**	**(2 814)**	**(2 814)**
Expected benefit payments from plan assets	**(2 504)**	**2 504**	**–**
Interest expense	**3 239**	**–**	**3 239**
Remeasurements:	**(3 520)**	**(106)**	**(3 626)**
Gain from change in financial assumptions	**(2 187)**	**–**	**(2 187)**
Return on plan assets	**–**	**(106)**	**(106)**
Experience gains	**(1 333)**	**–**	**(1 333)**
At 31 March 2018	**32 534**	**(31 260)**	**1 274**
2017			
At 1 April 2016	36 461	(30 007)	6 454
Other post-retirement benefits – medical aid	1 002	(266)	736
Current service cost	119	–	119
Expected return on plan assets	–	(2 816)	(2 816)
Expected benefit payments from plan assets	(2 550)	2 550	–
Interest expense	3 433	–	3 433
Remeasurements:	(2 245)	(571)	(2 816)
Gain from change in financial assumptions	(332)	–	(332)
Return on plan assets	–	(571)	(571)
Experience gains	(1 913)	–	(1 913)
At 31 March 2017	35 218	(30 844)	4 374

	Group 2018 %	2017 %
21. RETIREMENT BENEFIT INFORMATION continued		
21.2 Medical aid continued		
21.2.3 The principal actuarial assumptions used for the valuation were:		
Discount rate	**9.00**	9.50
Healthcare cost inflation	**7.80**	9.00
Expected return on plan assets	**9.00**	9.50
Remuneration inflation	**7.30**	8.50

	R'000	R'000
At 31 March the effects of a 1% movement in the assumed medical cost trend rate would be as follows:		
Upward movement		
Effect on the current service cost and interest cost	**278**	341
Effect on the post-retirement medical aid liability	**3 093**	3 575
Downward movement		
Effect on the current service cost and interest cost	**240**	289
Effect on the post-retirement medical aid liability	**2 669**	3 062

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 of R31 million for both 2018 and 2017.

The expected long-term rate of return on medical aid assets of 9.0% (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% 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 2018 (2017: Rnil).

	Group 2018 R'000	Group 2017 R'000
22. LONG-TERM INCENTIVE PLAN		
The Tsogo Sun Share Appreciation Bonus Plan	**86 631**	147 569
Less: Current portion	**(59 537)**	(128 650)
Non-current portion	**27 094**	18 919

22.1 Cash-settled – Tsogo Sun Share Appreciation Bonus Plan

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

Liabilities equal to the current fair values are recognised at each reporting date. The movement in the fair value of these liabilities is expensed.

The fair value is expensed over the period as services are rendered by the employees. In terms of the rules the fair values of the payments are determined using the seven-day volume weighted average trading price of the company's share prior to the determination of the fair value of the long-term incentive bonus. Dividends declared and paid are added to the trading price in determining the fair value.

The following table summarises details of the bonus units awarded to participants per financial year, the units vested at the end of the year and expiry dates of each allocation:

Grant date	Appreciation units granted and still outstanding		Strike price	Appreciation units vested and still outstanding		Expiry date	Group liability	
	2018	2017	**R**	**2018**	2017		**2018 R'000**	2017 R'000
1 April 2012	**–**	2 198 145	17.66	**–**	2 198 145	31 March 2018	**–**	32 071
1 October 2012	**96 398**	126 839	19.71	**96 398**	126 839	30 September 2018	**1 028**	1 540
1 April 2013	**4 450 589**	5 533 403	24.56	**4 450 589**	5 533 403	31 March 2019	**24 790**	39 010
1 October 2013	**137 200**	150 920	25.51	**137 200**	150 920	30 September 2019	**564**	844
1 April 2014	**6 279 865**	7 814 913	25.72	**6 279 865**	7 814 913	31 March 2020	**22 670**	40 175
1 October 2014	**116 054**	116 054	25.85	**116 054**	–	30 September 2020	**334**	422
1 April 2015	**6 122 937**	6 650 450	26.54	**6 122 937**	–	31 March 2021	**11 634**	15 155
1 October 2015	**104 385**	125 262	23.95	**–**	–	30 September 2021	**338**	336
1 April 2016	**7 975 525**	8 643 804	22.82	**–**	–	31 March 2022	**24 899**	18 016
1 October 2016	**128 328**	128 328	31.17	**–**	–	30 September 2022	**–**	–
1 April 2017	**7 473 372**	–	28.00	**–**	–	31 March 2023	**–**	–
1 October 2017	**435 419**	–	20.67	**–**	–	30 September 2023	**374**	–
Liability at 31 March							**86 631**	147 569
Average share price utilised to value the liability at 31 March							**R25.50**	R28.60

The group recognised a credit of R24 million (2017: R49 million expense) related to this bonus appreciation plan during the year.

	Group 2018 R'000	2017 R'000
23. PROVISIONS		
Rehabilitation provision		
Balance at the beginning of the year	**68 938**	67 256
Raised during the year	**11 768**	1 791
Utilised during the year	**(3 704)**	(109)
Balance at the end of the year	**77 002**	68 938
Leave pay		
Balance at the beginning of the year	**50 682**	34 214
Raised during the year	**20 644**	16 416
Reclassification	**–**	18 519
Transfer to disposal group liabilities held for sale	**(3 811)**	–
Disposal of subsidiaries	**–**	(2 778)
Utilised during the year	**(18 610)**	(15 689)
Balance at the end of the year	**48 905**	50 682
Staff bonuses		
Balance at the beginning of the year	**43 888**	46 992
Raised during the year	**60 513**	33 549
Reclassification	**–**	5 649
Transfer to disposal group liabilities held for sale	**(1 500)**	–
Utilised during the year	**(58 630)**	(42 302)
Balance at the end of the year	**44 271**	43 888
Repurchase of service		
Balance at the beginning of the year	**37 643**	56 162
Reclassification	**–**	(18 519)
Balance at the end of the year	**37 643**	37 643
Restructuring		
Balance at the beginning of the year	**224**	5 705
Raised during the year	**13 145**	224
Utilised during the year	**(9 378)**	(5 705)
Balance at the end of the year	**3 991**	224
Third-party claims		
Balance at the beginning of the year	**18 702**	14 232
Raised during the year	**7 370**	12 126
Utilised during the year	**(5 380)**	(7 656)
Balance at the end of the year	**20 692**	18 702
Jackpot provisions		
Balance at the beginning of the year	**10 327**	10 806
Raised during the year	**136 287**	139 313
Utilised during the year	**(140 244)**	(139 792)
Balance at the end of the year	**6 370**	10 327
Incentives		
Balance at the beginning of the year	**180 221**	214 519
Raised during the year	**189 203**	182 999
Utilised during the year	**(180 554)**	(217 297)
Balance at the end of the year	**188 870**	180 221

	Group 2018 R'000	2017 R'000
23. PROVISIONS continued		
Long-service awards		
Balance at the beginning of the year	**197 833**	181 826
Raised during the year	**26 819**	25 355
Utilised during the year	**(23 024)**	(9 348)
Balance at the end of the year	**201 628**	197 833
Royalty		
Balance at the beginning of the year	**2 276**	–
Raised during the year	**1 284**	1 141
Reclassification	**–**	2 718
Utilised during the year	**(1 004)**	(1 583)
Balance at the end of the year	**2 556**	2 276
Other		
Balance at the beginning of the year	**3 667**	26 452
Raised during the year	**8 715**	2 215
Reclassification	**–**	(8 367)
Transfer to disposal group liabilities held for sale	**(53)**	–
Disposal of subsidiaries	**–**	(8 089)
Unused amounts reversed	**(10)**	–
Utilised during the year	**(328)**	(8 544)
Balance at the end of the year	**11 991**	3 667
Total provisions	**643 919**	614 401
Non-current	**249 247**	278 496
Current	**394 672**	335 905
	643 919	614 401

Rehabilitation provision
Rehabilitation provisions are based on the group's environmental plans, in compliance with current regulatory requirements. Provision is made based on the net present value of the rehabilitation of coal mining sites.

The net present value of the provision for rehabilitation has been determined using a discount rate of 4.0% per annum (2017: 6.5% per annum) and an inflation rate of 5.0% per annum (2017: 5.0% per annum) and has been discounted over the expected lives of the Palesa and Mbali Mines and estimated settlement dates of the rehabilitation costs.

The periods used for discounting were (remaining life of mine):
Mbali Coal Proprietary Limited – 26 months
Palesa Coal Proprietary Limited – 25 years

Leave pay
This provision is raised in respect of accumulated annual leave days accrued to employees as the group has a present legal obligation as a result of past service provided by the employee. The timing of the settlement is uncertain given the nature of the provision.

Staff bonuses
This provision is recognised when the group has a present legal or constructive obligation as a result of past service provided by the employee. The timing and extent of claims settled remain uncertain until settlement occurs.

Repurchase of service
The provision is raised in respect of costs that will be payable to employees on completion of the restructuring of the bus industry by the Department of Transport. For all eligible employees, the group provides for 50% of one week's pay for each completed year of service. The remaining 50% is provided for by the Bus Industry Restructuring fund.

Restructuring
The group's branded products and manufacturing segment discontinued a division of its winelands textiles business and announced its intention to dispose of the outlaying branches of its office automation business during the year. These provisions relate to the remaining restructure and retrenchment costs associated with the discontinuation and disposal of the operations.

Third-party claims
Third-party claims are legal claims resulting from traffic accidents. Claims that are insured are excluded from this provision. The timing and extent of claims settled remain uncertain until settlement occurs. Where the group expects to be reimbursed under an insurance contract, the reimbursement is recognised as a separate asset.

Jackpot provisions
Provision is also made for the potential jackpot payouts on slot machines and table progressives and is based on the meter readings. Due to the nature of the jackpot provisions the timing of their utilisation is uncertain; however, it is not expected to be longer than 12 months.

Incentives
This is a provision for bonus plans based on a formula that takes into consideration the profit attributable to the subsidiary company's shareholders after certain adjustments and the performance of the respective employees. These criteria are only finalised after the subsidiary's year-end.

23. PROVISIONS continued

Long-service awards

This provision relates to 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.

Royalty

This provision was raised based on a judgement by the Supreme Court of Appeal regarding royalties payable by radio broadcasters to the South African Music Rights Association (SAMPRA). The judgement indicated that royalties of 3% of revenue should be paid in relation to performance royalties. The timing of the provision utilisation is uncertain; however, it is not expected to be longer than 12 months.

24. DEFERRED REVENUE AND INCOME

24.1 The Tsogo Sun group accounts for its hotel customer reward programmes in terms of IFRIC 13: Customer Loyalty Programmes with the liability on the statement of financial position allocated to deferred revenue, whilst the gaming customer reward programmes are accounted for in terms of IAS 39: Financial Instruments – Recognition and Measurement with this liability allocated to deferred income on the statement of financial position.

	Group	
	2018 R'000	2017 R'000
Deferred revenue		
At 1 April	**86 805**	73 706
Created during the year	**132 358**	117 998
Forfeitures during the year	**(30 804)**	(26 629)
Utilised during the year	**(93 434)**	(78 270)
At 31 March	**94 925**	86 805
The expected timing of the recognition of the deferred revenue is within three years as follows:		
Non-current	**31 326**	28 646
Current	**63 599**	58 159
	94 925	86 805
Deferred income		
At 1 April	**18 485**	22 848
Created during the year	**143 421**	138 987
Forfeitures during the year	**(8 984)**	(9 308)
Utilised during the year	**(134 290)**	(134 042)
At 31 March	**18 632**	18 485
Non-current portion	**–**	–
Current portion	**18 632**	18 485

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

24.2 Government grants receivable by the Deneb group relates to the Production Incentive Programme (PIP) established by the Department of Trade and Industry. The programme is an incentive offered to qualifying companies operating within the clothing and textile manufacturing industry.

	2018 R'000	2017 R'000
Deferred income		
Created during the year	**185 979**	–
Utilised during the year	**(23 965)**	–
At 31 March	**162 014**	–
Non-current portion	**(153 106)**	–
Current portion	**8 908**	–

24. DEFERRED REVENUE AND INCOME continued

24.3 Other subsidiaries in the group accounted for deferred revenue as follows:

	Group 2018 R'000	Group 2017 R'000
Deferred revenue		
Revenue deposits received	**20 144**	15 833
Transportation fees received in advance	**1 234**	1 157
At 31 March	**21 378**	16 990
Non-current portion	**–**	–
Current portion	**21 378**	16 990
Total deferred revenue and income		
Non-current	**184 432**	28 646
Current	**112 517**	93 634
	296 949	122 280

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
25. TRADE AND OTHER PAYABLES				
Trade payables	**1 303 766**	1 531 544	**–**	–
Accruals	**660 057**	698 271	**–**	–
Advance deposits	**149 466**	89 107	**–**	–
Operating lease liabilities	**56 720**	39 181	**–**	–
Other payables	**847 579**	852 308	**3 120**	1 861
	3 017 588	3 210 411	**3 120**	1 861

Fair value of trade and other payables
The carrying value approximates fair value because of the short period to settlement of these obligations.

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
26. BANK OVERDRAFTS				
Balance outstanding at 31 March	**2 033 702**	2 396 036	**181 293**	399 631

Overdrafts of R1 852.0 million (2017: R1 796.1 million) are secured by assets as part of the group's general borrowings. Refer to note 20.

Fair value of bank overdrafts
The carrying value of bank overdrafts approximates fair value due to the short-term maturity of these instruments.

	Group 2018 R'000	Group 2017 R'000
27. GOVERNMENT GRANTS		
Receivable balance for government grants brought forward	**57 873**	38 950
Total income from government grants, included in other operating expenses and income, recognised during the year	**–**	37 950
Total income from government grants, recognised as deferred income during the year	**42 271**	–
Total cash received from government grants during the year	**(52 376)**	(19 027)
Amount outstanding as at year-end	**47 768**	57 873

Government grants in the group relates to the Production Incentive Programme established by the Department of Trade and Industry. The programme is an incentive offered to qualifying companies operating within the clothing and textile manufacturing industry.

Amounts outstanding at the year-end are included under other receivables (refer to note 15).

There are no unfulfilled conditions or contingencies relating to the government assistance recognised.

28. COMMITMENTS

Operating lease arrangements where the group is a lessee:

	Group 2018 R'000	Group 2017 R'000
Future leasing charges:		
– Payable within one year	**324 000**	288 447
– Payable within two to five years	**772 820**	819 049
– Payable after five years	**1 535 344**	799 224
	2 632 164	1 906 720

The operating lease commitments relate mainly to leases of property within the group's portfolio of hotels, as well as the head offices of various subsidiaries. All operating lease contracts contain market review clauses in the event that the group exercises its option to renew. The group does not have the option to purchase the property at expiry of the lease period.

Operating lease arrangements where the group is a lessor:

	Group 2018 R'000	Group 2017 R'000
Future leasing charges:		
– Receivable within one year	**652 809**	607 387
– Receivable within two to five years	**1 581 312**	1 470 931
– Receivable after five years	**2 056 001**	2 056 902
	4 290 122	4 135 220

Operating leases relate to the investment property owned by the group with lease terms of between one and 30 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessees do not have an option to purchase the property at expiry of the lease period. A portion of the rental is contingent and based on the turnover of a lessee.

The group has a contracted commitment for its signal distribution as at 31 March 2018 amounting to R40 million within one year, R211 million after one year to five years and R184 million after five years with the contract date ending on 31 July 2028. The contracted commitments will be funded from the group's available bank facilities and retained profits.

Capital expenditure

	Group 2018 R'000	Group 2017 R'000
Authorised by directors but not yet contracted for:		
– Investment property	**199 165**	170 549
– Property, plant and equipment	**2 145 728**	5 347 159
– Intangible assets	**11 973**	10 720
– Programming rights	**–**	486 492
– Business combinations	**–**	77 897
	2 356 866	6 092 817
Authorised by directors and contracted to be expended:		
– Investment property	**68 935**	–
– Property, plant and equipment	**1 094 912**	976 799
– Intangible assets	**4 553**	304
– Programming rights	**395 627**	–
	1 564 027	977 103

It is intended that this expenditure will be funded from bank finance and operating cash flows.

	Group 2018 R'000	Group 2017* R'000	Company 2018 R'000	Company 2017 R'000
29. REVENUE				
Sale of goods	**4 160 344**	3 908 679	**–**	–
Provision of services	**9 778 978**	9 520 509	**80 000**	–
Property rental income	**1 021 218**	880 847	**–**	–
Dividends received				
– Associates	**–**	–	**1 405**	2 104
– Subsidiaries	**–**	–	**2 755 109**	1 126 055
	14 960 540	14 310 035	**2 836 514**	1 128 159
30. INVESTMENT INCOME				
Dividends				
Listed investments	**–**	14 168	**–**	–
Unlisted investments	**96 519**	70 000	**–**	–
	96 519	84 168	**–**	–
Interest				
Bank	**106 366**	92 415	**282**	97
Other	**101 605**	90 209	**–**	–
	207 971	182 624	**282**	97
	304 490	266 792	**282**	97
31. INVESTMENT SURPLUS				
Gain on disposal of land and mining rights	**134 030**	–	**–**	–
Gain on disposal of investment property	**–**	36 339	**–**	–
Gain on deemed disposal of financial asset classified as available-for-sale	**–**	46 250	**–**	–
Gain on disposal of subsidiary	**–**	6 074	**1 004 516**	79 409
	134 030	88 663	**1 004 516**	79 409
32. IMPAIRMENT OF GOODWILL AND INVESTMENTS				
Impairment of goodwill	**31 299**	3 958	**–**	–
Impairment of investments in subsidiaries**	**–**	–	**1 421 946**	608 822
Impairment of investments in associates	**72 598**	29 201	**–**	–
	103 897	33 159	**1 421 946**	608 822
33. FINANCE COSTS				
Interest	**1 678 266**	1 484 995	**23 755**	23 527
Preference dividends	**119 500**	121 480	**–**	–
	1 797 766	1 606 475	**23 755**	23 527

* Restated

** Impairments of investments in subsidiaries were recognised in respect of the company's underlying investments and did not affect goodwill recognised in the consolidated statement of financial position

	Group		Company	
	2018 R'000	2017* R'000	**2018 R'000**	2017 R'000
34. PROFIT BEFORE TAXATION				
The following items have been included in arriving at profit before taxation:				
Auditors' remuneration				
– Audit fees – current year	**60 835**	55 340	**644**	3 320
– Other services	**4 650**	5 715	**–**	–
Consultancy fees	**113 470**	103 282	**868**	578
Foreign exchange loss	**19 005**	37 799	**–**	–
Gaming levies	**942 018**	919 694	**–**	–
Government grant income	**(12 244)**	(36 483)	**–**	–
Cost of sales				
– Manufacturing	**2 435 948**	2 213 579	**–**	–
– Mining	**756 765**	731 746	**–**	–
Operating lease charges				
– Premises	**344 235**	321 696	**–**	–
– Plant and equipment	**108 733**	67 129	**–**	–
Pension fund contributions	**239 801**	215 488	**–**	–
Loss on disposal of property, plant and equipment	**3 647**	5 646	**–**	–
Research and development	**3 218**	5 770	**–**	–
Secretarial fees	**138**	40	**–**	–
Share-based payments	**26 765**	33 246	**–**	–
Staff costs	**4 753 208**	4 617 999	**–**	–
VAT on net gaming win	**982 955**	980 038	**–**	–
35. TAXATION				
South African taxes				
Current normal tax	**1 022 681**	958 130	**78**	27
Prior year normal tax	**30 063**	(13 647)	**59**	10
Deferred normal tax	**(592 403)**	121 138	**–**	–
Deferred tax – over provision prior year	**(23 903)**	(4 928)	**–**	–
Securities transfer tax	**–**	97	**–**	97
Withholding tax	**4 694**	5 747	**–**	–
	441 132	1 066 537	**137**	134
Various subsidiaries have incurred operating losses which result in losses for tax purposes.				
Losses for tax purposes available for set off against future taxable income and for which deferred tax assets have not been raised are estimated at:				
– Normal tax	**593 705**	854 082		
– Capital gains tax	**82 635**	305 180		
Tax relief at current rates:				
– Normal tax	**166 237**	239 143		
– Capital gains tax	**18 510**	68 360		

* Restated

	Group 2018 %	Group 2017* %	Company 2018 %	Company 2017 %
35. TAXATION continued				
Reconciliation of tax rate				
Normal tax rate	**28**	28	**28**	28
Deferred tax not raised on losses	**1**	3	**–**	–
Utilisation of tax losses	**(3)**	–	**–**	–
Capital losses and non-deductible expenses	**7**	1	**17**	38
Non-taxable income including share of associates' income	**(2)**	(8)	**(45)**	(66)
Derecognition of deferred tax liability on property, plant and equipment on sale to the group's REIT subsidiary	**(12)**	–	**–**	–
Differential tax rates – CGT and foreign	**(1)**	(2)	**–**	–
Effective rate	**18**	22	**–**	–

	Group 2018 R'000	Group 2017* R'000
The income tax relating to each component of other comprehensive income is set out below:		
Cash flow hedges	**20 921**	35 779
Available-for-sale investments	**(1 132)**	(10 879)
Revaluation of land and buildings	**(34 596)**	–
Actuarial gains on post-employment benefit liability	**(4 306)**	(229)

36. DISCONTINUED OPERATIONS

	Group 2018 R'000	Group 2017* R'000
Losses for the year from discontinued operations	**(102 470)**	(455 516)

36.1 During the current year a decision was made by the Deneb board of directors to rationalise the operations of the Berg River textiles division as well as its branded sporting goods' international activities. A decision was further made to concentrate the automation business on the Gauteng market. Certain outlying branches of the automation business have already been sold to external parties who will continue servicing customers in these regions.

Loss from discontinued operations relating to Deneb Investments Limited

	Group 2018 R'000	Group 2017* R'000
Revenue	**205 072**	240 001
Other operating expenses and income	**(264 713)**	(254 100)
Asset impairments	**(11 736)**	–
Finance costs	**(9 711)**	(9 824)
Loss before taxation	**(81 088)**	(23 923)
Taxation	**–**	–
Loss after taxation	**(81 088)**	(23 923)

Cash flows from discontinued operations

	Group 2018 R'000	Group 2017* R'000
Cash flows from operating activities	**(37 536)**	(9 581)

* Restated

	Group 2018 R'000	2017* R'000
36. DISCONTINUED OPERATIONS continued		

36.2 During the year ended 31 March 2015 a decision was made by the eMedia board of directors to dispose of the group's interest in various loss-making subsidiaries and associates within media interests. During the current year the eMedia board of directors took a decision to also dispose of the group's interest in Silverline Three Sixty Proprietary Limited.

(Loss)/profit from discontinued operations relating to eMedia Holdings Limited

	2018 R'000	2017* R'000
Revenue	**246 317**	301 528
Other operating expenses and income	**(218 427)**	(239 674)
Investment income	**1 749**	1 583
Depreciation and amortisation	**(36 591)**	(33 863)
Finance costs	**(7 622)**	(7 140)
Gain/(loss) on disposal of subsidiaries	**4 750**	(58 623)
Foreign currency translation reserves reclassified to profit and loss on disposal	**723**	104 403
(Loss)/profit before taxation	**(9 101)**	68 214
Taxation	**(4 393)**	(9 304)
(Loss)/profit after taxation	**(13 494)**	58 910
Cash flows from discontinued operations		
Cash flows from operating activities	**13 417**	19 890
Cash flows from investing activities	**(4 972)**	(10 934)
Cash flows from financing activities	**(2 796)**	(1 049)
	5 649	7 907

Refer to note 16.2 for details of assets and liabilities relating to the above discontinued operations that have been classified as held for sale.

36.3 During March 2017 the Niveus group contracted to dispose of subsidiaries Jacaranda Royal Casino Limited, VSlots Lesotho Proprietary Limited and VSlots Swaziland Proprietary Limited. During the current year a decision was made by the board of directors to dispose of the group's interest in VBETSA North West Proprietary Limited. All these subsidiaries were disposed of during the current year.

Loss from discontinued operations relating to Niveus Investments Limited

	2018 R'000	2017* R'000
Revenue	**–**	47
Net gaming win	**882**	4 000
Other operating expenses and income	**8 974**	(5 846)
Depreciation and amortisation	**(13)**	(1 301)
Finance costs	**(2)**	(3)
Loss on disposal of subsidiaries	**(18 454)**	–
Foreign currency translation reserves reclassified to profit and loss on disposal	**725**	–
Loss before taxation	**(7 888)**	(3 103)
Taxation	**–**	–
Loss after taxation	**(7 888)**	(3 103)
Cash flows from discontinued operations		
Cash flows from operating activities	**51**	(2 216)
Cash flows from investing activities	**(161)**	1 571
Cash flows from financing activities	**556**	–
	446	(645)

Refer to note 16.3 for details of assets and liabilities relating to the above discontinued operations that have been classified as held for sale.

* Restated

	Group 2018 R'000	2017 R'000
36. DISCONTINUED OPERATIONS continued		
36.4 During May 2016 a decision was made to dispose of the operating assets of KWV Holdings. These were disposed of in October 2016.		
Loss from discontinued operations relating to Niveus Investments Limited		
Revenue	–	566 898
Other operating expenses and income	–	(485 174)
Investment income	–	411
Depreciation and amortisation	–	(3 911)
Impairment of goodwill and investments	–	(85)
Loss on disposal of business assets	–	(503 629)
Finance costs	–	(688)
Loss before taxation	–	(426 178)
Taxation	–	103 026
Loss after taxation	–	(323 152)
Cash flows from discontinued operations		
Cash flows from operating activities	–	34 407
Cash flows from investing activities	–	(16 766)
	–	17 641
36.5 During August 2016 the group disposed of its Australian-based subsidiary, HCI Investments Australia (including Oceania Capital Partners).		
Loss from discontinued operations relating to HCI Investments Australia		
Revenue	–	211 561
Other operating expenses and income	–	(184 112)
Investment income	–	3 498
Depreciation and amortisation	–	(1 799)
Investment surplus	–	618
Share of profits of associates and joint arrangements	–	4 701
Fair value adjustments of financial instruments	–	585
Finance costs	–	(3 310)
Loss on disposal of subsidiary	–	(344 723)
Foreign currency translation reserves reclassified to profit and loss on disposal	–	149 396
Loss before taxation	–	(163 585)
Taxation	–	(3 972)
Loss after taxation	–	(167 557)
Cash flows from discontinued operations		
Cash flows from operating activities	–	8 878
Cash flows from investing activities	–	(180 187)
Cash flows from financing activities	–	(18 383)
	–	(189 692)

	Group 2018 R'000	2017 R'000
36. DISCONTINUED OPERATIONS continued		
36.6 During September 2016 the group disposed of its information technology operations, Mars Holdings (including Syntell).		
Profit from discontinued operations relating to Mars Holdings		
Revenue	–	149 004
Other operating expenses and income	–	(124 730)
Investment income	–	2 524
Depreciation and amortisation	–	(9 696)
Finance costs	–	(1 514)
Loss on disposal of subsidiary	–	(7 914)
Profit before taxation	–	7 674
Taxation	–	(4 365)
Profit after taxation	–	3 309
Cash flows from discontinued operations		
Cash flows from operating activities	–	8 720
Cash flows from investing activities	–	(70 886)
Cash flows from financing activities	–	(2 425)
	–	(64 591)

	Group 2018 R'000	Group 2017 R'000
37. EARNINGS PER SHARE		
37.1 Earnings per share as presented on the statement of profit and loss is based on the weighted average number of 88 411 842 ordinary shares in issue (2017: 94 281 987).		
37.2 Diluted earnings per share is based on the weighted average number of 88 972 099 ordinary shares in issue (2017: 95 336 292).		
Reconciliation of weighted average number of shares		
Used in calculation of earnings per share	**88 411 842**	94 281 987
Options outstanding in employee share scheme	**560 257**	1 054 305
Used in calculation of diluted earnings per share	**88 972 099**	95 336 292
37.3 Headline earnings per share (cents)*	**1 316.04**	1 385.22
– Continuing operations	**1 388.88**	1 357.29
– Discontinued operations	**(72.84)**	27.93
Diluted headline earnings per share (cents)*	**1 307.76**	1 369.90
– Continuing operations	**1 380.14**	1 342.28
– Discontinued operations	**(72.38)**	27.62

* Restated

	2018 Gross R'000	2018 Net R'000	2017 Gross R'000	2017 Net R'000
Reconciliation of headline earnings:				
Earnings attributable to equity holders of the parent		**939 749**		1 237 909
Gain on bargain purchase	**–**	**–**	(81 764)	(35 463)
Impairment of goodwill	**31 299**	**13 415**	3 958	1 552
Loss on disposal of business assets	**–**	**–**	503 629	113 178
Gains on disposal of property	**(63 600)**	**(49 354)**	–	–
Losses on disposal of plant and equipment	**2 910**	**2 450**	5 660	1 575
Impairment of property, plant and equipment	**111 124**	**47 024**	7 655	1 788
Foreign currency translation reserve recycled	**(1 448)**	**(686)**	(253 799)	(216 292)
Losses from disposal/part disposal of subsidiary	**13 704**	**7 633**	405 186	391 839
Impairment of associates and joint arrangements	**72 598**	**31 237**	29 286	11 989
Reversal of impairment of assets	**(77)**	**(46)**	–	–
Profits on disposal of intangible assets	**(70 430)**	**(55 370)**	–	–
Impairment of intangible assets	**831 028**	**286 374**	8 281	2 639
Recycle of fair value reserves relating to available-for-sale financial instruments	**–**	**–**	(46 250)	(20 060)
Profits on disposal of investment property	**–**	**–**	(36 339)	(7 973)
Fair value adjustment to investment property	**72 604**	**(2 820)**	(941 655)	(258 748)
Impairment of non-current assets held for sale	**1 307**	**617**	–	–
Insurance claim for capital assets	**(30)**	**(18)**	–	–
Remeasurements included in equity-accounted earnings of associates and joint arrangements	**(60 371)**	**(56 663)**	82 992	82 077
Headline profit		**1 163 542**		1 306 010

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
38. NOTES TO THE CASH FLOW STATEMENT				
38.1 Cash generated by operations				
Profit for the year	**1 976 383**	3 274 477	**2 378 579**	555 689
Taxation	**445 525**	981 152	**137**	134
Depreciation and amortisation	**1 434 491**	1 428 204	**–**	–
Share-based payments	**13 509**	13 084	**–**	–
Loss on disposal of plant and equipment	**2 910**	5 660	**–**	–
Impairment of goodwill and investments	**103 897**	33 244	**1 421 946**	608 822
Other impairments	**963 674**	25 134	**–**	–
Equity-accounted (profits)/losses retained in subsidiaries	**(102 967)**	70 051	**–**	–
Forex translation	**(3 035)**	17 393	**–**	–
Fair value adjustments of investment properties	**72 604**	(941 655)	**–**	–
Fair value adjustments of financial instruments	**23 690**	(585)	**–**	–
Investment income	**(306 239)**	(274 808)	**(282)**	(97)
Preference dividends and interest	**1 815 101**	1 628 954	**23 755**	23 527
Non-cash dividends received	**–**	–	**(2 031 119)**	(325 067)
Gain on bargain purchase	**–**	(81 764)	**–**	–
Investment surplus	**(134 030)**	(89 281)	**(1 004 516)**	(79 409)
Movement in provisions	**378 181**	359 221	**–**	–
Operating equipment usage	**60 763**	59 573	**–**	–
Post-retirement medical aid benefits	**17 574**	16 948	**–**	–
Long-term incentive charges	**(24 413)**	48 829	**–**	–
Loss on disposal of discontinued operations	**12 256**	661 090	**–**	–
Operating lease equalisation asset	**(26 137)**	(40 148)	**–**	–
Impairment reversals	**(40 653)**	–	**–**	–
Other non-cash items	**111 920**	80 711	**(80 000)**	–
	6 795 004	7 275 484	**708 500**	783 599
38.2 Changes in working capital				
Inventory	**78 726**	(81 506)	**–**	–
Programming rights	**(4 430)**	(375 270)	**–**	–
Trade and other receivables	**733 414**	141 307	**(1 310)**	289
Trade and other payables	**(1 045 176)**	(216 455)	**1 259**	21
	(237 466)	(531 924)	**(51)**	310
38.3 Taxation paid				
Unpaid at the beginning of the year	**(23 005)**	(3 775)	**(10)**	(1 518)
Charged to the statement of profit and loss	**(1 056 712)**	(979 633)	**(137)**	(134)
Business combinations/(disposal of subsidiaries)	**1 966**	(8 014)	**–**	–
Foreign exchange difference	**3 060**	4 009	**–**	–
Withholding tax	**(4 694)**	(5 747)	**–**	–
Unpaid at the end of the year	**111 109**	23 005	**65**	10
	(968 276)	(970 155)	**(82)**	(1 642)

38. NOTES TO THE CASH FLOW STATEMENT continued

38.4 Business combinations/disposals

	Group 2018 R'000	Group 2017 R'000
Net cash outflow from acquisitions	**(103 325)**	(177 881)
Net cash (outflow)/inflow from disposals	**(6 598)**	408 516
	(109 923)	230 635

38.4.1 Acquisitions

	Group 2018 R'000	Group 2017 R'000
Property, plant and equipment	**(4 238)**	(1 162 209)
Investment property	**–**	(4 185 475)
Intangible assets	**(3 228)**	(27 852)
Deferred tax asset	**(346)**	–
Investment in associates	**–**	(317)
Other non-current assets	**–**	(6 163)
Trade and other receivables	**(77 797)**	(69 508)
Inventory	**(38 208)**	(22 221)
Current income tax assets	**(1 966)**	–
Cash and cash equivalents	**(1 288)**	(213 469)
Deferred tax liability	**–**	10 965
Interest-bearing borrowings	**–**	1 740 859
Other non-current liabilities	**953**	2 316
Interest-bearing borrowings – current portion	**–**	103 690
Trade and other payables	**55 249**	72 347
Current income tax liabilities	**–**	10 737
Long-term incentive liabilities	**–**	3 452
Provisions – current portion	**–**	30
Bank overdrafts	**38 598**	1 321
Other current liabilities	**314**	67 860
	(31 957)	(3 673 637)
Non-controlling interest	**1 536**	1 591 929
Interest already owned	**1 651**	297 708
Gain on bargain purchase	**–**	81 764
Goodwill	**(37 245)**	(24 822)
Cash and cash equivalents at date of acquisition	**(37 310)**	212 148
Purchase consideration in the form of hotel assets	**–**	1 320 606
Deposit for share previously paid	**–**	2 672
Asset – deferred payments (fair value)	**–**	3 751
Contingent consideration	**–**	10 000
Net cash outflow	**(103 325)**	(177 881)

	Group 2018 R'000	Group 2017 R'000
38. NOTES TO THE CASH FLOW STATEMENT continued		
38.4 Business combinations/disposals continued		
38.4.2 Disposals		
Property, plant and equipment	**4 599**	579 410
Goodwill	**–**	213 368
Intangible assets	**13 188**	314 467
Investments in associates	**–**	5 463
Investments in joint arrangements	**–**	73 320
Other financial assets	**–**	185 295
Deferred tax asset	**1 815**	3 289
Inventories	**–**	1 129 066
Other financial assets – current	**42**	175 942
Trade and other receivables	**884**	400 402
Current income tax assets	**–**	4 618
Cash and cash equivalents	**189**	279 928
Other financial liabilities	**(2 324)**	(1 140)
Interest-bearing borrowings	**–**	(127 746)
Deferred tax liability	**–**	(3 908)
Trade and other payables	**(1 650)**	(322 192)
Other financial liabilities – current	**(10 907)**	(5 992)
Interest-bearing borrowings – current portion	**–**	(32 076)
Current income tax liabilities	**–**	(7 340)
Provisions	**–**	(11 056)
Other current liabilities	**–**	(6 125)
	5 836	2 846 993
Non-controlling interest	**7 688**	(319 422)
Disposal proceeds set off against repurchase consideration	**–**	(325 067)
Deferred disposal proceeds	**(6 229)**	(605 245)
Loss on disposal	**(13 704)**	(908 815)
Cash and cash equivalents at date of disposal	**(189)**	(279 928)
Net cash (outflow)/inflow	**(6 598)**	408 516

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
38.5 Cash and cash equivalents				
Bank balances and deposits	**3 723 805**	4 060 178	**2 228**	67 736
Bank overdraft and loans	**(2 033 702)**	(2 396 036)	**(181 293)**	(399 631)
Cash in disposal group assets held for sale	**31 396**	9 221	**–**	–
	1 721 499	1 673 363	**(179 065)**	(331 895)

Fair value of cash and cash equivalents
The carrying value of cash and cash equivalents approximates fair value due to the short-term maturity of these instruments.

Encumbrances
Details of assets that serve as security for borrowings are presented in note 20.

39. HCI EMPLOYEE SHARE OPTION SCHEME

The group operates a share option scheme, The HCI Employee Share Scheme (the Scheme), in terms of which shares in the group are offered on a share option basis to participants, provided they remain in the group's employ until the options vest. Any gain realised on the exercise of these options is settled on a net equity basis, whereby the participant receives that number of shares that equates in value to the gain made on exercise date.

Options must be exercised within six months of the vesting date, whereafter the options lapse. Options vest over periods of three to five years. These vesting periods may be varied by the board of directors.

In terms of The HCI Employee Share Trust (2001), the previous option scheme, shares in the group were offered either on a share option or on a combined share option and deferred sale basis. Participants had to exercise options to purchase shares in tranches within periods of three to seven years from the grant date at the exercise price, provided that they remained in the group's employ until the options vested. Options not exercised within the specified time periods lapsed. Options vested over periods of three to seven years. These vesting periods could be varied by the trustees of the scheme. Participants are required to pay for the shares between five and ten years from the date of grant. All options issued in terms of this scheme have become unconditional and the relating shares delivered. No options have been issued in terms of this scheme since the implementation of The HCI Employee Share Scheme.

Share options granted to eligible participants that have not yet become unconditional:

	2018		2017	
	Number of share options	**Weighted average exercise price R**	Number of share options	Weighted average exercise price R
Balance at the beginning of the year	**1 649 452**	**107.65**	1 770 367	99.66
Options granted	**–**	**–**	409 518	117.03
Options that became unconditional	**(693 061)**	**85.81**	(518 690)	87.45
Options forfeited	**–**	**–**	(11 743)	122.62
Balance at the end of the year	**956 391**	**123.47**	1 649 452	107.65

The fair value of options granted is measured using the Black-Scholes model. Share options granted in the prior year were fairly valued using a volatility indicator of 29% and an annual interest rate of 7%. No options were granted in the current year. The cost relating to options is recognised by allocating the fair value over the vesting period on a straight-line basis.

The volume weighted average share price during the current year was R134.95 (2017: R130.10).

	Number of share options	Exercise price R
The options issued in terms of the Scheme and outstanding at 31 March 2018 become unconditional between the following dates:		
18 March 2018 and 18 September 2018	129 507	135.99
19 March 2018 and 19 September 2018	39 695	125.02
27 August 2018 and 27 February 2019	304 501	123.49
27 August 2018 and 27 February 2019	16 738	150.07
19 March 2019 and 19 September 2019	39 695	125.02
27 August 2019 and 27 February 2020	16 737	150.07
26 September 2019 and 26 March 2020	395 670	117.03
26 September 2020 and 26 March 2021	6 924	117.03
26 September 2021 and 26 March 2022	6 924	117.03
	956 391	

A maximum number of 583 971 (2017: 711 491) shares may be issued in respect of 956 391 (2017: 1 157 054) options issued in terms of the Scheme.

The maximum number of shares that may be utilised for the purposes of the Scheme is 10 500 000 shares. In addition to the options in issue at the reporting date and shares already delivered to participants, a further 9 317 315 (2017: 9 233 368) shares may be utilised by the Scheme. No (2017: 409 518) options were issued in terms of the Scheme during the year and 43 573 shares were delivered to participants (2017: 80 387).

	2018 Number of share options	2018 Weighted average exercise price R	2017 Number of share options	2017 Weighted average exercise price R
39. HCI EMPLOYEE SHARE OPTION SCHEME continued				
Options granted to executive directors:				
JA Copelyn				
Balance at the beginning of the year	**620 464**	**97.61**	600 115	97.13
Options granted	**–**	**–**	123 956	117.03
Options vested and shares delivered	**(321 202)**	**73.15**	(103 607)	118.06
Balance at the end of the year	**299 262**	**123.86**	620 464	97.61
Unconditional between the following dates:				
29 June 2008 and 28 June 2014	**–**	**–**	308 571	70.00
27 August 2017 and 27 February 2018	**–**	**–**	12 631	150.07
18 March and 18 September 2018	**72 864**	**135.99**	72 864	135.99
27 August 2018 and 27 February 2019	**102 442**	**123.49**	102 442	123.49
26 September 2019 and 26 March 2020	**123 956**	**117.03**	123 956	117.03
TG Govender				
Balance at the beginning of the year	**211 727**	**105.33**	202 681	105.17
Options granted	**–**	**–**	78 692	117.03
Options vested and shares delivered	**(93 772)**	**84.20**	(69 646)	118.06
Balance at the end of the year	**117 955**	**122.13**	211 727	105.33
Unconditional between the following dates:				
29 June 2008 and 28 June 2014	**–**	**–**	77 143	70.00
27 August 2017 and 27 February 2018	**–**	**–**	16 629	150.07
18 March and 18 September 2018	**27 879**	**135.99**	27 879	135.99
27 August 2018 and 27 February 2019	**11 384**	**123.49**	11 384	123.49
26 September 2019 and 26 March 2020	**78 692**	**117.03**	78 692	117.03
Y Shaik				
Balance at the beginning of the year	**134 809**	**124.44**	126 440	124.93
Options granted	**–**	**–**	8 369	117.03
Options vested and shares delivered	**(39 696)**	**125.02**	–	–
Balance at the end of the year	**95 113**	**124.20**	134 809	124.44
Unconditional between the following dates:				
19 March and 19 September 2017	**–**	**–**	39 696	125.02
19 March and 19 September 2018	**39 695**	**125.02**	39 695	125.02
19 March and 19 September 2019	**39 695**	**125.02**	39 695	125.02
27 August 2018 and 27 February 2019	**7 354**	**123.49**	7 354	123.49
26 September 2019 and 26 March 2020	**8 369**	**117.03**	8 369	117.03

39. HCI EMPLOYEE SHARE OPTION SCHEME continued

The following loans were advanced in terms of The HCI Employee Share Trust (2001) in respect of the strike price of options issued in terms of that scheme. These loans are interest free and are repayable within five years of the options' vesting date.

	2018 R'000	2017 R'000
JA Copelyn		
Payable by 17 June 2018	10 411	10 411
TG Govender	3 983	7 316
Payable by 11 June 2017	–	3 333
Payable by 17 June 2018	3 983	3 983

40. DIRECTORS' SHAREHOLDINGS

	Direct beneficial		Indirect beneficial		Associates	
	Number	Percentage holding %	Number	Percentage holding %	Number	Percentage holding %
2018						
Executive directors						
JA Copelyn	145 565	0.2	6 468 177	7.0	–	–
TG Govender	216 447	0.2	17 250	–	698 828	0.8
Y Shaik	3 223	–	–	–	–	–
	365 235	0.4	6 485 427	7.0	698 828	0.8
2017						
Executive directors						
JA Copelyn	145 565	0.2	5 612 521	6.0	–	–
TG Govender	232 465	0.3	17 250	–	604 244	0.6
	378 030	0.5	5 629 771	6.0	604 244	0.6

Other than as noted there were no changes in directors' shareholdings between 31 March 2018 and the date of issue of this report.

41. DIRECTORS' EMOLUMENTS

	Board fees R'000	Salary R'000	Other benefits R'000	Gains from share options R'000	Bonus R'000	Total R'000
2018						
Executive directors						
JA Copelyn	–	6 980	816	4 051	3 927	15 774
TG Govender	–	2 271	425	1 715	1 107	5 518
Y Shaik	–	3 609	–	1 371	1 758	6 738
Non-executive directors						
JG Ngcobo	1 021[1]	–	–	–	–	1 021
MF Magugu	352[2]	–	–	–	–	352
ML Molefi	545[3]	–	–	–	–	545
MSI Gani	1 019[4]	–	–	–	–	1 019
NM Mhlangu	287	–	–	–	–	287
R Watson	751[5]	–	–	–	–	751
VE Mphande	1 152[6]	–	–	–	–	1 152
	5 127	12 860	1 241	7 137	6 792	33 157

[1] Includes R85 177 audit committee fees, R27 151 remuneration committee fees, R27 151 social and ethics committee fees and R603 000 board fees paid by subsidiary companies
[2] Includes R73 209 remuneration committee fees
[3] Includes R85 177 audit committee fees, R27 151 remuneration committee fees, R27 151 social and ethics committee fees and R127 000 board fees paid by subsidiary companies
[4] Includes R128 387 audit committee fees and R579 000 board fees paid by subsidiary companies
[5] Includes R472 000 board fees paid by subsidiary companies
[6] Includes R873 000 board fees paid by subsidiary companies

	Board fees R'000	Salary R'000	Other benefits R'000	Gains from share options R'000	Bonus R'000	Total R'000
2017						
Executive directors						
JA Copelyn	–	6 493	833	3 803	4 870	15 999
TG Govender	–	3 380	585	1 640	1 690	7 295
Y Shaik	–	3 355	–	1 311	2 181	6 847
Non-executive directors						
JG Ngcobo	917[1]	–	–	–	–	917
MF Magugu	330[2]	–	–	–	–	330
ML Molefi	539[3]	–	–	–	–	539
MSI Gani*	495[4]	–	–	–	–	495
NM Mhlangu**	8	–	–	–	–	8
R Watson	657[5]	–	–	–	–	657
VE Mphande	804[6]	–	–	–	–	804
	3 750	13 228	1 418	6 754	8 741	33 891

* Appointed 30 August 2016
** Appointed 23 March 2017
[1] Includes R107 667 audit committee fees, R18 094 remuneration committee fees, R4 967 social and ethics committee fees and R525 000 board fees paid by subsidiary companies
[2] Includes R68 667 remuneration committee fees
[3] Includes R107 667 audit committee fees, R13 125 remuneration committee fees, R9 938 social and ethics committee fees and R147 000 board fees paid by subsidiary companies
[4] Includes R63 917 audit committee fees and R267 000 board fees paid by subsidiary companies
[5] Includes R396 000 board fees paid by subsidiary companies
[6] Includes R543 000 board fees paid by subsidiary companies

42. SEGMENT INFORMATION

The following are the summarised results for the various reportable operating segments:

	Revenue 2018 R'000	Revenue 2017* R'000	Net gaming win 2018 R'000	Net gaming win 2017 R'000
Continuing operations				
Media and broadcasting	**2 196 250**	2 303 112	**–**	–
Gaming and hotels**	**6 067 285**	5 748 169	**8 841 724**	8 805 745
Transport	**1 808 472**	1 682 964	**–**	–
Properties	**503 354**	469 615	**–**	–
Mining	**1 202 161**	1 093 957	**–**	–
Branded products and manufacturing***	**3 158 125**	3 010 187	**–**	–
Other	**24 893**	2 031	**–**	–
	14 960 540	14 310 035	**8 841 724**	8 805 745
Discontinued operations				
Media and broadcasting	**246 317**	350 984	**–**	–
Information technology	**–**	149 004	**–**	–
Beverages	**–**	566 898	**–**	–
Branded products and manufacturing	**205 072**	240 001	**–**	–
Other****	**–**	162 152	**882**	4 000
	451 389	1 469 039	**882**	4 000

	Segment result (profit before tax) 2018 R'000	Segment result (profit before tax) 2017* R'000
Continuing operations		
Media and broadcasting	**(21 278)**	248 790
Gaming and hotels**	**1 967 850**	4 018 672
Transport	**333 832**	331 566
Properties	**126 307**	265 257
Mining	**361 722**	142 212
Branded products and manufacturing***	**(596)**	148 583
Other	**(247 852)**	(358 550)
	2 519 985	4 796 530

	Segment result (loss after tax) 2018 R'000	Segment result (loss after tax) 2017* R'000
Discontinued operations		
Media and broadcasting	**(13 494)**	70 419
Information technology	**–**	3 309
Beverages	**–**	(323 152)
Branded products and manufacturing	**(81 088)**	(23 923)
Other****	**(7 888)**	(182 169)
	(102 470)	(455 516)

* Restated

** Non-casino gaming results from continuing operations reclassified to the gaming and hotels segment in the current and prior year

*** Vehicle component manufacture operations' results and net assets reclassified to the branded products and manufacturing segment in the current and prior year

**** Non-casino gaming results from discontinued operations reclassified to the other segment in the current and prior year

42. SEGMENT INFORMATION continued

	Assets		Liabilities	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Media and broadcasting	**3 226 240**	3 542 545	**1 263 392**	1 488 696
Gaming and hotels	**55 185 720**	55 309 153	**25 007 607**	25 119 467
Transport	**2 200 463**	1 573 661	**894 242**	843 695
Mining	**597 499**	710 139	**230 746**	221 294
Properties	**4 022 121**	3 454 399	**2 192 288**	1 867 809
Branded products and manufacturing***	**3 407 193**	3 285 943	**1 757 733**	1 504 343
Other	**1 682 977**	2 659 923	**3 315 200**	3 370 584
	70 322 213	70 535 763	**34 661 208**	34 415 888

	Property, plant and equipment additions		Depreciation and amortisation	
	2018 R'000	2017 R'000	**2018 R'000**	2017* R'000
Media and broadcasting	**57 322**	78 104	**89 722**	96 768
Gaming and hotels**	**1 276 763**	1 259 074	**1 015 149**	988 986
Information technology	**–**	11 875	**–**	–
Transport	**254 983**	224 273	**112 076**	99 705
Beverages	**–**	10 356	**–**	–
Properties	**15 361**	11 499	**7 815**	6 877
Mining	**28 685**	41 218	**88 860**	103 935
Branded products and manufacturing***	**114 953**	78 145	**51 575**	47 143
Other	**71 836**	80 677	**32 690**	34 220
	1 819 903	1 795 221	**1 397 887**	1 377 634

Amounts applicable to associates and joint arrangements included above:

	Equity-accounted earnings/(losses)		Investment in associates and joint arrangements	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Media and broadcasting	**1 289**	(2 240)	**106 967**	166 510
Gaming and hotels**	**57 735**	30 435	**640 824**	669 313
Transport	**7 283**	6 837	**18 343**	16 757
Properties	**3 382**	15 128	**70 201**	61 493
Other	**33 278**	(124 912)	**883 612**	540 709
	102 967	(74 752)	**1 719 947**	1 454 782

* Restated
** Non-casino gaming results from continuing operations reclassified to the gaming and hotels segment in the current and prior year
*** Vehicle component manufacture operations' results and net assets reclassified to the branded products and manufacturing segment in the current and prior year

42. SEGMENT INFORMATION continued

	Impairments[1] 2018 R'000	Impairments[1] 2017 R'000
Media and broadcasting	**95 483**	32 202
Gaming and hotels**	**955 520**	24 201
Branded products and manufacturing***	**13 249**	115
Beverages	**–**	85
Other	**3 319**	1 775
	1 067 571	58 378

	Group 2018 R'000	Group 2017* R'000
Group income is attributable to the following geographical areas:		
South Africa	**23 134 534**	22 469 691
Other African countries and Middle East	**665 011**	646 089
Europe and United Kingdom	**2 719**	–
	23 802 264	23 115 780
Non-current assets[2] of the group are held in the following geographical areas:		
South Africa	**56 385 247**	56 932 289
Other African countries and Middle East	**2 096 128**	2 204 695
Europe and United Kingdom	**1 285 244**	515 393
	59 766 619	59 652 377

* Restated
** Non-casino gaming results from continuing operations reclassified to the gaming and hotels segment in the current and prior year
*** Vehicle component manufacture operations' results and net assets reclassified to the branded products and manufacturing segment in the current and prior year
1 Includes impairment in discontinued operations
2 Excludes financial instruments, deferred tax assets and post-employment benefit assets

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
43. RELATED PARTY TRANSACTIONS				
43.1 The group entered into transactions in the ordinary course of business with various owned subsidiaries and associated companies.				
Dividends received by the company are as follows:				
– Subsidiaries	**–**	–	**2 755 109**	1 126 055
– Associates	**–**	–	**1 405**	2 104
Assignment income received from subsidiaries	**–**	–	**80 000**	–
Details of loans to and from these entities are set out in note 6 and annexure A.				
43.2 Key management compensation was paid as follows:				
Salaries and other short-term employee benefits	**283 621**	270 761	**–**	–

Details of directors' remuneration are disclosed in note 41 to the financial statements.

	Number of shares '000	Repurchase amount R'000
43. RELATED PARTY TRANSACTIONS continued		
43.3 During the current year the group completed the specific repurchase of its shares from the following entities:		
The HCI Foundation*	**2 688**	**376 320**

* Certain directors of the company, Mr JA Copelyn and Mr TG Govender, serve as trustees of this entity.

44. CONTINGENCIES

Group

The group has established bank guarantees in favour of the Department of Mineral Resources against the future rehabilitation of its operations as follows:

- Mbali Coal Proprietary Limited – R35.4 million
- Palesa Coal Proprietary Limited – R30.2 million
- Nokuhle Coal Proprietary Limited – R5.2 million

The group has registered a Rehabilitation Trust Fund into which an amount of R14.5 million was transferred in the financial year ended 31 March 2012 for the purposes of rehabilitation at Palesa Colliery.

The group has also established bank guarantees in favour of Eskom Holdings Limited amounting to R2.4 million.

During the year ended 31 March 2018 Palesa Coal Proprietary Limited and Mbali Coal Proprietary Limited received letters of demand from SARS with regards to an investigation conducted by them on diesel refunds claimed under the South African Customs and Excise Act, 91 of 1964. As per the notifications, the SARS Commissioner has disallowed diesel refunds in the amount of R25.3 million (excluding interest) for the period February 2015 to May 2017. Interest calculated on the above amount as at 31 March 2018 amounts to R3.8 million. The group has successfully applied to SARS to suspend payment and has also lodged an appeal with the SARS Commissioner. The group has disputed the disallowance of diesel refunds and believes it has a defendable case. However, an amount has been included in trade and other payables in consideration of the SARS' view of non-primary activities.

The group has entered into various agreements with its bankers and the respective gambling boards whereby the bank has guaranteed agreed capital amounts not exceeding R175 million (2017: R159 million) for gambling board taxes and working capital. The group has also entered into various agreements with its bankers and respective utility boards and municipalities whereby the bank has guaranteed agreed capital amounts not exceeding R19 million (2017: R19 million) for utility expenses. Landlord rental guarantees amounting to R5 million have also been provided through bank guarantees.

In terms of the 90-year Notarial Deed of Lease entered into with the Khara Hais Municipality, a subsidiary, Kalahari Village Mall Proprietary Limited, will have an obligation to pay rent to the lessor, monthly in arrears, from the date of commencement of trade of the Kalahari Village Mall shopping centre. The monthly rent payable will be calculated as per the following formula:

- for the first 15 years after commencement of trade: 5% of income after deduction of operating expenses; and
- for the remaining 75 years of the lease period : 8% of income after deduction of operating expenses.

Arbitration proceedings are in process against Ithuba Holdings (RF) Proprietary Limited (Ithuba) relating to the premature repayment of a loan granted to Ithuba by the group. The loan was unsecured and was to be repaid in instalments of R50 million each on 29 April 2021, 29 April 2022 and 29 April 2023. It bore interest at a rate of 38.99% (calculated as a 25% nominal annual interest rate compounded monthly, accrued daily, and grossed up at the income tax rate of 28% applicable to companies). The loan was repaid, being a purported premature repayment, by Ithuba on 28 September 2016.

44. CONTINGENCIES continued

Company

- Guarantees in favour of The Standard Bank of South Africa Limited and Rand Merchant Bank Limited in respect of the obligations of a subsidiary, HCI Coal Proprietary Limited. The amount of the guarantees is limited to R99 million (2017: R64 million).
- Guarantees in favour of Sasol Oil Proprietary Limited in respect of obligations of subsidiaries, Palesa Coal Proprietary Limited and Mbali Coal Proprietary Limited. The amounts of the guarantees are limited to R12 million (2017: R12 million) and R12 million (2017: R12 million) respectively.
- A guarantee in favour of The Standard Bank of South Africa Limited in respect of the obligations of a subsidiary, HCI Sun Energy Three Proprietary Limited, to Karoshoek Solar One (RF) Proprietary Limited. The amount of the guarantee is limited to R264.7 million (2017: R264.7 million).
- A guarantee in favour of ABSA Bank Limited in respect of a short-term facility of R250 million (2017: R250 million) granted to a subsidiary, HCI Treasury Proprietary Limited.
- A guarantee in favour of Investec Bank Limited in respect of the obligations of a subsidiary, Permasolve Investments Proprietary Limited. The amount of the guarantee is limited to R69.3 million (2017: R92.3 million) and relates to facilities for the development of investment property.
- A guarantee in favour of Investec Bank Limited in respect of the obligations of a subsidiary, Kalahari Village Mall Proprietary Limited. The amount of the guarantee is limited to R46.6 million (2017: R46.6 million) and relates to facilities for the development of investment property.
- A guarantee in favour of Investec Bank Limited in respect of the obligations of a subsidiary, Lynnridge Shopping Centre Proprietary Limited. The amount of the guarantee is limited to R100 million (2017: R100 million) and relates to facilities for the purchase and redevelopment of investment property.
- A guarantee in favour of First Rand Bank Limited in respect of the obligations of a subsidiary, Highland Night Investments 93 Proprietary Limited. The amount of the guarantee is limited to R82.2 million (2017: R82.2 million) and relates to facilities for the development of an investment property.
- A guarantee in favour of Investec Bank Limited in respect of the obligations of a subsidiary, HCI Invest 8 Holdco Proprietary Limited. The amount of the guarantee is limited to R31 million (2017: R31 million) and is in respect of facilities that relate to the purchase and redevelopment of investment property.
- A guarantee in favour of The Standard Bank of South Africa Limited in respect of the obligations of a subsidiary, HCI-Rand Daily Mail Proprietary Limited. The amount of the guarantee is limited to R17.5 million (2017: R17.5 million) and is in respect of facilities for the development of an investment property.
- A guarantee in favour of Investec Bank Limited in respect of the obligations of a subsidiary, Olympus Village Proprietary Limited. The amount of the guarantee is limited to R31 million (2017: R66.2 million) and relates to facilities for the development of investment property.
- A guarantee in favour of The Standard Bank of South Africa Limited in respect of the obligations of a subsidiary, HCI Monte Precinct Proprietary Limited. The amount of the guarantee is limited to R61.4 million (2017: R35.8 million) and is in respect of facilities for the development of an investment property.
- A guarantee in favour of Investec Bank Limited in respect of the obligations of a subsidiary, HCI-The Palms Proprietary Limited. The amount of the guarantee is limited to R36 million (2017: R36 million) and relates to facilities for the purchase of investment property.
- A guarantee in favour of Investec Bank Limited in respect of the obligations of a subsidiary, HCI-Whale Coast Village Proprietary Limited. The amount of the guarantee is limited to R232.6 million (2017: R232.6 million) and relates to facilities for the development of investment property.
- A guarantee in favour of Investec Bank Limited in respect of the obligations of a subsidiary, HCI-Shell House Proprietary Limited. The amount of the guarantee is limited to R147.5 million (2017: R147.5 million) and relates to facilities for the redevelopment of investment property.
- A guarantee in favour of Nedbank Limited in respect of the obligations of a subsidiary, HCI Westlake Properties Proprietary Limited. The amount of the guarantee is limited to R94.9 million (2017: R25.4 million) and relates to facilities for the purchase of investment property.
- A guarantee in favour of Investec Bank Limited in respect of the obligations of a joint arrangement, Regal Holdings Proprietary Limited. The amount of the guarantee is limited to R13.4 million (2017: Rnil) and relates to facilities for the redevelopment of investment property.
- Guarantees and suretyships to Investec Bank Limited, ABSA Bank Limited and First Rand Bank Limited for the preference share debt granted to TIH Prefco Proprietary Limited and certain short-term facilities. At 31 March 2018 an amount of R700 million (2017: R700 million) and R400 million (2017: R100 million) remained owing to First Rand Bank Limited in respect of preference share debt and short-term facilities, respectively, with a further R650 million (2017: R650 million) and R200 million (2017: Rnil) owing to ABSA Bank Limited in respect of preference share debt and short-term facilities, respectively. At 31 March 2018, R200 million (2017: R200 million) in respect of preference share debt remained owing to Investec Bank Limited.
- The company has issued guarantees and suretyships to Investec Bank Limited for a term loan granted to HCI Treasury Proprietary Limited. At 31 March 2018 the total amount owing in respect of this term loan amounted to R200 million (2017: R200 million).
- Guarantees and suretyships have been issued by the company to Investec Bank Limited for a term loan granted to Formex Industries Proprietary Limited in the amount of R95 million (2017: R95 million).

45. BUSINESS COMBINATIONS

45.1 Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of shares acquired %
Branded products and manufacturing			
New Just Fun Group Proprietary Limited (New Just Fun)	Distributor of toys	13 December 2017	100
The acquisition was facilitated through the purchase of the company's issued share capital. New Just Fun is a South African toy distributor holding exclusive distribution rights to some of the world's leading toy brands. The subsidiary was acquired to expand the group's business in the branded products sector.			
Oops Global SA (Oops)	Distributor of toys	31 December 2017	60
The acquisition was facilitated through the purchase of the company's issued share capital. Oops is a company based in Balerna, Switzerland and specialises in the design, conception and sale of toys for children from birth to the age of five. The subsidiary was acquired to expand the group's business in the branded products sector.			
Gaming and hotels			
Galaxy Bingo Butterworth Proprietary Limited	Gaming	1 September 2017	57
The acquisition was facilitated through the purchase of the company's issued share capital. The group previously held a 49% shareholding in the company, increasing it by a further 8% during the current year in order to obtain control over its strategy and operations.			

45. BUSINESS COMBINATIONS continued

45.2 Cost of acquisition, net cash flow on acquisition and analysis of assets and liabilities acquired

	Branded products and manufacturing R'000	Gaming and hotels R'000
Non-current assets		
Property, plant and equipment	58	4 180
Intangible assets	3 228	–
Deferred tax asset	346	–
Current assets		
Trade and other receivables	77 752	45
Inventory	38 122	86
Current income tax assets	1 966	–
Cash and cash equivalents	320	968
Non-current liabilities		
Other non-current liabilities	–	(953)
Current liabilities		
Trade and other payables	(53 934)	(1 315)
Bank overdrafts	(38 598)	–
Other current liabilities	–	(314)
	29 260	2 697
Fair value of existing interest	–	(1 651)
Non-controlling interests	(2 628)	1 092
Goodwill on acquisition	35 042	2 203
Cost of acquisitions	61 674	4 341
Cash balances acquired	38 278	(968)
Net cash outflow on acquisition	99 952	3 373

Measurement of fair values

The assets and liabilities acquired by the branded products and manufacturing segment have been measured on a provisional basis. If new information is obtained within one year of the date of acquisition about the facts and circumstances that existed at the date of acquisition, the accounting for the acquisition will be revised.

45. BUSINESS COMBINATIONS continued

45.3 Proceeds on disposal, net cash flow on disposal and analysis of assets and liabilities disposed

	Media and broadcasting R'000	Other R'000
Non-current assets		
Property, plant and equipment	(3 096)	(1 503)
Intangible assets	(12 001)	(1 187)
Deferred tax asset	(1 815)	–
Current assets		
Trade and other receivables	(50)	(834)
Other financial assets	–	(42)
Cash and cash equivalents	–	(189)
Non-current liabilities		
Other financial liabilities	–	2 324
Current liabilities		
Trade and other payables	–	1 650
Other financial liabilities	–	10 907
	(16 962)	11 126
(Gain)/loss on disposal of subsidiary	(4 750)	18 454
Non-controlling interests	(1 647)	(6 041)
Deferred disposal proceeds	6 229	–
Cash and cash equivalents disposed of	–	189
Net cash (inflow)/outflow on disposal	(17 130)	23 728

45.4 Goodwill arising on acquisition

The purchase price of the businesses acquired includes amounts in relation to the benefit of expected synergies, revenue growth and the assembled workforce of these businesses. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

45.5 Impact of the acquisitions on the results of the group

The businesses acquired during the year contributed revenues of R20.5 million and net losses after tax of R5.7 million to the group for the periods from dates of effective control to 31 March 2018. Had the acquisitions been effective on 1 April 2017 the contribution to revenue would have been R155.8 million and net losses of R2.8 million would have been the contribution to profit after tax.

46. FINANCIAL RISK MANAGEMENT

46.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate 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 is carried out by the treasury departments of the major operating units under policies approved by their boards of directors. Their boards provide 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 also managed at an entity level for trade receivables.

46.1.1 Market risk

Currency risk

The group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. Foreign exchange risk arises from exposure in the foreign operations due to trading transactions denominated in currencies other than the functional currency. The group secures, where cost effective, 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 these entities is US Dollars and/or Euro). As a result, no forward cover contracts are required in respect of this debt. Foreign currency imports and exports within the group are managed using forward exchange contracts.

The following significant exchange rates applied during the year:

	Average rate		**Reporting date**	
	2018 R	2017 R	**2018 R**	2017 R
British Pound	**17.23**	18.44	**16.60**	16.82
Euro	**15.21**	15.48	**14.54**	14.33
United States Dollar	**13.00**	14.06	**11.81**	13.46

46. FINANCIAL RISK MANAGEMENT continued

46.1 Financial risk factors continued

46.1.1 Market risk continued

A 10% strengthening of the functional currency against the following currencies at 31 March would have increased profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2017.

	2018 R'000	2017 R'000
Effect on profit and loss		
Local currency:		
British Pound	**195**	30
Euro	**575**	4 475
United States Dollar	**36 476**	36 846

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.

The following carrying amounts were exposed to foreign currency exchange risk:

	2018 R'000	2017 R'000
Non-current receivables		
United States Dollar	**35 080**	42 956
Trade and other receivables		
Australian Dollar	**–**	10
British Pound	**441**	106
Euro	**493**	602
Kenyan Shilling	**5 670**	678
Mozambican Metical	**8 920**	9 726
Nigerian Naira	**12 010**	13 383
Seychelles Rupee	**8 407**	8 078
Swiss Franc	**5 213**	247
Tanzanian Shilling	**5 979**	14 558
United Arab Emirates Dirham	**2 435**	2 263
United States Dollar	**79 496**	90 937
Zambian Kwacha	**5 844**	5 850
Trade and other payables		
British Pound	**2 389**	403
Euro	**3 786**	39 394
Kenyan Shilling	**10 750**	22 053
Mozambican Metical	**3 855**	14 454
Nigerian Naira	**17 441**	36 859
Seychelles Rupee	**11 886**	15 379
Swiss Franc	**7 451**	167
Tanzanian Shilling	**7 668**	17 404
United Arab Emirates Dirham	**962**	1 966
United States Dollar	**510 764**	457 854
Zambian Kwacha	**25 492**	10 294

46. FINANCIAL RISK MANAGEMENT continued

46.1 Financial risk factors continued

46.1.1 Market risk continued

Interest rate risk

The group's primary interest rate risk arises from long-term borrowings. It is exposed to a lesser extent to interest rate changes on loans to non-controlling interest of subsidiary companies. 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. Where appropriate the group manages its interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting floating rate borrowings to fixed rates. 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.

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

	Carrying amount	
	2018 R'000	2017 R'000
Fixed rate instruments		
Financial assets	**464 462**	639 766
Financial liabilities	**(8 020 350)**	(8 644 947)
	(7 555 888)	(8 005 181)
Variable rate instruments		
Financial assets	**3 827 207**	4 133 279
Financial liabilities	**(14 145 811)**	(12 944 815)
	(10 318 604)	(8 811 536)

Fair value sensitivity analysis for fixed rate instruments

A change of 100 basis points in interest rates would have increased or decreased equity by R57.7 million (2017: R62.2 million).

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased or decreased profit or loss by R87 million (2017: R76 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2017.

Other price risk

The group was not exposed to commodity price risk other than the API4 price of export-quality coal. The group does not hedge its exposure to fluctuations in the price of export-quality coal. A change of 1% in the API4 price would have increased/decreased post-tax profits by R3.9 million (2017: R4.0 million). The analysis assumes that all other variables remain constant.

46.1.2 Credit risk

The group has no significant concentrations of credit risk. Overall credit risk is managed at entity level. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to the group's customer base, including outstanding receivables and committed transactions. For banks and financial institutions, only group audit committee-approved parties are accepted. The group has policies that limit the amount of credit exposure to any financial institution. Trade receivables comprise a large, widespread customer base and the group performs ongoing credit evaluations of the financial condition of its customers. The utilisation of credit limits are regularly monitored. Refer to note 15 for further credit risk analysis in respect of trade and other receivables. Credit limits exceeded during the year under review were closely monitored and management does not expect any losses from non-performance by these counterparties that have not been provided for.

The table below shows the group's maximum exposure to credit risk by class of asset:

	Carrying amount	
	2018 R'000	2017 R'000
Derivatives used for hedging	**–**	14 555
Receivables	**2 928 770**	2 931 294
Cash and cash equivalents	**3 723 805**	4 060 178
	6 652 575	7 006 027

46. FINANCIAL RISK MANAGEMENT continued

46.1 Financial risk factors continued

46.1.3 Liquidity risk

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 the treasury functions of the major subsidiaries aim to maintain flexibility in funding by keeping committed credit lines available. 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-end for five years into the future in terms of the group's long-term planning process.

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 statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year R'000	Between 1 and 5 years R'000	Over 5 years R'000
2018			
Bank and other borrowings	**7 468 254**	**18 024 017**	**746 806**
Financial guarantees	**1 315 992**	**–**	**–**
Foreign exchange contracts	**41 701**	**–**	**–**
Interest rate swaps – cash flow hedges	**2 868**	**132 423**	**–**
Trade and other payables	**2 607 498**	**–**	**–**
	11 436 313	**18 156 440**	**746 806**
2017			
Bank and other borrowings	9 321 414	16 195 210	825 025
Financial guarantees	1 549 855	–	–
Foreign exchange contracts	18 966	4 497	–
Short-term loans	6 852	–	–
Interest rate swaps – cash flow hedges	28 301	36 951	–
Pound Sterling forward contracts – cash flow hedges	6 290	–	–
Trade and other payables	2 727 606	–	–
	13 659 284	16 236 658	825 025

Defaults and breaches on loans

There were no breaches or defaults on the repayment of any loans payable during the current or prior year.

46. FINANCIAL RISK MANAGEMENT continued

46.2 Capital risk management

The group's objectives when managing capital are to safeguard its 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, revenue reserves and other reserves, being revaluation reserves and foreign currency translation reserves together with loans from shareholders. 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 its cash flow profile and are measured through applicable ratios such as net debt to EBITDA and interest cover. 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. There were no changes in the group's approach to capital management during the year. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

46.3 Fair value estimation

IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 – Quoted prices available in active markets for identical assets or liabilities

Level 2 – Inputs used, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly

Level 3 – Fair value determined by valuation that uses inputs that are not based on observable market data

The following items are measured at fair value:

Group	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
2018				
ASSETS				
Financial assets at fair value through profit or loss				
Equity securities	10 255	–	–	10 255
Available-for-sale financial assets				
Equity securities	–	4 238	1 275 418	1 279 656
Other	–	–	40	40
Non-financial assets at fair value through profit or loss				
Investment property	–	–	9 587 532	9 587 532
Total assets	10 255	4 238	10 862 990	10 877 483
LIABILITIES				
Financial liabilities at fair value through profit or loss				
Foreign exchange contracts	9 982	31 719	–	41 701
Derivative financial instruments				
Interest rate swaps – cash flow hedges	–	135 291	–	135 291
Total liabilities	9 982	167 010	–	176 992

46. FINANCIAL RISK MANAGEMENT continued

46.3 Fair value estimation continued

Group	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
2017				
ASSETS				
Financial assets at fair value through profit or loss				
Equity securities	14 979	–	–	14 979
Available-for-sale financial assets				
Equity securities	–	3 029	1 272 594	1 275 623
Other	–	–	40	40
Derivative financial instruments				
Interest rate swaps – cash flow hedges	–	14 555	–	14 555
Non-financial assets at fair value through profit or loss				
Investment property	–	–	8 510 174	8 510 174
Total assets	14 979	17 584	9 782 808	9 815 371
LIABILITIES				
Financial liabilities at fair value through profit or loss				
Foreign exchange contracts	–	23 463	–	23 463
Derivative financial instruments				
Interest rate swaps – cash flow hedges	–	65 252	–	65 252
Pound Sterling forward contracts – cash flow hedge	6 290	–	–	6 290
Contingent consideration	–	–	42 053	42 053
Total liabilities	6 290	88 715	42 053	137 058

46. FINANCIAL RISK MANAGEMENT continued

46.3 Fair value estimation continued

The following table presents the changes in level 3 financial instruments for the year:

Group	Equity securities R'000	Other R'000	Investment property R'000	Total R'000
2018				
ASSETS				
Carrying value at the beginning of the year	1 272 594	40	8 510 174	9 782 808
Additions	–	–	480 186	480 186
Improvements	–	–	471 864	471 864
Disposals	–	–	(26 900)	(26 900)
Transfer from property, plant and equipment	–	–	299 993	299 993
Transfer to inventory	–	–	(75 181)	(75 181)
Fair value adjustments	2 824	–	(72 604)	(69 780)
Carrying value at the end of the year	1 275 418	40	9 587 532	10 862 990
Notes	8		2	

	Contingent consideration R'000
LIABILITIES	
Carrying value at the beginning of the year	42 053
Transfer to disposal group liabilities held for sale	(32 053)
Settled during the year	(10 000)
Carrying value at the end of the year	–

46. FINANCIAL RISK MANAGEMENT continued

46.3 Fair value estimation continued

Group	Equity securities R'000	Other R'000	Investment property R'000	Total R'000
2017				
ASSETS				
Carrying value at the beginning of the year	–	1 050	3 021 423	3 022 473
Business combinations	–	–	4 185 475	4 185 475
Additions	1 272 594	–	99 113	1 371 707
Improvements	–	–	504 988	504 988
Disposals	–	–	(120 294)	(120 294)
Transfer to property, plant and equipment	–	(1 010)	(54 836)	(55 846)
Transfer to non-current assets held for sale	–	–	(67 350)	(67 350)
Fair value adjustments	–	–	941 655	941 655
Carrying value at the end of the year	1 272 594	40	8 510 174	9 782 808
Notes	8		2	

	Contingent consideration R'000
LIABILITIES	
Carrying value at the beginning of the year	32 053
Assumed in business combination	10 000
Carrying value at the end of the year	42 053

47. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the reporting date the following significant events have occurred:

Disposal of Tsogo Sun properties to HPF

Shareholders are referred to the cautionary announcements released on SENS by a subsidiary, Tsogo Sun Holdings, on Friday, 2 March 2018; Wednesday, 18 April 2018; Thursday, 31 May 2018; and Monday, 9 July 2018 regarding the proposed disposal of certain casino precinct properties to its subsidiary, Hospitality Property Fund (HPF; the Proposed Transaction). At the date of this report the Proposed Transaction has not yet been concluded. If approved by Tsogo Sun shareholders and subsequently implemented, the Tsogo Sun group will have transferred a significant portion of its casino real estate assets to HPF. This follows the two strategic transactions concluded in 2016 and 2017 whereby a significant portion of the group's hotel properties were transferred to HPF. On conclusion of the Proposed Transaction HPF is expected to own investment property with a fair market value of approximately R35 billion.

Proposed division of the Tsogo Sun group into a gaming division, hotel management division and property division

In addition to the Proposed Transaction, Tsogo Sun has announced its intention to divide its operations into three clear divisions, namely:

- Property division: HPF, an owner of investment properties with an approximate value of R35 billion, positioned in the hotel and gaming sectors.
- Gaming division: Tsogo Sun Gaming, consisting of its portfolio of traditional land-based casino operations and alternative gaming operations, consisting of Galaxy Bingo and the Vukani limited payout operations.
- Hotel management division: Southern Sun Hotels, a hotel management company with a portfolio of over 90 hotels under management throughout South Africa, sub-Saharan Africa, the Seychelles and the United Arab Emirates.

The group anticipates that the separation of Tsogo Sun into these three focused divisions, comprising gaming operations, hotel operations and property, will unlock value and provide greater investment choice for Tsogo Sun shareholders. The above proposed division will be subject to various approvals and conditions and has not yet been concluded at the date of this report.

Acquisition by Tsogo Sun of the Grand Oasis Casino

As part of the acquisition of the gaming operations of a subsidiary, Niveus Investments, Tsogo Sun paid an amount of R95 million for the purchase of Niveus Invest 1 (which owns the Grand Oasis Casino) from Niveus Investments, which required the approval by the Northern Cape Gambling Board. The approval was subsequently obtained on 15 June 2018 and the purchase concluded.

Listing of Hosken Passenger Logistics and Rail Limited and the unbundling of its shareholdings by La Concorde Holdings and Niveus Investments

On 13 April 2018 La Concorde Holdings Limited (La Concorde), a subsidiary of Niveus Investments Limited (Niveus), unbundled its holding of 38% of the issued share capital of Hosken Passenger Logistics and Rail Limited (HPLAR) to its shareholders by way of a distribution in specie, pro rata to their respective holdings in La Concorde, resulting in Niveus thereafter holding approximately 22% of the issued share capital in HPLAR. On 24 April 2018 HPLAR was listed on the Johannesburg Stock Exchange. Subsequently, on 30 April 2018 Niveus unbundled its approximate 22% shareholding in HPLAR to its shareholders by way of a distribution in specie, pro rata to their respective holdings in Niveus. Following these unbundling of investments HCI still remains the controlling shareholder of HPLAR with an effective shareholding of 73.5%.

48. PRIOR PERIOD RESTATEMENT

Branded products and manufacturing, media and broadcasting segments

The group has disclosed the results of discontinued operations separately on the face of the statement of profit and loss and in the discontinued operations note and, where practical, the prior year results have been restated in compliance with the disclosure requirements of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

49. FINANCIAL INSTRUMENTS

An analysis of the group's assets and liabilities, classified by financial instrument, is set out below:

	Loans and receivables		Financial liabilities at amortised cost		Non-financial instruments	
Group	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000
ASSETS						
Non-current assets	**365 059**	531 700	**–**	–	**60 257 491**	60 038 152
Property, plant and equipment	**–**	–	**–**	–	**24 913 188**	25 127 835
Investment properties	**–**	–	**–**	–	**9 587 532**	8 510 174
Goodwill	**–**	–	**–**	–	**4 700 758**	4 785 158
Intangible assets	**–**	–	**–**	–	**18 637 844**	19 529 696
Intangible assets mining	**–**	–	**–**	–	**53 942**	75 990
Investments in associates	**–**	–	**–**	–	**1 521 370**	1 267 048
Investments in joint arrangements	**–**	–	**–**	–	**198 577**	187 734
Other financial assets	**44 510**	–	**–**	–	**–**	–
Deferred taxation	**–**	–	**–**	–	**487 352**	379 252
Operating lease equalisation asset	**–**	–	**–**	–	**96 628**	80 393
Finance lease receivables	**–**	–	**–**	–	**56 780**	88 349
Non-current receivables	**320 549**	531 700	**–**	–	**3 520**	6 523
Current assets	**5 909 226**	6 390 893	**–**	–	**2 171 013**	2 143 189
Inventories	**–**	–	**–**	–	**939 711**	955 733
Programme rights	**–**	–	**–**	–	**870 674**	866 244
Other financial assets	**8 062**	8 799	**–**	–	**–**	–
Trade and other receivables	**2 177 359**	2 321 916	**–**	–	**301 195**	219 781
Taxation	**–**	–	**–**	–	**59 433**	101 431
Cash and cash equivalents	**3 723 805**	4 060 178	**–**	–	**–**	–
Disposal group assets held for sale	**72 350**	16 086	**–**	–	**257 123**	110 546
Total assets	**6 346 635**	6 938 679	**–**	–	**62 685 627**	62 291 887
LIABILITIES						
Non-current liabilities	**–**	–	**16 275 305**	13 999 138	**8 457 235**	8 827 474
Operating lease equalisation liability	**–**	–	**–**	–	**242 094**	254 740
Financial liabilities	**–**	–	**–**	–	**–**	–
Borrowings	**–**	–	**16 275 305**	13 999 138	**–**	–
Post-retirement medical benefit liabilities	**–**	–	**–**	–	**159 098**	165 115
Long-term incentive plan	**–**	–	**–**	–	**27 094**	18 919
Long-term provisions	**–**	–	**–**	–	**249 247**	278 496
Deferred revenue and income	**–**	–	**–**	–	**184 432**	28 646
Deferred taxation	**–**	–	**–**	–	**7 595 270**	8 081 558
Current liabilities	**–**	–	**8 516 986**	10 340 830	**1 129 515**	1 146 624
Trade and other payables	**–**	–	**2 607 498**	2 724 869	**410 090**	482 805
Deferred revenue and income	**–**	–	**18 632**	18 485	**93 885**	75 149
Financial liabilities	**–**	–	**–**	6 852	**–**	–
Current portion of borrowings	**–**	–	**3 857 154**	5 194 588	**–**	–
Taxation	**–**	–	**–**	–	**171 331**	124 115
Provisions	**–**	–	**–**	–	**394 672**	335 905
Long-term incentive plan	**–**	–	**–**	–	**59 537**	128 650
Bank overdrafts	**–**	–	**2 033 702**	2 396 036	**–**	–
Disposal group liabilities held for sale	**–**	–	**99 623**	3 717	**5 552**	363
Total liabilities	**–**	–	**24 891 914**	24 343 685	**9 592 302**	9 974 461

Available-for-sale		Fair value through profit or loss		Derivative financial instruments		Total	
2018 R'000	2017 R'000	2018 R'000	2017 R'000	2018 R'000	2017 R'000	2018 R'000	2017 R'000
1 279 696	1 275 663	–	–	–	–	61 902 246	61 845 515
–	–	–	–	–	–	24 913 188	25 127 835
–	–	–	–	–	–	9 587 532	8 510 174
–	–	–	–	–	–	4 700 758	4 785 158
–	–	–	–	–	–	18 637 844	19 529 696
–	–	–	–	–	–	53 942	75 990
–	–	–	–	–	–	1 521 370	1 267 048
–	–	–	–	–	–	198 577	187 734
1 279 696	1 275 663	–	–	–	–	1 324 206	1 275 663
–	–	–	–	–	–	487 352	379 252
–	–	–	–	–	–	96 628	80 393
–	–	–	–	–	–	56 780	88 349
–	–	–	–	–	–	324 069	538 223
–	–	10 255	14 979	–	14 555	8 090 494	8 563 616
–	–	–	–	–	–	939 711	955 733
–	–	–	–	–	–	870 674	866 244
–	–	10 255	14 979	–	14 555	18 317	38 333
–	–	–	–	–	–	2 478 554	2 541 697
–	–	–	–	–	–	59 433	101 431
–	–	–	–	–	–	3 723 805	4 060 178
–	–	–	–	–	–	329 473	126 632
1 279 696	1 275 663	10 255	14 979	–	14 555	70 322 213	70 535 763
–	–	–	4 497	132 423	36 951	24 864 963	22 868 060
–	–	–	–	–	–	242 094	254 740
–	–	–	4 497	132 423	36 951	132 423	41 448
–	–	–	–	–	–	16 275 305	13 999 138
–	–	–	–	–	–	159 098	165 115
–	–	–	–	–	–	27 094	18 919
–	–	–	–	–	–	249 247	278 496
–	–	–	–	–	–	184 432	28 646
–	–	–	–	–	–	7 595 270	8 081 558
–	–	41 701	21 703	2 868	34 591	9 691 070	11 543 748
–	–	–	2 737	–	–	3 017 588	3 210 411
–	–	–	–	–	–	112 517	93 634
–	–	41 701	18 966	2 868	34 591	44 569	60 409
–	–	–	–	–	–	3 857 154	5 194 588
–	–	–	–	–	–	171 331	124 115
–	–	–	–	–	–	394 672	335 905
–	–	–	–	–	–	59 537	128 650
–	–	–	–	–	–	2 033 702	2 396 036
–	–	–	–	–	–	105 175	4 080
–	–	41 701	26 200	135 291	71 542	34 661 208	34 415 888

49. FINANCIAL INSTRUMENTS continued

Company	Loans and receivables 2018 R'000	Loans and receivables 2017 R'000	Financial liabilities at amortised cost 2018 R'000	Financial liabilities at amortised cost 2017 R'000	Non-financial instruments 2018 R'000	Non-financial instruments 2017 R'000
ASSETS						
Non-current assets	**3 146 795**	3 686 770	**–**	–	**15 906 824**	13 351 389
Investments in associates	**–**	–	**–**	–	**3 000**	3 000
Investments in and amounts owing from subsidiary companies	**3 135 763**	3 649 122	**–**	–	**15 903 824**	13 348 389
Non-current receivables	**11 032**	37 648	**–**	–	**–**	–
Current assets	**3 538**	878 224	**–**	–	**–**	–
Trade and other receivables	**1 310**	–	**–**	–	**–**	–
Amounts owing from subsidiary companies	**–**	810 488	**–**	–	**–**	–
Cash and cash equivalents	**2 228**	67 736	**–**	–	**–**	–
Total assets	**3 150 333**	4 564 994	**–**	–	**15 906 824**	13 351 389
LIABILITIES						
Current liabilities	**–**	–	**1 296 618**	1 953 136	**65**	10
Trade and other payables	**–**	–	**3 120**	1 861	**–**	–
Amounts owing to subsidiary companies	**–**	–	**1 112 205**	1 551 644	**–**	–
Taxation	**–**	–	**–**	–	**65**	10
Bank overdrafts	**–**	–	**181 293**	399 631	**–**	–
Total liabilities	**–**	–	**1 296 618**	1 953 136	**65**	10

	Available-for-sale		Fair value through profit or loss		Derivative financial instruments		Total	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000
	–	–	**–**	–	**–**	–	**19 053 619**	17 038 159
	–	–	**–**	–	**–**	–	**3 000**	3 000
	–	–	**–**	–	**–**	–	**19 039 587**	16 997 511
	–	–	**–**	–	**–**	–	**11 032**	37 648
	–	–	**–**	–	**–**	–	**3 538**	878 224
	–	–	**–**	–	**–**	–	**1 310**	–
	–	–	**–**	–	**–**	–	**–**	810 488
	–	–	**–**	–	**–**	–	**2 228**	67 736
	–	–	**–**	–	**–**	–	**19 057 157**	17 916 383
	–	–	**–**	–	**–**	–	**1 296 683**	1 953 146
	–	–	**–**	–	**–**	–	**3 120**	1 861
	–	–	**–**	–	**–**	–	**1 112 205**	1 551 644
	–	–	**–**	–	**–**	–	**65**	10
	–	–	**–**	–	**–**	–	**181 293**	399 631
	–	–	**–**	–	**–**	–	**1 296 683**	1 953 146

ANNEXURE A – INTEREST IN PRINCIPAL SUBSIDIARY COMPANIES

FOR THE YEAR ENDED 31 MARCH 2018

	Issued share capital R'000	Effective interest %	**2018** **Shares R'000**	**2018** **Loans R'000**	2017 Shares R'000	2017 Loans R'000
SHARES AND LOANS STATED AT COST LESS IMPAIRMENT						
Investment holding companies						
Deepkloof Limited[1]	7	100	**	–	**	–
Foothills Trading and Investment 8 Proprietary Limited	*	100	*	–	*	–
Fulela Trade and Invest 81 Proprietary Limited	*	100	**	–	**	–
HCI Central Investments Proprietary Limited	*	100	*	–	*	–
HCI Food & Beverages Proprietary Limited	*	100	*	–	*	–
HCI Invest 6 Holdco Proprietary Limited	800 000	70	*	**2 079 602**	320 756	2 811 704
HCI Invest 14 Holdco Proprietary Limited	*	100	*	**778 559**	*	530 599
HCI Invest 15 Holdco Proprietary Limited	*	100	*	**2 202**	*	–
Johnnic Holdings Limited	16 647	100	**	–	**	–
Mercanto Investments Proprietary Limited	*	100	**	–	**	–
Merilyn Investments Proprietary Limited	10 002	100	**25 065**	**13 660**	25 065	13 660
Move On Up 104 Proprietary Limited	*	100	*	–	*	–
Niveus Investments Limited	925 399	52	**98 507**	–	98 507	–
Squirewood Investments 64 Proprietary Limited	*	100	*	**181 064**	*	181 064
Tangney Investments Proprietary Limited	1	100	**	–	**	–
TIH Prefco Proprietary Limited	11 779 570	100	**11 779 570**	–	11 779 570	–
TIHC Investments Proprietary Limited	12 039 448	100	**	–	**	–
Gaming, hotels and leisure						
Tsogo Sun Holdings Limited***	3 564	47	**1 675 485**	–	**	–
Tsogo Sun Hotels, Gaming and Entertainment Proprietary Limited	25	47	**	–	**	–
Southern Sun Hotels Proprietary Limited	*	47	**	–	**	–
Hospitality Property Fund Limited	578 154	28	**	–	**	–
Tsogo Investment Holding Company Proprietary Limited	960 134	90	**	–	**	–
Galaxy Gaming and Entertainment Proprietary Limited	*	47	**	–	**	–
Vukani Gaming Corporation Proprietary Limited	*	47	**	–	**	–
Niveus Invest 19 Proprietary Limited	4 758 664	47	**	–	**	–
Niveus Invest 1 Proprietary Limited	*	52	**	–	**	–
Financial and management services						
HCI Managerial Services Proprietary Limited	*	100	*	**80 676**	*	(1 462 949)
HCI Treasury Proprietary Limited	*	100	**195 954**	**(1 112 205)**	229 302	810 488
Transport						
Hosken Passenger Logistics and Rail Limited	2 896 462	74	**1 396 674**	–	–	–
Golden Arrow Bus Services Proprietary Limited	*	74	**	–	265 014	–
HPL and R Investments Proprietary Limited	1 770 000	74	**	–	*	–
Hollyberry Props 12 Proprietary Limited	*	74	**	–	**	–

* Under R1 000
** Indirectly held
*** Direct and indirect shareholding through intermediary companies
1 Channel Islands

	Issued share capital R'000	Effective interest %	2018 Shares R'000	2018 Loans R'000	2017 Shares R'000	2017 Loans R'000
Media and broadcasting						
eMedia Holdings Limited	6 751 927	63	**	–	**	–
Crystal Brook Distribution Proprietary Limited	*	42	**	–	**	–
e.Sat.tv Proprietary Limited	*	42	**	–	**	–
e.tv Proprietary Limited	108	42	**	–	**	–
Longkloof Limited[1]	*	42	**	–	**	–
eMedia Investments Proprietary Limited	55	42	**	–	**	–
Sabido Properties Proprietary Limited	*	42	**	–	**	–
Yired Proprietary Limited	*	42	**	–	**	–
HCI Invest 3 Holdco Proprietary Limited	5 291 604	63	**	–	**	–
Silverline 360 Proprietary Limited	*	42	**	–	**	–
Mining						
HCI Coal Proprietary Limited	*	100	**6 794**	–	6 794	–
Branded products and manufacturing						
Deneb Investments Limited	1 452 264	84	**573 122**	–	573 122	–
Formex Industries Proprietary Limited	100	84	**	–	*	23 400
Sargas Proprietary Limited	2 500	84	**	–	**	–
Seartec Trading Proprietary Limited	1	84	**	–	**	–
Properties						
Lynnridge Shopping Centre Proprietary Limited	78 142	80	**	–	**	–
Gallagher Estate Holdings Limited	19 295	100	**	–	**	–
Highland Night Investments 93 Proprietary Limited	33 358	52	**	–	**	–
Kalahari Village Mall Proprietary Limited	80 087	44	**	–	**	–
Olympus Village Proprietary Limited	35 128	52	**	–	**	–
Permasolve Investments Proprietary Limited	*	60	*	–	*	–
Mironetix Proprietary Limited	169 458	80	**135 567**	–	33 173	–
Curagen Investments Proprietary Limited	59 665	60	**	–	**	–
HCI Monte Precinct Proprietary Limited	*	100	*	–	*	–
HCI Invest 8 Holdco Proprietary Limited	*	80	*	–	*	–
HCI Westlake Properties Proprietary Limited	*	100	*	–	*	–
HCI-Rand Daily Mail Proprietary Limited	*	100	*	–	*	–
HCI-Shell House Proprietary Limited	*	75	*	–	*	–
K2013204008 Proprietary Limited	*	60	**	–	**	–
HCI-Whale Coast Village Proprietary Limited	*	80	**	–	**	–
HCI-The Palms Proprietary Limited	*	60	*	–	*	–

* Under R1 000
** Indirectly held
1 Channel Islands

ANNEXURE A – INTEREST IN PRINCIPAL SUBSIDIARY COMPANIES

FOR THE YEAR ENDED 31 MARCH 2018 *continued*

	Issued share capital R'000	Effective interest %	2018 Shares R'000	2018 Loans R'000	2017 Shares R'000	2017 Loans R'000
Other						
Almania Investments Proprietary Limited	*	100	**1**	**–**	1	–
Anytime Power Proprietary Limited	*	60	*****	**–**	*	–
Blue Beacon Investments 240 Proprietary Limited	*	100	*****	**–**	*	–
Griffin Oil and Gas Proprietary Limited	*	51	*****	**–**	*	–
HCI Sun Energy Three Proprietary Limited	*	100	*****	**–**	*	–
IGI Investment Company Limited	37 546	55	*****	**–**	*	–
La Concorde Holdings Limited	*	30	******	**–**	**	–
Niveus AG[2]	1 000	52	******	**–**	**	–
Tuffsan 88 Proprietary Ltd	654	100	**656**	**–**	656	–
Tylon Holdings Proprietary Limited	*	100	**16 429**	**–**	16 429	–
			15 903 824	**2 023 558**	13 348 389	2 907 966

* Under R1 000
** Indirectly held
[2] Switzerland

Subsidiaries whose financial position or results are not material are excluded.

Details of excluded subsidiaries are available from the company secretary.

	2018 R'000	2017 R'000
Profits and losses of consolidated subsidiary companies attributable to the company		
Aggregate profits after tax	**6 285 754**	5 414 388
Aggregate losses after tax	**(4 426 310)**	(489 538)

Subsidiaries are incorporated in South Africa unless otherwise shown.

Encumbrances

Shares having a total carrying value of R15 395 million (2017: R12 621 million) have been pledged as security for certain loans owing to loan funders of the group. Refer to note 20.

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Hosken Consolidated Investments Limited

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