

CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 September 2017



Income R6.4 billion **↑ 1%**

Ebitdar R2.2 billion **Unchanged**

Adjusted HEPS **78.8 cents ↓ 10%**

Interim dividend per share **32.0 cents ↓ 6%**

 **T SOGO SUN**

Tsogo Sun Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 1989/002108/06)
Share code: TSH ISIN: ZAE000156238
("Tsogo Sun" or "the company" or "the group")

www.tsogosun.com

COMMENTARY

REVIEW OF OPERATIONS

Trading during the first half of the financial year was impacted by the continued pressure on the consumer due to the macro-economic environment and extremely weak sentiment. The trading results were negatively impacted in gaming by the opening of Time Square and a strong performance in the first quarter of the prior year in Gauteng, mainly at Montecasino, and positively impacted by the acquisition of two hotel businesses from the Liberty Group ("Liberty") and through the acquisition of Hospitality Property Fund Limited ("HPF") in the prior year.

In terms of our growth strategy the group continued to invest significant resources during the period, including:

- the commencement of the construction in June 2017 on the R1.6 billion expansion and refurbishment of the Suncoast Casino and Entertainment World. The budget includes past spend with the Salon Privé scheduled to open in June 2018 and the remainder of the project scheduled to open in December 2018. R99 million was spent during the period;
- the acquisition by HPF Properties Proprietary Limited of various sections and exclusive use areas of the Sandton Eye sectional title scheme from Savana Property Proprietary Limited and an existing real right of extension in the scheme from Sandton Isle Investments Proprietary Limited for R302 million;
- the development commencing on a US\$16 million 125 room StayEasy in Maputo, Mozambique, which is expected to be completed by late 2018. R84 million was spent during the period;
- the opening of a new 504 room SunSquare and StayEasy branded leased hotel in the Cape Town City Bowl during August 2017. The spend on furniture and fittings during the period was R30 million; and
- the group's investment of R438 million on maintenance capex group-wide, including gaming system replacements and casino floor and major hotel refurbishments, ensuring our assets remain best in class.

Total income for the six months of R6.4 billion ended 1% above the prior period with a 3% reduction in gaming win, offset by a 2% growth in hotel rooms revenue, a 9% growth in food and beverage revenue and strong growth in property rental income. Earnings before interest, income tax, depreciation, amortisation, property rentals, long-term incentives and exceptional items ("Ebitdar") of R2.2 billion ended flat on the prior period for the six months. The overall group Ebitdar margin of 34.4% is 0.6 percentage points ("pp") down on the prior period. The underlying operations of the group remain highly geared towards the South African consumer (in gaming) and the corporate market (in hotels). The high level of operational gearing still presents significant growth potential to the group should these sectors of the South African economy improve.

Gaming win for the six months reduced by 3% on the prior period with a reduction in slots win by 1% mainly due to lower handle, and a reduction in tables win by 9% mainly due to lower win percentages. As a result of the weak consumer sentiment and lower tables win percentages the high-end privé market performed poorly and the main floor business remained under pressure.

Gauteng recorded growth in provincial gaming win of 1.4% for the six months. Gaming win growth of 1.6% was achieved at Gold Reef City with a reduction at Montecasino of 10.1% and at Silverstar of 8.0%. Provincial gaming win was positively impacted during the current year by the opening of the Time Square casino in Menlyn on 1 April 2017, although the impact on the group's casinos, mainly at Montecasino and Silverstar, is significantly below expectation. Montecasino was, in addition, also impacted by very strong tables win in the first quarter of the prior period.

KwaZulu-Natal provincial gaming win grew by 1.4% for the six months. Gaming win reduced by 1.2% at Suncoast Casino and Entertainment World, 0.8% at Golden Horse Casino in Pietermaritzburg and 11.9% at Blackrock Casino in Newcastle, impacted by disruptions to the local manufacturing industry in that area.

Mpumalanga provincial gaming win reduced by 0.2% for the six months. Gaming win growth of 0.7% was achieved at Emnotweni Casino in Nelspruit with a reduction at The Ridge Casino in Emalahleni of 3.4% impacted by significant economic disruptions to the local manufacturing industry in that area.

The Eastern Cape provincial gaming win reduced by 1.1% for the six months. Hemingways gaming win reduced by 1.0% on the prior period, impacted by the poor economic conditions in the East London area.

The Western Cape reported a growth in provincial gaming win of 0.2% for the six months. The Caledon Casino, Hotel and Spa, Garden Route Casino in Mossel Bay and Mykonos Casino in Langebaan reported growth of 2.6%, 1.7% and 10.6% respectively.

Goldfields Casino in Welkom in the Free State experienced difficult trading conditions but grew gaming win by 1.3% on the prior period.

Other Gaming division operations consisting of the Sandton Convention Centre, head office costs and dividend income reflected a net cost of R61 million, a decrease of R20 million on the prior period mainly due to two dividends received from SunWest in the current period where only one quarterly dividend was received in the prior period.

Overall revenue for the Gaming division decreased 2% on the prior period to R4.4 billion. Ebitdar decreased 7% on the prior period to R1.6 billion at a margin of 36.0%, 2.2pp below the prior period due to the slow growth in gaming win mitigated by tight control on overheads.

The hotel industry in South Africa continues to recover from the dual impact of depressed demand and oversupply. Overall industry occupancies decreased marginally to 62.3% (2016: 62.5%) for the period. Occupancies in Cape Town continue to improve with weaker trading continuing mainly in Gauteng.

Trading for the group's South African hotels for the six months recorded a system-wide revenue per available room ("RevPar") flat on the prior period due to a decrease in average room rates by 2% to R1 001, with occupancies above the prior period at 64.0% (2016: 62.9%).

Overall revenue for the South African hotels division increased 15% on the prior period to R1.7 billion assisted by the inclusion of the Garden Court Umhlanga and the StayEasy Pietermaritzburg from October 2016, the consolidation of HPF from September 2016 and the opening of the SunSquare and StayEasy City Bowl hotel on 1 September 2017. Ebitdar increased by 21% on the prior period to R550 million at a margin of 32.0% (2016: 30.4%).

The Offshore division of hotels achieved total revenue of R279 million which decreased 17% on the prior period, impacted by tough local economic environments due mainly to the reduction in commodity prices impacting the local economies negatively. This was further adversely impacted by the strengthening of the Rand against the US Dollar. Ebitdar (pre-foreign exchange gains/losses) decreased by 43% to R47 million. Foreign exchange gains of R2 million (2016: R57 million losses) were incurred on the translation of offshore monetary items, principally between local country currencies and the US Dollar.

COMMENTARY continued

REVIEW OF OPERATIONS continued

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

| For the period ended 30 September | 2017 | 2016 |
|-----------------------------------|-------|-------|
| Occupancy (%) | 62.8 | 61.7 |
| Average room rate (R) | 1 000 | 1 041 |
| RevPar (R) | 628 | 642 |
| Rooms available ('000) | 2 349 | 2 259 |
| Rooms sold ('000) | 1 475 | 1 393 |
| Rooms revenue (Rm) | 1 475 | 1 450 |

Operating expenses including gaming levies and VAT and employee costs, but excluding exceptional items and long-term incentives, including the non-organic growth and foreign exchange gains and losses, increased by 2% on the prior period due to tight overhead control.

Property rentals at R128 million are 4% down on the prior period mainly due to the renegotiation of the Southern Sun Nairobi lease, offset by the opening of the SunSquare and StayEasy City Bowl hotel on 1 September 2017.

Amortisation and depreciation at R441 million is 5% up on the prior period due mainly to the capital spend during the current and the prior year.

The long-term incentive credit in the income statement on the cash-settled incentive scheme of R49 million is R147 million below the prior period charge of R98 million and values the liability (including dividend adjustments) by reference to the company's share price which is adjusted for management's best estimate of the appreciation units expected to vest and future performance of the group. A share price of R25 was used to value the liability.

Exceptional losses for the six months of R73 million relate mainly to preopening costs of R21 million, transaction costs of R13 million, restructure costs of R28 million, plant and equipment disposals and impairments and loan impairments of R8 million and interest rate swap fair value adjustments of R3 million. Exceptional gains for the prior period of R32 million relate mainly to the release of a fair value reserve for the available-for-sale investment of R46 million and a gain on a bargain purchase of R13 million on the consolidation of HPF, offset by property, plant and equipment disposals and impairments and loan impairments of R5 million, interest rate swap fair value adjustments of R4 million and transaction costs of R18 million.

Net finance costs of R571 million are 14% above the prior period due to the increase in debt to fund the growth strategy.

The share of profit of associates and joint ventures of R26 million improved by 8% on the prior period mainly due to earnings from International Hotel Properties Limited and Redefine BDL, the group's European hotel investments.

The effective tax rate for the six months of negative 2.7% (2016: 21.8% positive) is impacted by the release of deferred tax liabilities of R307 million on the disposal of assets to HPF, pre-tax profits attributable to the HPF non-controlling interests due to its real estate investment trust ("REIT") tax status and offshore tax rate differentials, offset by non-deductible expenditure such as casino building depreciation. The effective tax rate for the six months in the prior period was impacted mainly by the non-taxable fair value reserve for the available-for-sale investment and the gain on a bargain purchase of HPF referred to above, pre-tax profits attributable to the HPF non-controlling interests due to its REIT status, deductible foreign exchange losses on local country currency movements in the African operations that reverse on consolidation and offshore tax rate differentials, offset by non-deductible expenditure such as casino building depreciation.

Profit attributable to non-controlling interests of a R78 million charge is R84 million higher than the prior period credit of R6 million mainly due to HPF being consolidated for the full period compared to one month in the prior period and the reduced local currency profits at Southern Sun Ikoyi and Southern Sun Maputo in the prior period due to foreign exchange losses not repeated in the current period.

Group adjusted headline earnings for the six months at R754 million ended 10% down on the prior period. The adjustments include the reversal of the post-tax impacts of the exceptional losses and gains noted above including the reversal of the deferred tax. The number of shares in issue is unchanged from the prior period and the resultant adjusted headline earnings per share is 10% down on the prior period at 78.8 cents.

Cash generated from operations for the period of R1.8 billion decreased 10% on the prior period. Net finance costs increased by 17% due to the increase in net debt. Cash flows utilised for investment activities of R1.0 billion consisted mainly of maintenance capital expenditure and the acquisitions and investments described above.

Interest-bearing debt net of cash at 30 September 2017 totalled R11.9 billion, which is R0.2 billion below the 31 March 2017 balance of R12.1 billion, with R767 million paid in dividends to group shareholders in addition to the investment activities during the period.

PROSPECTS

Given the weak state of the South African economy and many of the commodity focused countries in which the group operates, trading is expected to remain under pressure. Growth will depend on how these economies perform going forward, including the impact of changes in commodity prices, and the level of policy certainty that the government is able to achieve. Nevertheless, the group remains highly cash generative and is confident in achieving attractive returns from the growth strategy once the macro-economic environment improves.

The group continues to implement a variety of projects and acquisitions including:

- the acquisition of Hosken Consolidated Investment Limited ("HCI") and all other shareholders' interests in Niveus Investment 19 Limited ("Gameco") for a combination of Tsogo Sun Holdings shares and cash;
- the potential to bid for the relocation of one of the smaller casinos in the Western Cape to the Cape Metropole remains an opportunity for the group should the provincial authorities allow such a process;
- the acquisition of additional hotel properties by International Hotel Properties Limited, which currently owns nine hotels in the United Kingdom, is anticipated in the future and the group may apply additional capital in this regard.

DIVIDEND

The board of directors has declared an interim gross cash dividend from income reserves of 32.0 (thirty-two) cents per share for the six months ended 30 September 2017. The dividend has been declared in South African currency and is payable to shareholders recorded in the register of the company at close of business on Friday, 15 December 2017. The number of ordinary shares in issue at the date of this declaration is 1 048 301 943 (excluding treasury shares). The dividend will be subject to a local dividend tax rate of 20%, which will result in a net dividend of 25.6 cents per share to those shareholders who are not exempt from paying dividend tax. The company's tax reference number is 9250039717.

In compliance with the requirements of Strate, the electronic and custody system used by the JSE, the following dates are applicable in 2017:

| | |
|---------------------------------|------------------------|
| Last date to trade cum dividend | Tuesday, 12 December |
| Shares trade ex dividend | Wednesday, 13 December |
| Record date | Friday, 15 December |
| Payment date | Monday, 18 December |

Share certificates may not be dematerialised or rematerialised during the period Wednesday, 13 December 2017 to Friday, 15 December 2017, both days inclusive. On Monday, 18 December 2017 the cash dividend will be electronically transferred to the bank accounts of all certificated shareholders where this facility is available. Where electronic fund transfer is not available, cheques dated 18 December 2017 will be posted on that date. Shareholders who have dematerialised their share certificates will have their accounts at their CSDP or broker credited on Monday, 18 December 2017.

SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial period, not otherwise dealt with within the financial statements, that would affect the operations or results of the group significantly.

BOARD OF DIRECTORS CHANGES

The following board changes took place with effect from 1 June 2017:

- Mr MN von Aulock resigned; and
- Mr J Booysen was appointed as an executive director.

PRESENTATION

Shareholders are advised that a presentation to various analysts and investors which provides additional analysis and information will be available on the group's website at www.tsogosun.com.

J Booysen

Chief Executive Officer

RB Huddy

Chief Financial Officer

22 November 2017

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 September 2017

1 BASIS OF PREPARATION

The condensed unaudited consolidated interim financial statements for the six months ended 30 September 2017 have been prepared in accordance with the framework concepts and the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the preparation and disclosure requirements of IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council ("FRSC"), the Listings Requirements of the JSE Limited and the requirements of the Companies Act of South Africa. Chief Financial Officer, RB Huddy CA(SA), supervised the preparation of the condensed consolidated interim financial statements. The accounting policies are consistent with IFRS as well as those applied in the most recent audited annual financial statements as at 31 March 2017 other than as described below. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2017, which have been prepared in accordance with IFRS. This interim report, together with any forward looking information contained in this report, has not been audited or reviewed by the company's auditors.

2 NEW ACCOUNTING STANDARDS

The group has adopted all the new, revised or amended accounting standards as issued by the IASB which were effective for the group from 1 April 2017, none of which had a material impact on the group.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. 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 it is 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") election 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. There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVPL and the group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

continued

for the six months ended 30 September 2017

2 NEW ACCOUNTING STANDARDS

continued

Hedge accounting

The new hedge accounting rules will align the accounting for hedging instruments more closely with the group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9.

Impairment

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. The group primarily holds trade and other receivables which qualify for the simplified impairment approach under IFRS 9 i.e. the recognition of lifetime expected credit losses. The group is currently in the process of assessing the impact of IFRS 9 using the provision matrix approach. Impairment losses are expected to be recognised earlier and will most likely result in a higher charge than is currently provided for due to the incorporation of forward looking information and a default rate applied to all debtors. The group is still in the process of assessing the approach and does not anticipate a significant impact.

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

Must be applied for financial years commencing on or after 1 January 2018. The group will apply the new rules retrospectively from 1 April 2018, with the practical expedients permitted under the standard. Comparatives for 2018 will not be restated.

2 NEW ACCOUNTING STANDARDS continued

IFRS 15 Revenue from Contracts with Customers

As the group recognises significantly all of its revenue at a point in time, management does not anticipate the new standard, IFRS 15 *Revenue from Contracts with Customers*, therefore having any material effect on revenue recognition. IFRS 15 must be applied for financial years commencing on or after 1 January 2018. The group will apply the new standard from 1 April 2018.

IFRS 16 Leases

The group is in the process of assessing the impact of IFRS 16 *Leases*. The Sandton Convention Centre and some hotel property leases (accounted for as operating leases), where the group is the lessee, will be mostly impacted. IFRS 16 must be applied for financial years commencing on or after 1 January 2019. The group will apply the new standard from 1 April 2019.

3 FAIR VALUE ESTIMATION

As shown below, the group fair values its investment properties, interest rate swaps together with its available-for-sale investments. There were no transfers into or out of level 3 financial instruments.

Investment properties

The group's investment properties have been categorised as level 3 values based on the inputs to the valuation technique used. The group has elected to measure investment properties at fair value. The fair value is determined by using the discounted cash flow method by discounting the rental income (based on expected net cash flows of the underlying hotels) after considering the capital expenditure requirements. The expected cash flows are discounted using an appropriate discount rate. The core discount rate is calculated using the R186 (long bond) at the time of valuation, to which is added premiums for market risk and equity and debt costs. The discount rate takes into account a risk premium associated with the local economy as well as that specific to the local property market and the hotel industry. Fair values are estimated annually by an external appointed valuer.

Interest rate swaps

The group has interest rate swaps used for hedge accounting and also interest rate swaps from HPF that are not hedge accounted (with a net liability of R4 million, 31 March 2017: R1 million net liability) being level 2 fair value measurements.

The fair value of the derivatives used for hedge accounting is a net liability of R125 million (31 March 2017: R50 million net liability) and is calculated as the present value of the estimated future cash flows based on observable yield curves, which is consistent with the prior year.

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

continued

for the six months ended 30 September 2017

3 FAIR VALUE ESTIMATION

continued

Available-for-sale investment

During the prior year, aligned with the group's desire to increase its exposure in the Western Cape province, the group entered into a transaction with Sun International Limited ("SI") and Grand Parade Investments Limited ("GPI") for the acquisition of a 20% equity interest in each of SunWest International Proprietary Limited ("SunWest") and Worcester Casino Proprietary Limited ("Worcester") for an aggregate discounted amount of R1.27 billion. Tsogo Sun has pre-emptive rights but no representation on the board of directors of either company and has no operational responsibilities. Tsogo Sun 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.

At the end of each reporting period the non-current asset is remeasured and the increase or decrease recognised in other comprehensive income. A discounted cash flow valuation was used to estimate the fair value. No adjustment to the carrying amount was required. The valuation model considers the present value of net cash flows to be generated from SunWest and Worcester, together with its operating capital expenditure taking into account expected growth in gaming win and other revenue generated from non-gaming related activities. The expected net cash flows are discounted using a risk-adjusted discount rate. Among other factors, the discount rate estimation considers risks associated with the gaming and hospitality industry in which SunWest and Worcester operate.

SI put option

In terms of the acquisition agreement of the SunWest and Worcester interests mentioned above, 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 by the issue of new ordinary shares in SI and/or for a cash consideration, based on the aggregate value of Tsogo Sun's interest in SunWest and Worcester. At the end of each reporting period the derivative is remeasured and the increase or decrease recognised in the income statement. The derivative is calculated in accordance with the terms of the put option agreement, effectively a 7.5 times Ebitda multiple valuation of the SunWest and Worcester assets, less net debt, times the 20% shareholding the group holds. No derivative has been recognised as the fair value of the option is Rnil at 30 September 2017 (31 March 2017: Rnil).

4 RELATED PARTY TRANSACTIONS

The group had no significant related party transactions during the period under review, other than subsequent to the reporting date, the group concluding the common control acquisition of Gameco with Hosken Consolidated Investments Limited ("HCI") as noted in note 9.

5 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The following transactions with non-controlling interests were concluded during the period under review:

Acquisition of 29 hotel properties by HPF from Tsogo Sun

HPF acquired two Tsogo Sun subsidiaries which in aggregate hold a portfolio of 29 hotel properties for an aggregate purchase consideration of R3.6 billion settled R1.03 billion in cash (by way of a renounceable rights offer to Hospitality shareholders) and R2.6 billion in shares. This transaction received shareholder approval at the HPF general meeting held on 10 July 2017. The impact of this transaction is a transaction with the non-controlling interests of HPF whereby non-controlling interests in HPF have been acquired and as a result the group's effective holding increased from 50.6% to 67.8% with effect from 10 July 2017. The overall value of the non-controlling interests acquired after also taking into account the effect of the rights issue below was R436 million and the consideration in hotel assets to HPF's non-controlling interests was R1.066 billion. The acquisition of the 29 hotel properties by HPF resulted in the deferred tax liability in Merway and Cullinan being derecognised due to HPF's REIT tax status of R307 million.

HPF rights issue

HPF shareholders were offered a total of 71 428 571 HPF shares ("rights offer shares") at an issue price of R14.00 per rights offer share in the ratio of 21.76820 rights offer shares for every 100 HPF shares held on the record date of the rights offer. As a result of 99.2% of the rights offer shares being subscribed for by third parties, the group's effective holding decreased from 67.8% (refer note above) to 59.4% in HPF with effect from 4 August 2017. The overall effect of this transaction with non-controlling interests is mentioned above.

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

continued

for the six months ended 30 September 2017

5 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

continued

HPF rights issue

continued

The resulting transactions with non-controlling interests ("NCI") are as follows:

| | Rm |
|---|---------|
| Hotel assets sold to HPF | 2 626 |
| NCI share in hotel assets sold to HPF (40.6%) | 1 066 |
| Total consideration received from HPF | (1 466) |
| NCI acquired by Tsogo Sun through share issue from HPF to Tsogo Sun | (436) |
| Cash received from HPF | (1 030) |
| Gain in transacting with NCI in other reserves | (400) |

Sandton Eye and real right of extension

With effect 31 August 2017, HPF issued the last tranche of 2 150 856 shares to Savana Property Proprietary Limited ("Savana") as part settlement in terms of an agreement concluded with Savana to acquire various sections and exclusive use areas of the Sandton Eye sectional title scheme and an agreement with Sandton Isle Investments Proprietary Limited to acquire an existing real right of extension in the scheme for an aggregate purchase consideration of R302 million of which R271 million was settled in cash and 2 150 856 HPF shares were issued (Sandton Eye is part of Radisson Gautrain). As a result of this issue, the group's effective holding was diluted from 59.4% (refer note above) to 59.2%. The value acquired by non-controlling interests was R15 million.

6 SEGMENT INFORMATION

In terms of IFRS 8 *Operating Segments* the chief operating decision maker has been identified as the group's Chief Executive Officer ("CEO") and the Group Executive Committee ("GEC"). Management has determined the operating segments based on the reports reviewed by the chief operating decision maker. There has been no change in the basis of segmentation or in the basis of measurement of segment profit or loss from the last annual financial statements.

The group's CEO and GEC assess the performance of the operating segments based on Ebitdar. The measure excludes the effects of long-term incentives and the effects of non-recurring expenditure. The measure also excludes all headline earnings adjustments, impairments and fair value adjustments on non-current and current assets and liabilities. Interest income and finance costs are not included in the results for each operating segment as this is driven by the group treasury function which manages the cash and debt position of the group.

7 CAPITAL COMMITMENTS

The board has committed a total of R2.7 billion for maintenance and expansion capital items at its gaming and hotel properties of which R1.5 billion is anticipated to be spent during the next 12 months. R0.9 billion of the committed capital expenditure has been contracted for.

8 CONTINGENT LIABILITIES

The group had no significant contingent liabilities as at 30 September 2017.

9 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Common control acquisition – acquisition of certain gaming businesses from Niveus Investments Limited (“Niveus”)

Shareholders are referred to the SENS announcements released by Tsogo Sun on 14 December 2016, 16 January 2017, 14 March 2017, 11 May 2017, 27 June 2017, 14 September 2017, 29 September 2017, 30 October 2017 and 13 November 2017 in respect of, inter alia, the group’s acquisition of the shares in Niveus Invest 19 Limited (“Gameco”) the holding company of certain gaming businesses in the Niveus group. All conditions precedent to the transaction have been fulfilled and/or waived and the transaction is now unconditional and proceeding to implementation effective 20 November 2017. 50.8% of the shares were acquired from HCl with effect from 20 November and an offer to purchase the remaining 49.2% non-controlling interests was made on 15 November 2017. In consideration for their Gameco shares, the non-controlling shareholders will receive 1 ordinary Tsogo Sun share (“consideration share”) for every 2.875 Gameco shares, or at their election, 20% in consideration shares (in the ratio of 1 consideration share for every 2.875 Gameco shares) and 80% of R9.796 per Gameco share in cash (“cash-based alternative”).

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

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS continued

for the six months ended 30 September 2017

9 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE continued

Common control acquisition – acquisition of certain gaming businesses from Niveus Investments Limited (“Niveus”) continued

The acquisition of Gameco is in keeping with its strategy of expanding its gaming operations. The provisional identifiable assets less liabilities assumed at acquisition date is less than the value of the consideration paid at the date of acquisition, and therefore the group will recognise a common control reserve in the statement of changes in equity (provisionally R3.3 billion):

| | Rm |
|--|----------------|
| Property, plant and equipment | 397 |
| Investment properties | 7 |
| Goodwill and intangible assets | 57 |
| Other non-current assets | 84 |
| Deferred tax assets | 25 |
| Other current assets | 217 |
| Cash and cash equivalents | 101 |
| Other non-current liabilities | (4) |
| Other current liabilities | (142) |
| Income tax liabilities | (40) |
| Total identifiable net assets assumed from Gameco | 702 |
| Non-controlling interests | 16 |
| | 718 |
| <i>Less: Purchase consideration</i> | 3 972 |
| Consideration in the form of Tsogo Sun shares to HCl | 1 841 |
| Consideration in the form of Tsogo Sun shares to non-controlling interests | 357 |
| Consideration in the form of cash payable | 1 774 |
| Common control reserve arising on transaction | (3 254) |
| Net cash flow: | |
| Cash consideration to acquire Gameco | (1 774) |
| <i>Add: Cash balances acquired with Gameco</i> | 101 |
| Net outflow of cash | (1 673) |

9 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE continued

Common control acquisition – acquisition of certain gaming businesses from Niveus Investments Limited (“Niveus”) continued

The total consideration to acquire the Gameco non-controlling interests is R2.131 billion comprising R1.774 billion in cash and R357 million in shares on the assumption that the non-controlling interests of Gameco elect to take up the cash-based alternative. The consideration in the form of Tsogo Sun shares has been determined using the Tsogo Sun share price on the last practicable date, being R22.66, on 3 November 2017. This transaction will result in new Tsogo Sun shares being issued resulting in the issued number of Tsogo Sun shares increasing thereby impacting the earnings per share.

As part of this transaction Gameco will sell to Niveus the entire issued share capital of Niveus Invest 1 Proprietary Limited (“Niveus Invest 1”) and Gameco’s claims on loan account for R95 million. Gameco granted Niveus a put option in terms of which Niveus will require Gameco to purchase Niveus Invest 1 which houses the Grand Oasis Casino “Kuruman” from Niveus for a purchase consideration of R92 million, which will be discharged by way of a set-off against the amount owing by Niveus to Gameco in respect of the purchase consideration of R95 million. The exercise of the put option is conditional upon the requisite approval or waiver for the sale and purchase of Kuruman being obtained from the Northern Cape Gambling Board (“NCGB”). The put option must be exercised before 31 March 2018, failing which Niveus will be obliged to pay the entire purchase consideration of R95 million to Gameco. The directors of Tsogo Sun believe it is highly probable that the waiver will be received from the NCGB before 31 March 2018 and that the put option against Gameco will be exercised. The value of the put option is Rnil.

Tsogo Sun has the right to receive a clawback from Niveus in the event that no electronic bingo terminals (“EBTs”) are legally operating in KwaZulu-Natal (“KZN”) prior to or on 31 March 2020. The directors are of the view that there is a high probability of the EBTs legally operating in the KZN province prior to 31 March 2020 and, as a result, no effect is given for this contingent consideration.

Dividend declaration

Subsequent to the company’s reporting date, on 21 November 2017, the board of directors declared an interim gross cash dividend of 32.0 cents per share in respect of the six months ended 30 September 2017. The aggregate amount of the dividend, which will be paid on 18 December 2017 out of retained earnings at 30 September 2017, not recognised as a liability at the reporting date, is R337.9 million.

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 September

| | Change % | 2017 Unaudited Rm | 2016 Unaudited Rm |
|--|-------------|-------------------------|-------------------------|
| Net gaming win | (3) | 3 564 | 3 679 |
| Rooms revenue | 2 | 1 475 | 1 450 |
| Food and beverage revenue | 9 | 747 | 686 |
| Property rental income | | 221 | 104 |
| Other revenue | | 378 | 375 |
| Income | 1 | 6 385 | 6 294 |
| Gaming levies and Value Added Tax | | (742) | (765) |
| Property and equipment rentals | | (156) | (165) |
| Amortisation and depreciation | | (441) | (421) |
| Employee costs | | (1 541) | (1 584) |
| Other operating expenses | | (1 900) | (1 778) |
| Operating profit | | 1 605 | 1 581 |
| Interest income | | 70 | 17 |
| Finance costs | | (641) | (517) |
| Share of profit of associates and joint ventures | | 26 | 24 |
| Profit before income tax | | 1 060 | 1 105 |
| Income tax credit/(expense) | | 28 | (236) |
| Profit for the period | 25 | 1 088 | 869 |
| Profit attributable to: | | | |
| Equity holders of the company | | 1 010 | 875 |
| Non-controlling interests | | 78 | (6) |
| | | 1 088 | 869 |
| Number of shares in issue (million) | | 957 | 957 |
| Weighted number of shares in issue (million) | | 957 | 957 |
| Basic and diluted earnings per share (cents) | 15 | 105.5 | 91.4 |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September

| | 2017 Unaudited Rm | 2016 Unaudited Rm |
|---|-------------------------|-------------------------|
| Profit for the period | 1 088 | 869 |
| Other comprehensive income for the period, net of tax Items that may be reclassified subsequently to profit or loss: | (35) | (159) |
| Cash flow hedges | (75) | (102) |
| Currency translation adjustments | 19 | (67) |
| Income tax relating to items that may subsequently be reclassified | 21 | 10 |
| Total comprehensive income for the period | 1 053 | 710 |
| Total comprehensive income attributable to: | | |
| Equity holders of the company | 975 | 716 |
| Non-controlling interests | 78 | (6) |
| | 1 053 | 710 |

SUPPLEMENTARY INFORMATION

for the six months ended 30 September

| | Change % | 2017 Unaudited Rm | 2016 Unaudited Rm |
|---|-------------|-------------------------|-------------------------|
| Reconciliation of earnings attributable to equity holders of the company to headline earnings and adjusted headline earnings | | | |
| Earnings attributable to equity holders of the company | | 1 010 | 875 |
| Loss on disposal of property, plant and equipment | | 5 | 2 |
| Impairment of property, plant and equipment | | 1 | 1 |
| Gain on deemed disposal of financial asset classified as available-for-sale | | – | (46) |
| Gain on bargain purchase | | – | (13) |
| Total tax effects of headline adjustments | | (2) | – |
| Share of associates' headline earnings adjustments (net) | | (5) | – |
| Headline earnings | 23 | 1 009 | 819 |
| Other exceptional items included in operating profit | | 70 | 24 |
| Loss on remeasurement of put liability | | – | 2 |
| Deferred tax liability derecognised on property, plant and equipment on sale to the group's REIT subsidiary | | (307) | – |
| Share of associates' exceptional items (net) | | (1) | – |
| Total tax effects of other exceptional items | | (13) | (1) |
| Total non-controlling interest effects of other exceptional items | | (4) | (2) |
| Adjusted headline earnings | (10) | 754 | 842 |
| Number of shares in issue (million) | | 957 | 957 |
| Weighted number of shares in issue (million) | | 957 | 957 |
| Basic and diluted HEPS (cents) | | 105.4 | 85.6 |
| Basic and diluted adjusted HEPS (cents) | | 78.8 | 88.0 |
| Reconciliation of operating profit to Ebitdar⁽¹⁾ | | | |
| Group Ebitdar pre-exceptional items is made up as follows: | | | |
| Operating profit | | 1 605 | 1 581 |
| <i>Add/(less):</i> | | | |
| Property rentals | | 128 | 134 |
| Amortisation and depreciation | | 441 | 421 |
| Long-term incentive (credit)/expense | | (49) | 98 |
| | | 2 125 | 2 234 |
| <i>(Add)/less: Exceptional losses/(profits)</i> | | 73 | (32) |
| Loss on disposal of property, plant and equipment | | 5 | 2 |
| Impairment of property, plant and equipment | | 1 | 1 |
| Gain on deemed disposal of financial asset classified as available-for-sale | | – | (46) |
| Gain on bargain purchase | | – | (13) |
| Restructuring expenses | | 28 | – |
| Preopening expenses | | 21 | – |
| Transaction costs | | 13 | 18 |
| Fair value loss on interest rate swaps | | 3 | 4 |
| Other adjustments | | 2 | 2 |
| Ebitdar | | 2 198 | 2 202 |

⁽¹⁾ The measure excludes the effects of long-term incentives, non-recurring expenditure, headline earnings adjustments including impairments and fair value adjustments on non-current and current assets and liabilities and other exceptional items

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 September

| | 2017 Unaudited Rm | 2016 Unaudited Rm |
|---|--|-------------------------|
| Cash flows from operating activities | | |
| Profit before interest and income tax | 1 605 | 1 581 |
| Adjust for non-cash movements and dividends received | 544 | 667 |
| Increase in working capital | (344) | (245) |
| Cash generated from operations | 1 805 | 2 003 |
| Interest received | 70 | 17 |
| Finance costs | (638) | (502) |
| | 1 237 | 1 518 |
| Income tax paid | (301) | (334) |
| Dividends paid to shareholders | (676) | (646) |
| Dividends paid to non-controlling interests | (91) | (9) |
| Pre-acquisition dividend paid | - | (133) |
| Dividends received | 54 | 62 |
| Net cash generated from operations | 223 | 458 |
| Cash flows from investment activities | | |
| Purchase of property, plant and equipment | (654) | (795) |
| Proceeds from disposals of property, plant and equipment | 2 | 2 |
| Purchase of intangible assets | (1) | (2) |
| Purchase of available-for-sale financial assets | - | (480) |
| Additions to investment property | (313) | (29) |
| Acquisition of subsidiaries, net of cash acquired | - | 189 |
| Other loans and investments | (1) | (3) |
| Net cash utilised for investment activities | (967) | (1 118) |
| Cash flows from financing activities | | |
| Borrowings raised | 1 335 | 936 |
| Borrowings repaid | (1 774) | (233) |
| Cash proceeds from rights issue to non-controlling interests | 995 | - |
| Decrease in amounts due by share scheme participants | - | 5 |
| Net cash generated from financing activities | 556 | 708 |
| Net (decrease)/increase in cash and cash equivalents | (188) | 48 |
| Cash and cash equivalents at beginning of period, net of bank overdrafts | 725 | 479 |
| Foreign currency translation | 1 | (4) |
| Cash and cash equivalents at end of period, net of bank overdrafts | 538 | 523 |

CONDENSED CONSOLIDATED BALANCE SHEET

as at

| | 30 September 2017 Unaudited Rm | 31 March 2017 Audited Rm |
|---|---|-----------------------------------|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 15 780 | 15 556 |
| Investment properties | 5 300 | 4 969 |
| Goodwill and other intangible assets | 6 556 | 6 567 |
| Investments in associates and joint ventures | 627 | 609 |
| Available-for-sale financial assets | 1 272 | 1 272 |
| Non-current receivables | 59 | 60 |
| Deferred income tax assets | 294 | 121 |
| | 29 888 | 29 154 |
| Current assets | | |
| Inventories | 111 | 115 |
| Trade and other receivables | 846 | 682 |
| Derivative financial instruments | 4 | 14 |
| Current income tax assets | 85 | 78 |
| Cash and cash equivalents | 2 748 | 2 424 |
| | 3 794 | 3 313 |
| Non-current assets held for sale | 63 | 66 |
| Total current assets | 3 857 | 3 379 |
| Total assets | 33 745 | 32 533 |
| EQUITY | | |
| Capital and reserves attributable to equity holders of the company | | |
| Ordinary share capital and premium | 4 576 | 4 576 |
| Other reserves | 1 224 | 874 |
| Retained earnings | 5 655 | 5 321 |
| Total shareholders' equity | 11 455 | 10 771 |
| Non-controlling interests | 3 317 | 2 685 |
| Total equity | 14 772 | 13 456 |
| LIABILITIES | | |
| Non-current liabilities | | |
| Interest-bearing borrowings | 10 837 | 9 439 |
| Derivative financial instruments | 132 | 37 |
| Deferred income tax liabilities | 1 873 | 2 029 |
| Provisions and other liabilities | 416 | 511 |
| | 13 258 | 12 016 |
| Current liabilities | | |
| Interest-bearing borrowings | 3 783 | 5 098 |
| Derivative financial instruments | 1 | 28 |
| Trade and other payables | 1 519 | 1 454 |
| Provisions and other liabilities | 319 | 385 |
| Current income tax liabilities | 93 | 96 |
| | 5 715 | 7 061 |
| Total liabilities | 18 973 | 19 077 |
| Total equity and liabilities | 33 745 | 32 533 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Ordinary share capital and premium Rm |
|---|--|
| Balance at 31 March 2016 (audited) | 4 576 |
| Total comprehensive income | – |
| Consideration to HPF non-controlling interests in hotels assets | – |
| Acquisition of non-controlling interests from HPF | – |
| Ordinary dividends | – |
| Balance at 30 September 2016 (unaudited) | 4 576 |
| Balance at 31 March 2017 (audited) | 4 576 |
| Total comprehensive income | – |
| Consideration to HPF non-controlling interests in hotels assets | – |
| Acquisition of non-controlling interests from HPF | – |
| Consideration to HPF non-controlling interests – Sandton Isle | – |
| Ordinary dividends | – |
| Balance at 30 September 2017 (unaudited) | 4 576 |

Attributable to equity holders of the company

| Other reserves Rm | Retained earnings Rm | Total Rm | Non-controlling interests Rm | Total equity Rm |
|----------------------|-------------------------|---------------------|---------------------------------|----------------------------|
| (232) | 3 974 | 8 318 | 654 | 8 972 |
| (159) | 875 | 716 | (6) | 710 |
| 969 | – | 969 | 352 | 1 321 |
| – | – | – | 1 592 | 1 592 |
| – | (647) | (647) | (22) | (669) |
| 578 | 4 202 | 9 356 | 2 570 | 11 926 |
| 874 | 5 321 | 10 771 | 2 685 | 13 456 |
| (35) | 1 010 | 975 | 78 | 1 053 |
| (36) | – | (36) | 1 066 | 1 030 |
| 436 | – | 436 | (436) | – |
| (15) | – | (15) | 15 | – |
| – | (676) | (676) | (91) | (767) |
| 1 224 | 5 655 | 11 455 | 3 317 | 14 772 |

SEGMENTAL ANALYSIS

for the six months ended 30 September

| | Income ⁽¹⁾ | |
|--|-----------------------|------------|
| | 2017 Rm | 2016 Rm |
| Montecasino | 1 265 | 1 337 |
| Suncoast | 821 | 839 |
| Gold Reef City | 734 | 714 |
| Silverstar | 336 | 360 |
| Emnotweni | 196 | 194 |
| Golden Horse | 192 | 193 |
| The Ridge | 188 | 192 |
| Hemingways | 151 | 150 |
| Garden Route | 106 | 102 |
| The Caledon | 86 | 82 |
| Mykonos | 85 | 76 |
| Blackrock | 78 | 86 |
| Goldfields | 67 | 67 |
| Other gaming operations | 105 | 95 |
| Total gaming operations | 4 410 | 4 487 |
| South African hotels division ⁽³⁾ | 1 721 | 1 498 |
| Offshore hotels division | 279 | 337 |
| <i>Pre-foreign exchange gains/losses</i> | | |
| <i>Foreign exchange gains/(losses)</i> | | |
| Corporate ⁽³⁾⁽⁴⁾ | (25) | (28) |
| Group | 6 385 | 6 294 |

⁽¹⁾ All revenue and income from gaming and hotel operations is derived from external customers. No one customer contributes more than 10% to the group's total revenue

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

⁽³⁾ Includes R25 million (2016: R28 million) intergroup management fees

⁽⁴⁾ Includes the treasury and management function of the group

| Ebitdar ⁽²⁾ | | Ebitdar margin | | Amortisation and depreciation | |
|------------------------|------------|----------------|-----------|-------------------------------|------------|
| 2017 Rm | 2016 Rm | 2017 % | 2016 % | 2017 Rm | 2016 Rm |
| 524 | 593 | 41.4 | 44.4 | 57 | 52 |
| 357 | 385 | 43.5 | 45.9 | 45 | 47 |
| 262 | 265 | 35.7 | 37.1 | 59 | 54 |
| 96 | 119 | 28.7 | 33.1 | 41 | 42 |
| 69 | 73 | 35.4 | 37.8 | 14 | 15 |
| 82 | 87 | 42.8 | 44.8 | 17 | 18 |
| 69 | 76 | 36.8 | 39.4 | 16 | 15 |
| 43 | 47 | 28.3 | 31.0 | 21 | 22 |
| 41 | 42 | 38.5 | 41.6 | 8 | 7 |
| 22 | 23 | 25.6 | 27.6 | 6 | 5 |
| 39 | 32 | 46.1 | 42.6 | 6 | 5 |
| 27 | 33 | 33.9 | 38.7 | 6 | 7 |
| 19 | 21 | 28.2 | 31.4 | 5 | 5 |
| (61) | (81) | | | 10 | 8 |
| 1 589 | 1 715 | 36.0 | 38.2 | 311 | 302 |
| 550 | 455 | 32.0 | 30.4 | 110 | 101 |
| 49 | 25 | 17.6 | 7.4 | 19 | 17 |
| 47 | 82 | 16.8 | 24.3 | | |
| 2 | (57) | | | | |
| 10 | 7 | | | 1 | 1 |
| 2 198 | 2 202 | 34.4 | 35.0 | 441 | 421 |

DIRECTORS: JA Copelyn (Chairman)*
 J Booysen (Chief Executive Officer)
 RB Huddy (Chief Financial Officer)
 MSI Gani** MJA Golding* BA Mabuza (Lead Independent)** VE Mphande* JG Ngcobo**
 Y Shaik* (*Non-executive Director
 **Independent Director)

COMPANY SECRETARY: GD Tyrrell

REGISTERED OFFICE: Palazzo Towers East,
 Montecasino Boulevard, Fourways, 2055
 (Private Bag X200, Bryanston, 2021)

TRANSFER SECRETARIES: Link Market
 Services South Africa Proprietary Limited,
 13th Floor, Rennie House, 19 Ameshoff
 Street, Braamfontein, 2001 (PO Box 4844,
 Johannesburg, 2000)

SPONSOR: Deutsche Securities (SA)
 Proprietary Limited, 3 Exchange Square,
 87 Maude Street, Sandton, 2196 (Private Bag
 X9933, Sandton, 2146)

AUDITORS: PricewaterhouseCoopers Inc.,
 2 Eglin Road, Sunninghill, 2157 (Private Bag
 X36, Sunninghill, 2157)

