TSOGO SUN

Integrated Annual Report 2013

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Welcome to Tsogo Sun

ABOUT THIS REPORT

Icons for further digital information:

Further reading relevant within this report

Find more detailed information on our website relating to Tsogo Sun and our IAR.

Scan the QR code to download the report to your smartphone, tablet or e-reader, or to obtain further information.

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Reporting approach

We are pleased to present our second integrated annual report to our stakeholders. This report provides a consolidated review of our financial, economic, social and environmental performance on matters material to our strategy, our ability to create and sustain value and of interest to our key stakeholders. The process we utilised in determining materiality is included on page 18 of the report.

The information has been provided in accordance with IFRS, the South African Companies Act 2008, the JSE Listings Requirements, King III and the guidance provided in the consultation draft of the international <IR> framework. The sustainability information included in this report has been guided by the GRI G3 guidelines.

The group is continuously improving its combined assurance model. Assurance for elements of this integrated annual report has been provided through a combination of external and internal sources which will become more formalised in line with future guidance from the IIRC. Our internal auditors, KPMG, provided us with guidance regarding the principles and practices around King III and integrated reporting.

Scope and boundaries

The financial scope and boundaries of this document have been set in accordance with IFRS. The integrated report includes all our subsidiaries, associates and joint ventures and covers the period from 1 April 2012 to 31 March 2013. Non-financial disclosures focus on the South African operations which generate 96% of our earnings.

Financial statements

For the first time this year we have provided summarised financial statements in the integrated annual report, prepared in terms of IFRS and presented in terms of IAS 34: *Interim Financial Reporting*. The full set of consolidated annual financial statements, including the report from our audit and risk committee and directors' report, are available online or can be requested directly from our Company Secretary.

Board approval

The board, assisted by the audit and risk committee, is ultimately responsible for overseeing the integrity of the integrated annual report. This was achieved through the setting up of a subcommittee of the audit and risk committee and a team to oversee the reporting process. The directors confirm that they have collectively reviewed the content of the integrated annual report and believe it addresses the material issues and is a fair presentation of the integrated performance of the group, and therefore approve the report for release.

John Copelyn
Chairman

Marcel von Aulock
Chief Executive Officer

Download the report to your smartphone, tablet or e-reader.

Forward looking statements

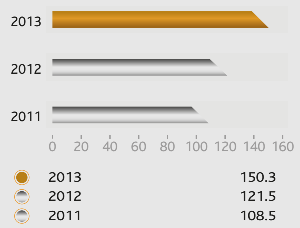
Certain statements in this document may constitute 'forward looking statements'. Such forward looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Tsogo Sun Holdings Limited and its subsidiaries to be materially different from the future results, performance or achievements expressed or implied by such forward looking statements. The company undertakes no obligation to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after the date of this document, or to reflect the occurrence of anticipated events. These have not been reviewed or reported on by the group's auditors.

Performance highlights

R4.1 billion
Unutilised facilities,
0.9 times
Net debt to Ebitdar,
50 months average debt tenure

Riverside Sun Resort overall winner of the
Imvelo Award
for responsible tourism

Adjusted HEPS (cents)



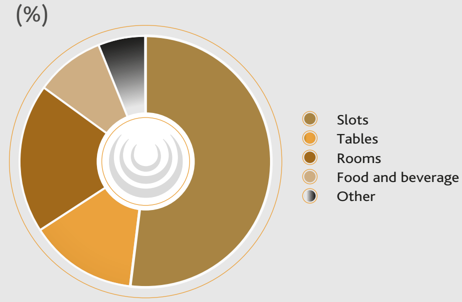
>14 300 hotel rooms across all market sectors

SunCares Sports Academy supports 1 570 SA youth and **Arts Academy** supports 480 learners

Level 2
BBBEE contributor

Commenced **Gauteng expansion** programme including an additional
1 500 gaming positions
over medium term

Group revenue by nature (%)



14 gaming and entertainment destinations

Ranked **best employer** in the hospitality industry

	2013	2012	% change
Income (Rm)	**9 910**	9 031	10
Ebitdar (Rm)	**3 888**	3 501	11
Ebitdar margin (%)	**39.2**	38.8	0.4pp
Adjusted headline earnings per share (cents)	**150.3**	121.5	24
Dividend for the year per share (cents)	**75.0**	60.0	25
Free cash flow (Rm)	**1 932**	1 725	12
Maintenance capital expenditure (Rm)	**579**	436	
Expansion capital expenditure (Rm)	**639**	1 031	

12 500 direct employees

63%
of gaming revenue from loyalty club members

R7.0 billion
Value added to black economically empowered businesses and government

Chairman's statement

DEAR STAKEHOLDERS

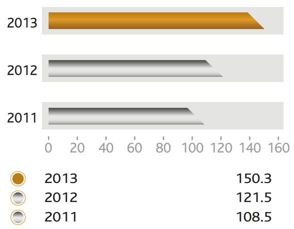
The year ended March 2013 saw the Tsogo Sun group accelerate the delivery of its growth strategy and achieve a satisfactory level of organic growth. A number of investment projects have been initiated including, most importantly, the process for capacity increases at many of our casinos, particularly the key Gauteng properties.

The rebranding launched in 2012 continues to deliver value in positioning the group as the industry leader and assisting both internal and external stakeholders in understanding the scale and variety of the group's operations.

John Copelyn
Chairman

- Despite the difficult macro-economic environment Tsogo Sun remains well placed for growth.
- Adjusted headline earnings per share increased by 24%.
- Our BBBEE rating reaffirmed at level 2.

Adjusted HEPS (cents)



Operating environment

The group's operations delivered organic growth in the year despite a macro-operating environment that remains difficult. Both the corporate and the consumer markets face uncertain economic circumstances but have continued to show recovery from the crisis levels of 2009 and 2010. As I stated last year, it is this challenging environment that has unearthed many of the opportunities of which the group has taken advantage over recent years and this continues. With a combination of capable management, strong cash flows and a healthy balance sheet, Tsogo Sun remains well placed to invest in projects while focusing on ensuring that the existing asset base is managed to best advantage.

Along with macro-economic shocks, regulatory challenges are the only other real substantive risks to the group. Tsogo Sun remains vigilant to the risks these pose. We have been, and continue to, constructively engage with the various government departments to ensure that the value created by the group and the benefits offered in terms of positive commercial contribution towards employment creation and tax revenues, are fully understood by all stakeholders. The group's value added statement presented on page 24 illustrates this clearly.

Performance and dividend

The year under review saw adjusted headline earnings per share increase by a very pleasing 24% to 150.3 cents per share and the dividend declared in respect of the year totalling 75 cents per share is in line with the group policy of declaring 50% of profits.

The group should be in a position to continue delivering increased earnings and dividends, both through organic and expansionary activity in the medium term. The rate of growth is, however, largely reliant on the rate of recovery in the South African economy and the distinct caveats that we do not experience another recession and the various regulatory authorities under which the group operates, do not inhibit our ability to trade.

This integrated annual report has set out the key strategic priorities of the group, (see our strategy in action on pages 34 to 55) and seeks to describe the programmes that will be required to achieve them. In the Chief Executive Officer's review we describe how every activity of the group is aimed at meeting these strategic priorities of ensuring the sustainability of the business and growing free cash flow.

BBBEE and CSI

Our 2013 BBBEE rating has been reaffirmed at level 2. This achievement is the result of a continued dedicated effort and focus on all areas of the business and an operating philosophy that ensures the BBBEE impacts of each decision the business makes are taken into account.

There is significant uncertainty as to what the group's BBBEE rating will be under the proposed new codes, which are themselves in a state of flux. This validates the decision in recent years for the group to litigate against attempts by various gaming boards to impose the achievement of defined levels of empowerment, as measured against the codes, as a licence condition. The group remains committed to enhancing its BBBEE credentials but cannot expose its licences to regulatory risk against uncertain moving targets.

The consolidation of the group's CSI activities under the SunCares umbrella has resulted in a renewed focus and enhanced delivery in all the activities undertaken in this regard. The 'deliver to our stakeholders' section on page 35 to page 42 sets out the SunCares programme in more detail.

Appreciation

I wish to extend my appreciation to both management and the board for their successful efforts during the year. In particular, I'd like to extend a special thank you to Meyer Kahn, who retired from the board after 30 years of service to the group in its various forms. In his support of the then Southern Sun group through his various roles at SABMiller, particularly during the very difficult late 1980s and early 1990s when the hotel industry in South Africa was in crisis and in the support of the new gaming dispensation in the mid to late 1990s, Meyer has made an immeasurable contribution to the tourism, hospitality and entertainment industries in South Africa.

Lastly and with sadness, Graham Mackay has been on a leave of absence since May 2013 as he undergoes treatment for a brain tumour. On behalf of all at Tsogo Sun, we wish him a strong recovery and our thoughts are with him and his family.

John Copelyn
Chairman

30 August 2013

OUR BUSINESS OVERVIEW

Group overview

Our vision

Our vision is to provide quality hospitality and leisure experiences at every one of our destinations.

Who we are

Tsogo Sun is southern Africa's premier gaming, hotel and entertainment group.

The Tsogo Sun heritage dates back to the founding of Southern Sun hotels in 1969. Various mergers and acquisitions have seen the group grow and expand over four decades, most significantly as a result of the successful application for casino licences following the legalisation of the gambling industry in South Africa in 1994. Tsogo Sun's portfolio now proudly comprises over 90 hotels with more than 14 300 hotel rooms across all sectors of the market, from luxury to budget in South Africa, the rest of Africa and the Seychelles; 14 premier gaming and entertainment destinations in six provinces of South Africa; theatres, cinemas, restaurants and bars and over 250 conference and banqueting facilities, including the Sandton Convention Centre.

Our owners

HCI Hosken
Hosken Consolidated Investments Limited
41.3%

SAB MILLER
39.6%

Public
19.1%

TSOGO SUN

Our key shareholders are Hosken Consolidated Investments Limited, a JSE listed investment holding company, at 41.3% and SABMiller plc, the London listed brewing company, at 39.6%, and financial institutions and the general public hold 19.1%, excluding treasury shares. A detailed analysis of shareholdings is included on page 79.

The HCI shareholding is of particular importance to the sustainability of the group as it provides the bulk of the 53% broad-based empowered ownership at group level, significantly simplifying our group structure as local empowerment is not required at individual property level, except where specifically required by provincial legislation.

Although the nature of our shareholding impacts the way we are managed due to the majority of the board being appointed by the majority shareholders, the governance environment is robust and actively encouraged by the majority shareholders. Refer to the corporate governance section on page 57 to page 63.

Our group structure

TSOGO SUN

100%
TSOGO SUN
GAMING

100%
TSOGO SUN
HOTELS

Tsogo Sun corporate division performs the group management role in accordance with the strategic and operating principles, defined by the board of directors, that guide the group's activities. Operational decision-making is given effect through a group executive committee reporting to the Chief Executive Officer. The operating divisions comprise Tsogo Sun gaming and Tsogo Sun hotels, both of which lead their respective markets. Resources, both financial and human, are allocated to the divisions based on the opportunities available to generate sustainable returns.

Our business model

We create value through the operation of quality assets in leading locations in key markets and by investing in and building our portfolio across a range of consumer segments.

Inputs

Financial capital
- Equity funding
- Debt funding

Natural capital
- Physical locations
- Energy consumption
- Water consumption
- Biodiversity

Manufactured capital
- Relevant physical hotel, gaming and entertainment product
- Enabling technology
- Infrastructure

Intellectual capital
- Brands
- Proprietary knowledge
- Systems and procedures

Human capital
- Ethical values
- Engaged workforce
- Specialised knowledge and skills

Social and relationship capital
- Licence to trade
- Community
- Customers
- Suppliers
- Partners

Activities and processes

Integration – An integrated approach across the divisions results in leveraging the assets and structure with a common corporate identity. This allows us to enhance the experience we offer to do business with the group and assists the market to understand the scale and diversity of

GAMING DIVISION

Core business

Owns and operates gaming and entertainment complexes across South Africa

Key market differentiator

Integrated gaming and entertainment complexes primarily located in urban areas

Key support processes

Corporate services

Strategy	*Funding and treasury*
Resource allocation	*Legal and secretarial*
Portfolio management	*Risk management*
Budget approval	*Corporate affairs and reporting*

Finance and internal audit

Information technology

Development and facilities management

Human resources, development and training

Marketing and branding

Procurement

Key business processes

Gaming	Hotels
Gaming operations	*Hotel operations*
Food and beverage	*Food and beverage*
Tenanting	*Conferencing*
Promotions and eventing	*Sales*
VIP services	*Revenue management*
Customer relationship management	*Customer relationship management*
Business intelligence	*Business intelligence*
Compliance	

Gaming / Entertainment Complexes

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Suppliers

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resources within the group under a unified management our customers across multiple outlets, makes it simpler our operations under a common Tsogo Sun brand.

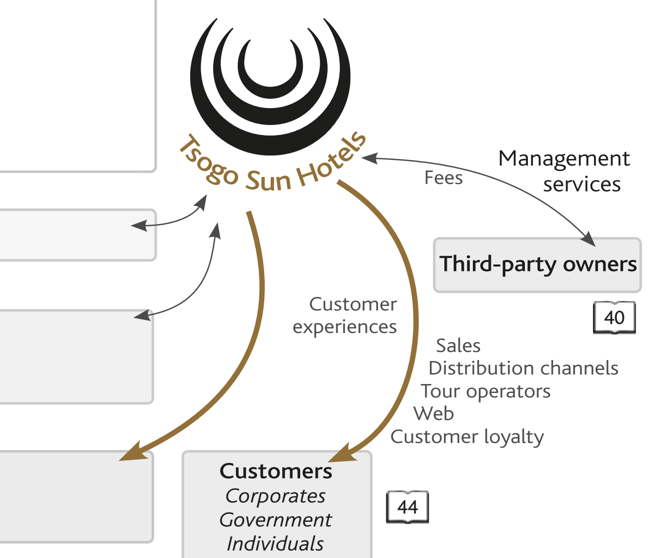
HOTEL DIVISION

Core business

Owns, leases and manages hotels

Key market differentiator

Wide geographic distribution of quality budget to deluxe hotel properties



Outputs

Quality hospitality and leisure experiences relevant to our customers at appropriate price points

Gaming 12
- Slots
- Tables
- Restaurants
- Bars
- Events
- Theatres
- Retail
- Conferencing
- Cinemas
- Theme Parks
- Entertainment

Hotels 14
- Accommodation
  - Luxury
  - Full Service
  - Select Service
  - Budget
- Restaurants
- Bars
- Conferencing

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- Flow of economic benefits to
  - Community
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- Returns to investors
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Financial strength and durability 43
- Resources to pursue opportunities
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- Customer satisfaction
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Our business model continued

TSOGO SUN GAMING

Key features

The group's preference is to wholly own its operations thus creating a clearer, simpler operating structure. Empowerment shareholding is achieved at the holding company level, enabling the group empowerment shareholders to participate in all casino operations. Exceptions arise from historical structures and, in the Eastern Cape, where the gaming legislation requires local provincial based empowerment ownership. The majority of the gaming operations are wholly owned with minority shareholders in Suncoast (10%), Hemingways (35%), Garden Route (15%) and Mykonos (30%), and with Queens casino an associate investment of 25%. Post year end the group acquired the majority of the remaining minority interest in Suncoast and has increased its ownership to 99%.

The gaming and entertainment complexes are primarily located in urban areas and are the entertainment hubs for the communities they serve. The businesses are thus embedded within the local communities and their success is inextricably linked to the wellbeing of the community.

Along with the creation of local jobs and the payment of taxes, we seek to stimulate local enterprise and support economic development, collaborate with provincial and national government and others on shared challenges – all essential to our ongoing ability to trade.

Significant focus is placed on the nature and quality of the facilities and experiences offered at each gaming and entertainment complex. With the vast majority of customers being locally based regular customers, an important component of our operating model is to ensure the properties remain fresh, attractive and interesting to visitors on an ongoing basis.

Management of mutually beneficial relationships with quality restaurant, retail and entertainment tenants is key to retaining footfall at our properties against other leisure offerings. Tsogo Sun gaming currently has in excess of 230 tenants.

The customer reward programmes in the division reward customers with status, benefits and recognition and are important as 63% of gaming revenue is contributed by active reward club members. We have redeveloped and relaunched the reward programme in 2013.

Compliance with gaming regulations is critical to the retention of the casino licences and is discussed in the regulatory compliance section on page 46.

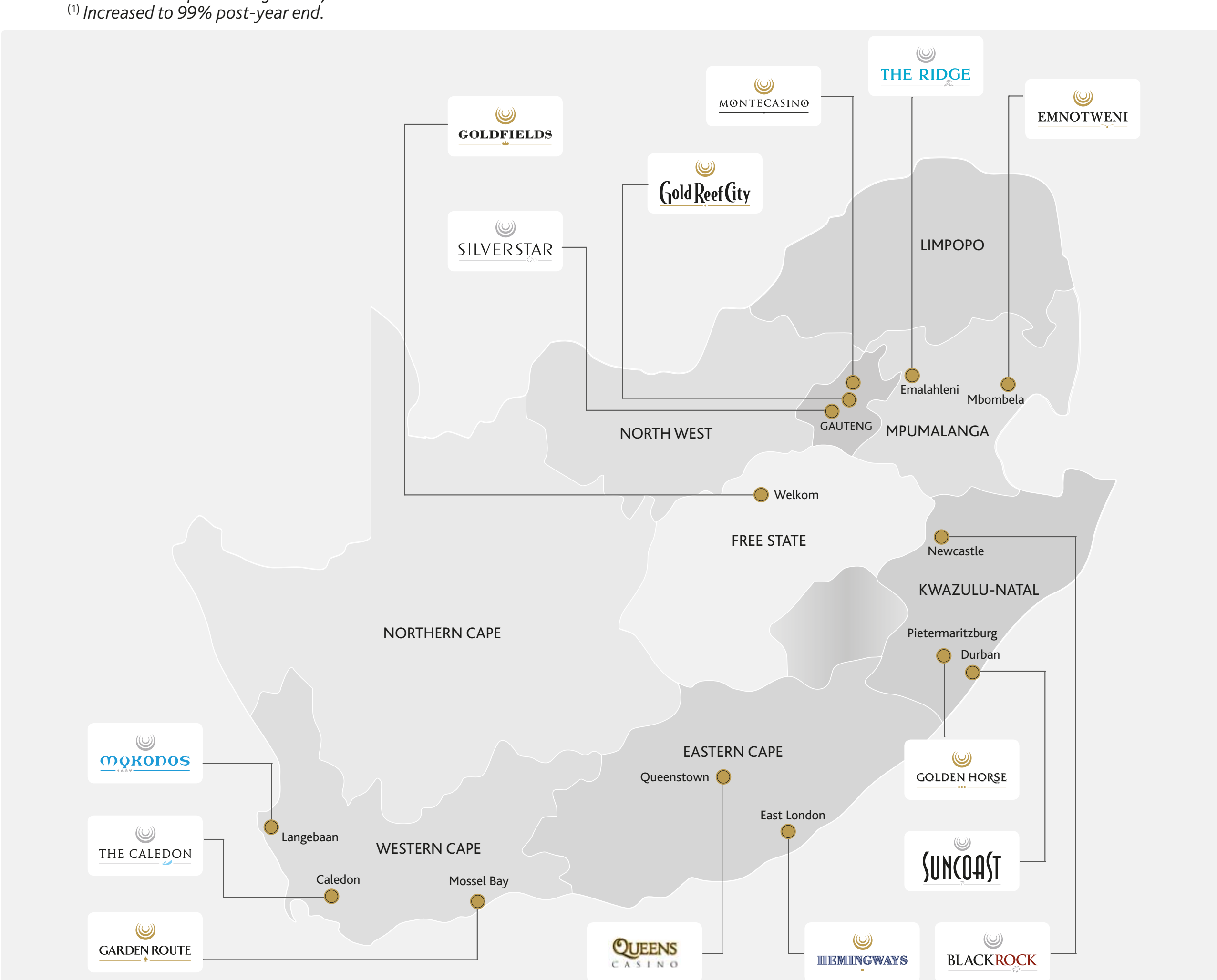
Brands

Gauteng	KwaZulu-Natal	Western Cape	Mpumalanga	Eastern Cape	Free State
MONTECASINO	SUNCOAST	THE CALEDON	EMNOTWENI	HEMINGWAYS	GOLDFIELDS
Gold Reef City	GOLDEN HORSE	GARDEN ROUTE	THE RIDGE	QUEENS CASINO	
SILVERSTAR	BLACKROCK	MYKONOS			

Footprint

	Ownership %	as at 31 March 2013 Tables	Slots	Hotel rooms	Group revenue contribution %	Group Ebitdar contribution %
Montecasino	100	78	1 714	619	23	26
Gold Reef City	100	50	1 600	113	12	12
Silverstar	100	22	812	34	6	6
Suncoast	90[(1)]	57	1 450	165	15	18
Golden Horse	100	19	450	96	3	4
Blackrock	100	7	250	40	1	1
The Caledon	100	7	299	95	1	1
Garden Route	85	16	412	43	2	2
Mykonos	70	6	320	–	1	2
Emnotweni	100	10	367	224	3	4
The Ridge	100	18	426	175	4	5
Hemingways	65	16	500	108	3	3
Queens	25	6	180	–	*	*
Goldfields	100	9	250	–	1	2
Other gaming	100			175	1	(5)
Total		**321**	**9 030**	**1 887**	**77**	**81**

Notes *Queens casino is equity accounted.
Ebitdar is stated pre-management fees.
[(1)] *Increased to 99% post-year end.*



Our business model continued

TSOGO SUN HOTELS

Key features

Tsogo Sun hotels does not follow the prevalent international trend of operating the business on an 'asset light' basis, and in South Africa, the portfolio philosophy remains to own all the components of the business, wherever possible. The components of the hotel business are land, buildings, operations, management and brand. Although this portfolio philosophy is more capital intensive than the 'asset light' model, it allows substantially higher return on effort and in the long term retains control of the assets providing extended tenure and resilience through trading cycles.

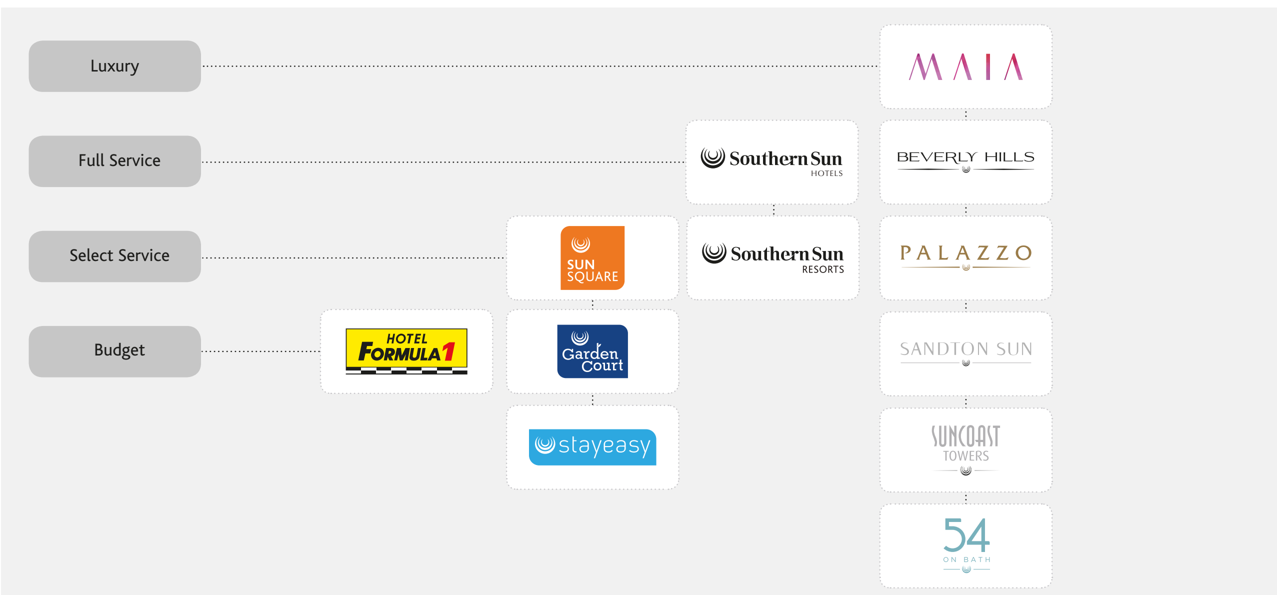
The group leases assets both in South Africa and offshore where it is not possible to own the land and buildings, but then loses the growth of the property value over time. In South Africa the group will only manage operations for third parties if they are strategically important (due to partner requirements or location) and where there is no option to own or lease. We will manage operations for third parties offshore as this is a low risk option to enter new markets, but in the longer term it would be preferable to own the operation and the property. We operate hotels as a franchisee where necessary due to brand differentiation requirements but are not a franchisor of our own brands. This currently includes InterContinental and Hotel Formula 1.

Tsogo Sun hotels' key differentiator in South Africa is our wide distribution of quality budget through to luxury hotel products. In addition to quality product, consistent exceptional guest experience remains the focus at all Tsogo Sun hotels to differentiate in an often commoditised industry.

The majority of Tsogo Sun hotels' occupancy depends on the business traveller, government and group and convention markets. Relationships with key customers and travel intermediaries and access to the correct distribution networks are critical in driving both occupancies and average room rates throughout the hotel division.

The customer reward programme in the division is important as 26% of hotel revenue is contributed by active reward club members. We have redeveloped the reward programme, and it will be relaunched in 2013.

Brands



Each luxury hotel offers guests world-class style, unparalleled service and accommodation and signature touches that define luxury travel. The full service hotels offer products and services that meet the needs of tomorrow's savvy global travellers, whether travelling for business or leisure. Our select service hotels delight the self-sufficient traveller with what is needed for a good level of comfort and productivity at great hotels at great rates. Our budget hotels provide easily accessible basic accommodation and can be relied on for a great night's rest at the right price. The group is unique in Africa in providing world-class accommodation across all market segments.

Footprint

	Owned/Leased		Managed		Total		Group revenue contribution %	Ebitdar contribution %
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms		
Luxury	3	410	3	703	6	1 113	1	–
Full Service	21	3 952	5	1 400	26	5 352	10	7
Select Service	21	3 649	8	1 471	29	5 120	7	7
Budget	23	1 690	–	–	23	1 690	1	2
South Africa	68	9 701	16	3 574	84	13 275	19	16
Offshore	6	746	2	326	8	1 072	4	3
Total	**74**	**10 447**	**18**	**3 900**	**92**	**14 347**	**23**	**19**

The environment within which we operate

Regulatory environment

The South African regulatory environment continues to become more complex with the ongoing introduction of new legislation regulating competition, consumer protection and privacy, amongst others. Gaming legislation remains the group's primary compliance focus although this regulatory framework is well entrenched and remains relatively stable.

The main regulatory areas of concern are the proposed amendments to smoking legislation and the draft amendments to the BBBEE Codes of Good Practice. The total ban on smoking in public places has had a significant short-term impact on gaming win in other countries where it has been implemented, although the impact in South Africa is not expected to be as severe due to the strict smoking restrictions that are already in place. The draft amendments to the BBBEE Codes of Good Practice are important particularly in the context of various gaming boards attempting to impose the achievement of defined levels of empowerment, as measured against the codes, as a licence condition.

Economic environment

Global economic conditions remain weak although they appear to be improving and sentiment-driven shocks continue to fuel volatility. The uncertainty impacts global fund flows to emerging markets which, exacerbated by lower commodity prices and South African specific social and economic issues, particularly in the mining sector, have resulted in significant Rand weakness. Post year end the Rand weakness has the dual impact of driving local inflation and exerting upward pressures on interest rates, which would reduce economic growth. Business confidence remains low with household debt rising and unsecured lending defaults increasing.

The underlying operations of the group remain highly geared towards the South African consumer (in gaming) and the corporate market (in hotels). The impact on the group however has to date only manifested in significant monthly trading volatility with growth for the year remaining satisfactory. The weakening of the Rand mainly impacts on the capital cost of gaming machines and on the translation of the income statement of the hotels outside South Africa. We do not believe that the increased unsecured lending has driven growth in the gambling industry as it remains entertainment spend from upper/middle income consumers, with the main beneficiary of the easy credit being retail sales, mainly clothes and furniture in lower income segments. The factors noted above mainly impact on the group indirectly due to their impact on the consumer and corporate markets.

Industry growth and cycles

Gaming

A formalised gaming industry has existed in South Africa since it was partially legalised in the independent homelands during the 1970s. Following the introduction of the current regulatory framework in South Africa during the late 1990s the industry has been formalised and operates in line with global best practice. The formalisation of the industry has provided substantial benefits to the country through the collection of taxes, the development of gaming and entertainment complexes, hotels and tourism infrastructure and the creation of employment.

The South African formal gaming market is made up of casinos, the national lottery, sports betting, limited payout machines ('LPMs') and bingo and generates annual revenues of approximately R21 billion. Casino gaming accounts for in excess of 70% of the gaming market and Tsogo Sun has a market share of 46% in the six provinces in which it operates. Market share is misleading however as casinos are located such that there is little shared market and therefore mainly compete with other leisure activities such as shopping, eating out, sporting events and concerts. The casino market reflected double digit growth until 2008 when the impact of the global recession slowed growth. The industry proved to be resilient as although growth slowed to low single digits it never went significantly negative. Growth from 2010 has been approximately in line with inflation and is expected to accelerate when economic conditions improve.

Online gaming remains illegal in South Africa and there is no indication as to when enabling legislation will be implemented. There was no discernible impact from the banning of online gaming and it is not considered a significant risk. LPMs and bingo are showing stronger growth as they are rolled out by province and to date appear to have had little impact on casinos as they are targeted at a different segment of the market.

Hotels

Following the first democratic elections in 1994 the demand for hotel rooms grew rapidly and rooms sold by the group grew by more than 6% per annum between 1994 and 1999. The market responded to the increased demand through the construction of new hotels although demand growth continued to exceed the growth in supply until 2008 and occupancies and average room rates continued to rise. During 2008 the impact of the global recession constrained demand but construction of new hotels continued until the FIFA World Cup in 2010 as the projects were already in progress. Market occupancies fell from 72% in 2007 to 53% in 2011 due to the combination of constrained demand and the increased supply and average room rate growth was constrained. Demand continues to grow, and with little growth in hotel supply, market occupancies have been recovering since 2011 and are now above 60%. We anticipate that demand will continue to grow and that additional supply will again be added to the market when market occupancies approach 70%.

Tsogo Sun accounts for approximately 29% of the 42 000 hotel rooms of the hotels that submit statistics to STR Global, which reflects most of the formal hotel stock in South Africa. Tsogo Sun is the only hotel group in South Africa with wide distribution across all grading levels.

Trading in the majority of the African cities where Tsogo Sun operates outside South Africa remained remarkably resilient through the economic downturn mainly due to limited supply of good hotels. The markets are however significantly smaller and the addition of a new hotel has a more significant impact on the market. It remains challenging and expensive to acquire land and build hotels in many countries in Africa which constrains supply. However, many of the countries are experiencing strong economic growth which will drive the demand for and supply of new hotels.

Technology

The use of technology is important in both the gaming and hotel businesses to deliver relevant experiences to customers and to drive business efficiencies. Key areas are gaming and hotel property management systems to enable the business, customer relationship management to provide relevant benefits and rewards to customers, business intelligence to drive efficiencies and digital platforms to interact with and provide connectivity to customers.

Technology trends are as follows:

- online booking volumes of hotel rooms continue to increase although they remain below international norms in South Africa;
- customer relationship management is increasingly important in encouraging customer loyalty, particularly due to potential gaming advertising restrictions and the Consumer Protection Act;
- the increased utilisation of mobile devices makes a mobile-friendly website an imperative;
- social networking impacts on marketing channels and requires transparent and realistic responses to issues;
- the importance of data security is increasing due to increased connectivity and the PoPI Bill;
- free broadband wireless access is becoming the norm; and
- integration of personal devices with in-room entertainment although docking stations and other connectivity devices lag due partially to the lack of standardisation.

Consumer preferences

In order for gaming and hotel businesses to deliver quality experiences, facilities and services must be relevant to what customers want and are prepared to pay for. Consumer preferences range from the technology preferences noted above to the look and feel of the physical product, the location of buildings, concepts of restaurants and bar offerings, types of entertainment and travel patterns.

Societal issues

The weak economic environment, along with political factors, has fuelled labour unrest and disruption in a number of industries in South Africa. The disruption continues to discourage investment and impacts on the high unemployment level and low growth rate in the country. The impact on the gaming and hotel businesses in the markets in which the group operates is limited due to the high level of employee engagement and the location of the majority of the properties in urban areas. The group is however indirectly impacted through the effect on the economy.

The gaming industry is exposed to anti-gaming sentiment, which increases the risks of excessive taxation and regulation. The reality, however, is that the issues such as problem gambling are well managed and are substantially exceeded by the benefits in the highly regulated industry through significant tax contributions, infrastructure development, creation of employment, wealth distribution to black economically empowered businesses and PDI shareholders and social investment in the communities that are served. The negative impacts of casino gaming is also less of a societal issue than the other forms of gaming due to the ease of access and lower economic target markets of sports betting, LPMs, bingo and in particular the national lottery.

Environmental issues

The gaming and hotel businesses pose limited risk to the environment due to the service nature of the industry. In particular Tsogo Sun operates predominantly in urban areas, which further reduces the biodiversity impact. The main environmental impacts are through the consumption of energy and water, the production of waste and travel to our properties.

Although customer choices are not yet significantly impacted by environmental performance, behavioural changes are being driven by social responsibility. The greater challenges to the industry currently are the rising utility costs and uncertainty of the future supply of energy and particularly of water.

Our risk management and materiality

Risk management process

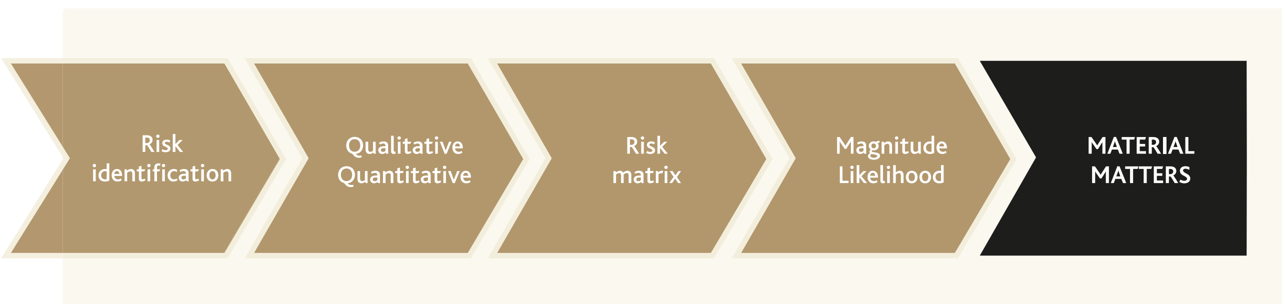
The Tsogo Sun board recognises that the management of business risk is crucial to our continued growth and success and this can only be achieved if all three elements of risk – namely threat, uncertainty and opportunity – are recognised and managed in an integrated fashion.

The audit and risk committee is mandated by the board to establish, coordinate and drive the risk process throughout the group. It has overseen the establishment of a comprehensive risk management system to identify and manage significant risks in the operational divisions, business units and subsidiaries. Internal financial and other controls ensure a focus on critical risk areas, are closely monitored and are subject to management oversight and internal audit reviews.

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

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

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



Determination of materiality

The matters included in our integrated annual report are principally aimed at providers of financial capital in order to support their financial capital allocation assessments. The interests of the providers of financial capital are, however, aligned with other key stakeholders in that they also are focused on the creation of value in the long term.

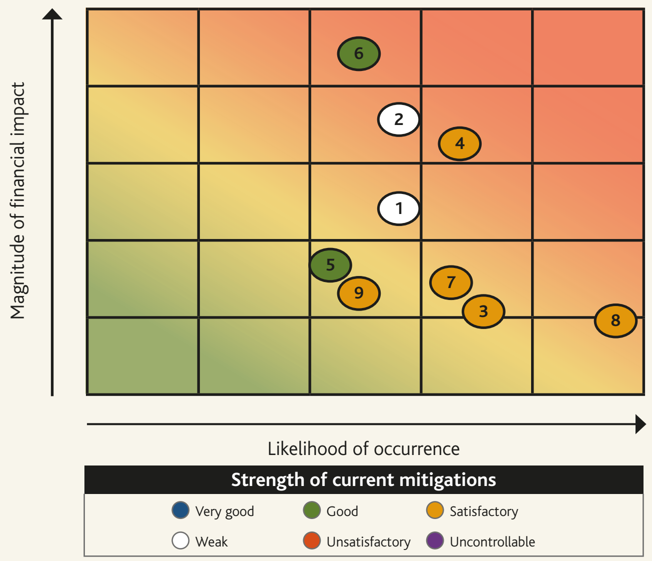
In determining what matters are material for disclosure in our integrated annual report we have considered whether the matter substantively affects, or has the potential to substantively affect, our strategy, our business model, or the forms of capital we utilise and our ability to create value over time.

The assessment of the magnitude of the impact and the likelihood of the occurrence of the group's top risks informed the identification and prioritisation of the material matters for inclusion in the integrated annual report. The matters identified were compared with those being reported on by organisations in the same or similar industries to ensure that relevant matters have not been excluded from the report.

Our material risks and opportunities

The risk matrix reflecting the assessment of the magnitude of the impact and the likelihood of the occurrence of the group's top risks is as follows:

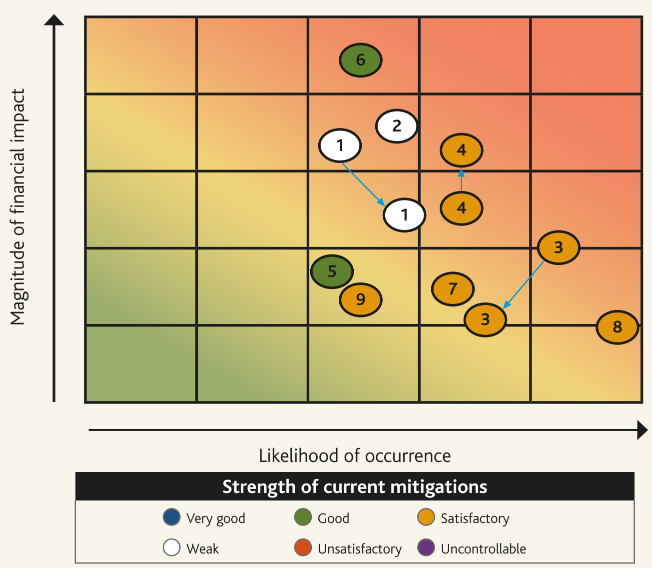
Tsogo Sun group risk landscapes as at March 2013



Top risk scenarios	
1	Adverse tax environment
2	Macro-economic environment
3	Unreliable and costly utilities
4	Regulatory change and compliance
5	Portfolio management and product relevance
6	Missed opportunities
7	Capacity issues
8	Crime and security
9	Human resources

The movement in the top risks over the year is as follows:

Tsogo Sun group risk landscapes movement from March 2012 to March 2013



Top risk scenarios	
1	Adverse tax environment
2	Macro-economic environment
3	Unreliable and costly utilities
4	Regulatory change and compliance
5	Portfolio management and product relevance
6	Missed opportunities
7	Capacity issues
8	Crime and security
9	Human resources

Our material risks and opportunities continued

The principal risks and opportunities facing the group and considered by the board are detailed below:

Principal risk landscapes	Specific risks we face	Potential impact
Adverse tax environment	✤ Proposed increased national and provincial gaming taxes ✤ Increased rates and property taxes ✤ Possible VAT increases	✤ Reduced profitability ✤ Uncertain operating environment resulting in frozen investment spend
Macro-economic environment	✤ Reduced gaming spend ✤ Reduction in travel spend ✤ Growth negatively affected by macro-economic factors	✤ Lower revenue growth and profitability
Regulatory change and compliance	✤ Changes in casino licensing conditions ✤ Loss of casino licences ✤ Changes in labour legislation ✤ Not meeting changing BBBEE requirements ✤ Increased complexity of compliance, e.g. PoPI and CPA ✤ Smoking legislation ✤ Advertising restrictions	✤ Significantly higher costs, lower revenue and reduced profitability
Unreliable and costly utilities	✤ Unreliable water supplies ✤ Unreliable electrical supply ✤ Rise in electricity and water costs	✤ Disruption to operations and reduced profitability
Human resources	✤ Employment equity challenges at senior levels ✤ Lifestyle diseases, including HIV/AIDS and hypertension and diabetes ✤ Unrealistic expectations, social pressure and/or unresolved industrial relations issues leading to violent strikes and unrest ✤ Limited pool of qualified, trained and talented staff	✤ Failure to meet BBBEE targets ✤ Reduced customer satisfaction, disruption to operations and reduced profitability ✤ Work stoppages, reduced profitability, reputational impacts
Capacity issues	✤ Fixed cost nature of the business ✤ Casino capacity constraints ✤ Hotels oversupply in certain markets	✤ Lower revenue growth and profitability
Crime and security	✤ Casino and hotel robberies ✤ Fraud by employees ✤ Fraud from external sources	✤ Lower revenue and profitability ✤ Reputational risk
Missed opportunities	✤ New gaming opportunities ✤ Hotels opportunities, local and offshore ✤ Investments in expansion not yielding expected returns	✤ Lower revenue growth and profitability ✤ Missed revenue opportunities ✤ Wasted investment
Portfolio management	✤ Nodal shifts ✤ Product relevance in target markets	✤ Reduced income and profitability ✤ Obsolete hotel stock ✤ Missed opportunities ✤ Reduced footfall and customers ✤ Customers choose other leisure options

Risk responses	Associated strategic priorities
✤ Lobby government through CASA ✤ Educate legislators regarding gaming impact through direct lobbying ✤ Publicity campaigns in press and other media ✤ Lodge of appeals on assessments and property valuations ✤ Ensure property values are always accurate and at the disposal of municipalities	✤ Sustainability – Regulatory compliance ✤ Growth – Organic growth
✤ Revised strategic priorities ✤ Review organisational structures ✤ Further focus on cost reduction ✤ Renewed and focused marketing ✤ Reward programmes	✤ Sustainability – Financial strength and durability ✤ Growth – Organic growth
✤ Engage authorities, including gaming boards ✤ Submit comments to law makers through formal comment structures ✤ Review company structures and staffing levels ✤ Robust compliance procedures ✤ Engage law makers through employer and industry bodies	✤ Sustainability – Deliver to our stakeholders ✤ Sustainability – Regulatory compliance
✤ Demand-side management programmes to reduce consumption ✤ Water handling/storage capacity for emergency supply ✤ Lower than expected electricity increases ✤ Self-reliance on generators for emergency electricity supply	✤ Sustainability – Product relevance to customer experience ✤ Growth – Organic growth
✤ Retention of staff through appropriate remuneration structures ✤ Engage with and empower staff ✤ Fast track and develop talented staff ✤ Performance-driven culture ✤ Focused employment equity strategy	✤ Sustainability – Human resources ✤ Growth – Organic growth
✤ Review organisational structures ✤ Further focus on cost reduction ✤ Renewed interaction with gaming boards and city officials ✤ Renewed focus on reward programmes	✤ Growth – Organic growth
✤ Physical security and surveillance procedures ✤ Good coordination with the South African Police Service ✤ Crime intelligence ✤ Internal control frameworks ✤ Internal audit procedures ✤ Payment card industry standards	✤ Sustainability – Regulatory compliance
✤ Project teams assembled to exploit opportunities ✤ Proper and robust evaluation of all new opportunities ✤ Non-financial due diligence of opportunities ✤ Feasibility studies ✤ Review of plans and opportunities	✤ Sustainability – Financial strength and durability ✤ Growth – Organic growth
✤ Overview of markets ✤ Interaction with local authorities ✤ Investment in facilities to ensure relevance ✤ Market research to timeously spot trends ✤ Partnerships with other leisure suppliers	✤ Sustainability – Financial strength and durability ✤ Sustainability – Product relevance to customer experience ✤ Growth – Organic growth

OUR KEY RELATIONSHIPS

Stakeholder group	Why it is important for us to engage
Investors and funding institutions	*Investors and funding institutions are the providers of capital necessary for our growth and we need transparent communication and to understand potential concerns*
Government and regulatory bodies	*Government provides us with our licence to trade and the enabling regulatory framework within which to operate and we need to ensure compliance and understand the broader economic, social and environmental issues*
Customers	*We need to understand our customers' needs, perceptions and behaviours in order to deliver experiences relevant to them thereby enhancing our brands and driving revenue*
Communities	*Engagement assists us to focus our efforts in empowering local communities which contributes to our long-term viability*
Employees and unions	*Our employees are core to delivering our customer experiences and we need to understand their needs, challenges and aspirations and for them to be aligned with our strategy*
Suppliers and business partners	*Our suppliers and business partners enable us to deliver consistent customer experiences*

We create value through our relationships with our stakeholders. Building trust, mutual respect and credibility with our stakeholders is vital to our long-term sustainability.

All interactions with our stakeholders are based on our values which guide our behaviour to ensure our stakeholders know what to expect from us. We have taken our stakeholders' views into account in formulating our strategic priorities. We welcome any feedback at **investors@tsogosun.com**

An overview of our key stakeholder groups, their interests and concerns and how we engage with them is provided in the table below.

How we engage with our stakeholders	Our stakeholders' key interests and concerns	Link to strategy
✤ JSE news services ✤ Media releases and published results ✤ Integrated annual reports ✤ Annual General Meetings ✤ Dedicated analyst and investor presentations ✤ One-on-one meetings ✤ Online investor portal	✤ Sustainable growth and returns on investment ✤ Dividends ✤ Risks and opportunities of expansion ✤ Transparent executive remuneration ✤ Corporate governance and ethics ✤ Liquidity and gearing	Financial strength and durability 43 Organic growth 51 Inorganic growth 54
✤ Establish constructive relationships ✤ Comment on developments in legislation ✤ Participate in forums ✤ Written responses in consultation processes ✤ Presentations and feedback sessions ✤ Regulatory surveillance, reporting and interaction ✤ Membership of industry bodies, e.g. CASA, Fedhasa, BLSA, etc.	✤ Taxation revenues ✤ Compliance with legislation ✤ Compliance with licence conditions ✤ Job creation ✤ Investment in public and tourism infrastructure ✤ Investment in disadvantaged communities ✤ Advancing transformation ✤ Social impacts ✤ Reduction in energy and water consumption	Deliver to our stakeholders 35 Regulatory compliance 46 Human resources 47
✤ Satisfaction surveys ✤ Reward programmes ✤ Customer relationship managers ✤ Call centres ✤ Website and active Twitter and Facebook engagement ✤ One-on-one interaction	✤ Quality product ✤ Consistent quality experience ✤ Simpler and quicker to deal with us ✤ Value offerings ✤ Long-term security of supply	Product relevance to customer experience 44
✤ Events and sponsorships ✤ Media channels ✤ Corporate social investment initiatives ✤ National Responsible Gaming Programme	✤ Investment in disadvantaged communities ✤ Employment opportunities ✤ Sponsorships ✤ Responsible gaming	Deliver to our stakeholders 35
✤ Communication from executives ✤ Roadshows ✤ Intranet and internal newsletters and posters ✤ Induction programmes ✤ Ongoing training and education ✤ Employee surveys ✤ Performance management programmes ✤ Anti-fraud, ethics and corruption hotline ✤ Trade union representative meetings ✤ Staff engagement programmes	✤ Job security ✤ Engagement ✤ Performance management ✤ Clear understanding of reward structures ✤ Health and safety performance ✤ Access to HIV counselling and wellness programmes ✤ Career planning and skills development ✤ Preferred employer	Human resources 47
✤ One-on-one meetings ✤ Tender and procurement processes ✤ Anti-fraud, ethics and corruption hotline ✤ Supplier forums	✤ Timely payment and favourable terms ✤ Fair treatment ✤ Broad-based black economic empowerment compliance	Deliver to our stakeholders 35

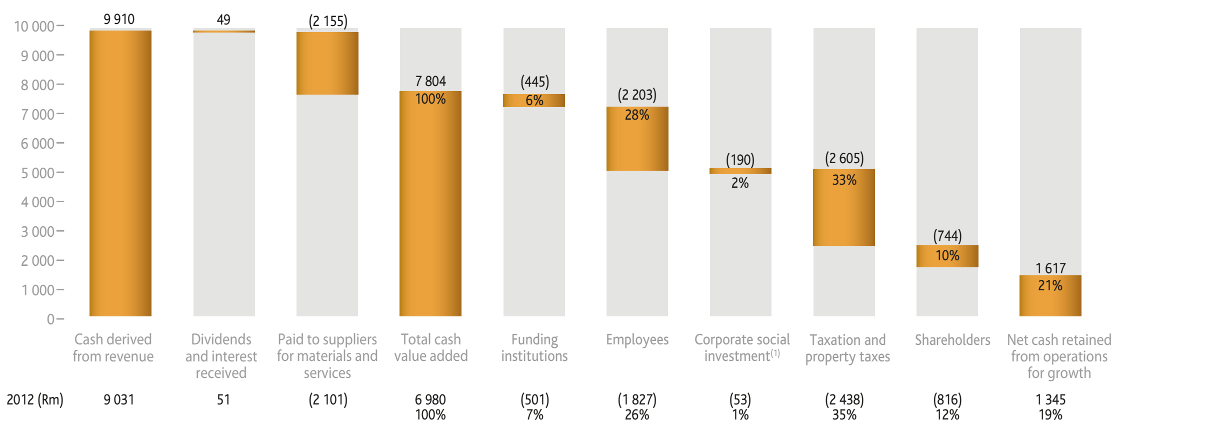
Our key relationships continued

In addition to providing exceptional experiences to our customers, the group generates direct and indirect financial benefits for our stakeholders including:

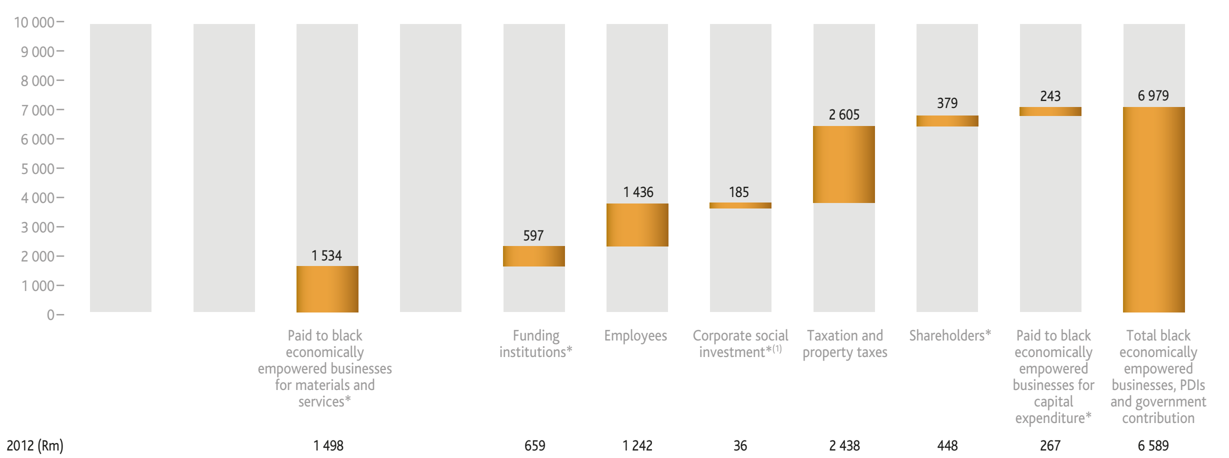
- returns for our shareholders and funding institutions;
- substantial income tax, dividends taxes, gaming levies and VAT, employees' tax and property rates and taxes to national and provincial government;
- corporate social investment within the communities we serve;
- employment within the communities we serve;
- sustainable business for our national and local business partners and suppliers which creates wealth and additional employment; and
- continuous investment to maintain and expand our portfolio of properties.

A substantial portion of the value added wealth generated by the group is spent with/distributed to black economically empowered businesses, PDIs and government. The value added by the group and the contribution to black economically empowered businesses, PDIs and government is as follows:

Value added for the year ended 31 March 2013 (Rm)



Value added to black economically empowered businesses, PDIs and government for the year ended 31 March 2013 (Rm)



* *As per the Department of Trade and Industry generic code*

(1) *Including the R150 million paid to the Gauteng Gambling Board to be allocated to charitable or socio-economic infrastructure projects.*

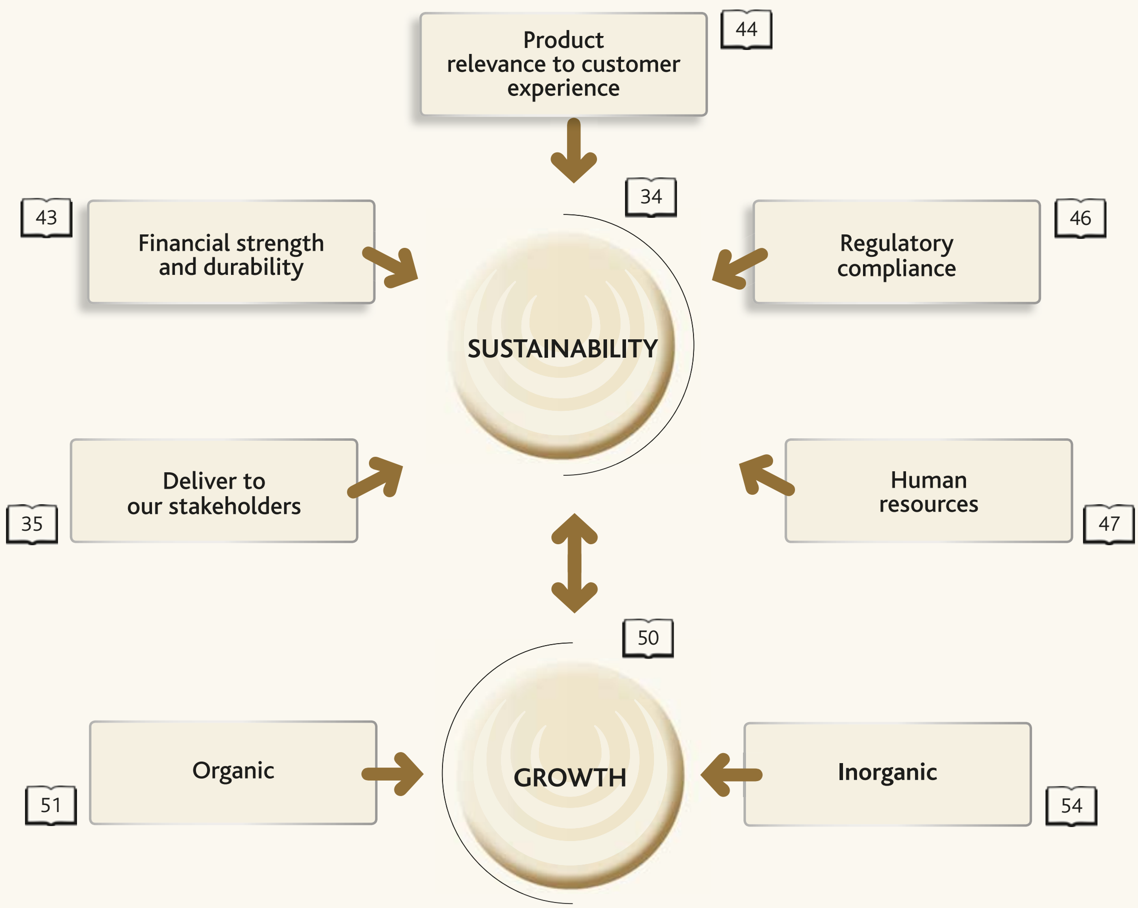
Our strategy

How we create long-term sustainable value

The key pillars of our sustainability include meeting the reasonable requirements of our stakeholders, financial strength and durability, maintained product relevance to customer experience, regulatory compliance and adequate skilled human resources.

In summary, a business has to stay in business to be able to take advantage of the commercial opportunities that are presented to it. Good businesses fail when they are fragile, inflexible, unethical and/or poorly managed.

Representation of our strategy



Our performance against these strategies is discussed in the our strategy in action section

The value of a business is the present value of the future cash flows that can be generated by the assets and other capitals owned or controlled. Accordingly, the only true measure of growth for our business over time is the growth in cash flow.

The capitals that generate these cash flows include physical assets such as property, plant and equipment and employees as well as intangible capitals such as licences, brands, trademarks, technology and systems. Execution of a robust strategy informed by and responding to material risks and opportunities will lead to optimal utilisation of capitals and generation of cash flow and ultimately value.

Growth in cash flows over time are generated through the optimal operation of the group's capitals or organic growth and building the tangible and intangible asset base of the group through developing and acquiring new businesses or inorganic growth.

While the use of cash flow as the only measure of growth may appear mercenary, it is only with sustainable and growing cash flows that a business can hope to create value for the organisation, its stakeholders and society and thereby achieve a multitude of additional benefits such as increased levels of employment and meaningful social contributions.

OUR
PERFORMANCE

Chief Executive Officer's review

The strategic priorities of the Tsogo Sun group remain sustainability and growth. Sustainability, or more simply staying in business, is achieved through firstly, avoiding mistakes that can threaten the survival of the business and secondly, identifying external risks and developing mitigating strategies to minimise or eliminate their impact on the organisation. Growth is achieved both organically and inorganically and is measured by the increase in the group's free cash flow generated over time.

Marcel von Aulock
Chief Executive Officer

- The group has the financial ability to withstand macro-economic shocks and pursue attractive investment opportunities
- Exciting product initiatives include the introduction of free wi-fi at most hotel properties and the relaunch of the reward programmes
- Tsogo Sun won the 'Best Employer Award' in the hospitality sector by the Corporate Research Foundation Institute
- A recovery in consumer and business confidence remains the largest growth opportunity for the group
- The 30% increase in gaming positions in Gauteng has unlocked further development at Montecasino, Gold Reef City and Silverstar

Major acquisitions

F2010
30% of Suncoast (R1 billion)
Century Casinos (R438 million)

F2011
Gold Reef merger

F2012
16.5% of Suncoast (R510 million)
52.6% of Hotel Formula 1 (R300 million)

F2014
8.7% of Suncoast (R363 million)
Southern Sun Ikoyi (R695 million)

Sustainability

In order to take advantage of commercial opportunities that are presented, a business needs to first and foremost stay in business. The discussion on sustainability is about the five major pillars of focus for ensuring the long-term survival and prosperity of Tsogo Sun. I'm pleased to report that Tsogo Sun has made some good progress in each of these areas in the past financial year.

Financial strength and durability

The 2013 financial year delivered a satisfactory operating performance with adjusted headline earnings growing by 24% and closing net debt:Ebitdar of 0.9 times at 31 March 2013, despite the significant number of investment activities undertaken. The group has retained the advantage of having the financial resources to both withstand unexpected shocks from the macro-economic environment, and still pursue attractive opportunities to invest capital in our core businesses. This ratio is expected to increase in the coming years as we roll out our expansion activities, but is not expected to present any form of undue pressure to the business.

As at 31 March 2013, the group enjoyed more than R4.1 billion in available cash and unutilised facilities, and even after the post-year end conclusion of inter alia the Suncoast minority buy-back (R363 million) and the acquisition of Ikoyi Hotels Limited in Nigeria (R695 million), which was funded through a new US Dollar-based facility at very attractive rates, the group has sufficient headroom in both facilities and covenants to cater for all foreseeable requirements.

Chief Executive Officer's review continued

Deliver to our stakeholders

The group continues to enjoy a stable and supportive shareholder base through HCI and SABMiller. It will always be important who owns us and who enjoys the economic benefit of the group's activities through dividends, employment, taxes and social programmes.

In particular both shareholders have shown a significant amount of support and enthusiasm for the group's growth strategy and this has played a material part in assisting the group to close a number of the important expansion deals highlighted in the commentary below.

We are a group that employs in excess of 19 000 people directly and indirectly and has paid over R2 billion in direct taxes in the last year while continuing to pay steady and significant dividends. HCI has a developing and diversified asset base generating sustainable wealth for its largely union, charity and previously disadvantaged shareholder base, a direct consequence of the value generated by Tsogo Sun. I refer you to the value added statement in the key relationships section on page 24 and the community section on page 35 for further information.

Product relevance to customer experience

The major rebranding exercise to assist both internal and external stakeholders to better understand the variety of products that the group owns and operates has been a success and we believe Tsogo Sun is well on its way to becoming a household name, in both the corporate and consumer markets in South Africa. The essence of the group's products remain the onsite experiences, as in order for our customers to consume our product they need to physically visit our properties, be it for theatre, dining, gaming or hospitality.

In order to keep our experiences attractive, the group's products need to be relevant and accessible to the customer. Accordingly, we have again invested significantly in both distribution of physical product and maintenance capital expenditure in our various properties. In addition, the group continues to allocate significant human and financial resources to systems ensuring that the offering at each property is relevant to the market it serves.

The consolidation and relaunch of the Southern Sun Elangeni and Maharani, which was in response to the excellent upgrade that the City of Durban has done to the beach promenade and the efforts of the eThekwini council and various tourism bodies to position Durban as a leading event and conference destination, is a prime example of investment to keep a product relevant to its market.

Operationally, a significant amount of work continues to be done on the continual refresh of gaming products on our floors and guest facilities and amenities at our hotels. There are a number of exciting initiatives that either have been or will be launched in the 2014 financial year including the introduction of free guest wi-fi in most of our hotel properties and the consolidation, redesign and relaunch of our various reward programmes in the gaming and hotel divisions.

Regulatory compliance

The group enforces a culture of compliance at all levels of the organisation, relating to all relevant laws and regulations. Compliance is not limited to intensive gaming regulation requirements, but also involves having systems and review processes in place to understand and abide by laws in areas as diverse as liquor and fire regulations, health and hygiene standards, labour, competition and consumer practices.

While we respect the important role that the various regulatory bodies play in society and business in general and towards the affairs of the group specifically, we have been, and are still, forced to challenge elements of law and regulation that we believe are misguided or will have unintended consequences on the group and its customers.

We remain in dispute with the Mpumalanga Gambling Board over their intention to impose the achievement of a level 2 BBBEE empowerment score as a licence condition. While the group has already proudly achieved this benchmark, the ability of government to arbitrarily change the scoring criteria of the codes of good practice means that the group can never agree such an imposition as a condition of its gaming licences.

In other areas, such as the ability to expand our gaming capacity in Gauteng, we have made significant progress, which is encouraging. We will continue to defend our commercial rights while maintaining a cordial and cooperative relationship with various levels of government.

Human resources

Tsogo Sun aims to recruit staff with the best skills and attitudes available. We then provide an enabling and positive work environment. The previous employee engagement programmes within gaming (Tsogo Way) and hotels (Siyakhanya) are being consolidated into a single group employee engagement programme to be launched in October 2013. This, together with the newly developed Tsogo Academy, which controls all aspects of the group's employee training and development programmes, is a significant step to further ensure a proper work environment for employees. We firmly believe that engagement is often as important to derive the best performance from a workforce as are the levels of remuneration.

During 2013 we were once again honoured with the 'Best Employer Award' in the hospitality sector by the Corporate Research Foundation Institute.

Staff turnover, which has reduced substantially over the last decade, remains within acceptable levels. The remuneration report on page 65 to 69 highlights the group's philosophy towards remuneration and incentivisation, ensuring we retain valuable talent.

Growth

The value of a business is the present value of the cash flows that can be generated by the assets owned or controlled. Accordingly, the only true measure of growth for our business over time is its growth in free cash flow.

Our free cash flow grew by some 12% from R1.7 billion to R1.9 billion for the year ended 31 March 2013. The coming year may see reduced growth or a decline in free cash flow as we incur additional interest on our development spend and complete some major maintenance capital expenditure projects offset by the anticipated growth in cash generated.

Organic growth

The macro-economic environment remains subdued and this is not expected to change radically in the short to medium term. However, the past year has shown continued recovery in both the casino and hotel markets, albeit at a pedestrian pace. Overall gaming win growth of 6.8% was impacted by poor win ratios in the tables operations, particularly in the high end privé areas. Overall owned occupancies at 64.7% improved by some 3.3pp, but are still well below normal levels of around 67% to 68% and consequently, due to the continued limitation on pricing power and the inclusion of the Formula 1 hotels as owned for the year, Revpar grew by 3% to R506.

In the longer term, a recovery in consumer and business confidence, driving growth in leisure spend and corporate travel respectively, remains the largest growth opportunity for the group. We stated last year that, with our unparalleled asset base, Tsogo Sun stands to benefit significantly from the high levels of operational gearing in the industries it operates in and should see a significant increase in operating cash flows if organic revenue growth, even marginally above inflationary levels, can be sustainably achieved.

The group's financial results for the year ended 31 March 2013 reflect this with income growth of 10%, translating to a growth in Ebitdar of 11%, assisted by the acquisitions implemented in the prior year. Operating, finance and taxation costs are strictly monitored and benchmarked across the group, and maintenance capital expenditure, as discussed above, is vital to maintaining and improving the group's asset base.

Inorganic growth

Inorganic growth is pursued through a combination of expanding our existing facilities, greenfields developments and acquisitions within the group's core competence. The group has been particularly active in sourcing opportunities to invest capital in our business:

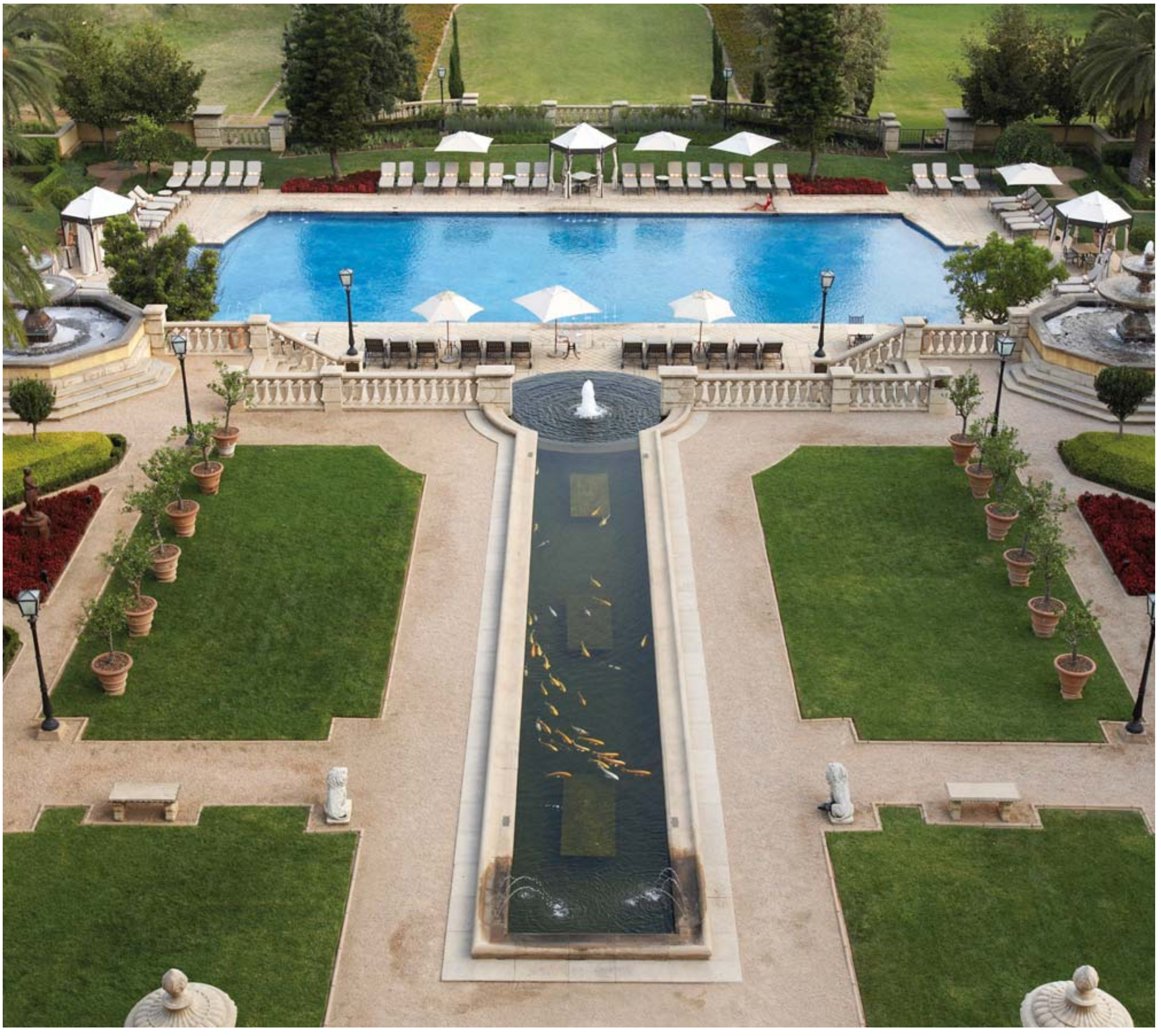
- The acquisition of an additional 8.7% effective interest in the Suncoast casino for R363 million post-year end has brought the group's share of ownership in this operation to 98.7%. This effectively brings a four year and R2 billion project to achieve whole ownership of this operation to conclusion. Whole ownership and control of our casino operations is a significant advantage in the industry as we achieve unrestricted access to cash flows and the market is better able to understand the true value of the group.
- The agreement reached with the Gauteng Gambling Board to expand our Gauteng casino capacity by some 30% (1 500 positions) has unlocked the ability for further development at Montecasino, Gold Reef City and Silverstar. This will position the group to cater to the expected natural growth in demand that has built up, and is expected to continue to build, over the coming decades.
- We are in negotiations to conclude a similar arrangement in KwaZulu-Natal that would see a substantial expansion of the Suncoast casino and related facilities.
- We commenced construction on the R206 million expansion and redevelopment of the Emnotweni casino in Nelspruit, including a new multi-storey parkade, restaurants, multi-purpose arena and enlarged casino.
- We have announced the deployment of USD100 million into our African operations, through two projects. The first is the acquisition of Ikoyi Hotels in Lagos, which owns the Southern Sun Ikoyi for USD70 million. This deal is aimed at cementing our presence in this exciting West African market and creating a platform for future growth. The second project is the refurbishment and expansion of the Southern Sun Maputo in Mozambique for some USD30 million, to take advantage of the sustained demand we have seen in this market.
- Additional property-related acquisitions were concluded, including the acquisition of the Garden Route hotel, now rebranded as the Garden Court Mossel Bay, the acquisition of the Southern Sun Hyde Park in Johannesburg and several land parcels for future development.

South Africa and Africa continue to offer good investment opportunities and these are being pursued. These opportunities are evaluated by the group with a strong focus on ensuring that we are capable of operating them successfully, that they are priced for value and that they do not impinge on our sustainability.

Provided the macro-economy does not go into free fall and that regulatory changes are well considered by the relevant authorities, we remain confident of generating significant value for our stakeholders going forward.

Marcel von Aulock
Chief Executive Officer

30 August 2013



Chief Financial Officer's report

We measure our creation of shareholder value through the increase in adjusted headline earnings per share and the generation of free cash, our efficiency through Ebitdar margin and our financial risk through our net debt:Ebitdar ratio, debt service cover ratio and unutilised net facilities.

The results for the year ended 31 March 2013 were pleasing and saw an improvement in all the financial measures.

RB Huddy
Chief Financial Officer

Income R9.9 billion	10%
Adjusted earnings R1.6 billion	24%
Adjusted HEPS 150.3 cents	24%
Free cash flow R1.9 billion	12%
Net debt R3.6 billion	14%
Net debt:Ebitdar 0.9 times	
Ebitdar R3.9 billion	11%
Ebitdar margin 39.2%	0.4pp
Dividends in respect of the year 75.0 cents per share	25%
Investment activities R0.6 billion	
Debt service cover ratio 2.8 times	
Unutilised net facilities R4.1 billion	

Overview

This summarised report should be read in conjunction with the summarised consolidated financial statements on page 71 to page 77 and the consolidated financial statements available separately on our website which set out the financial position, results and cash flows for the group for the financial year ended 31 March 2013.

Commentary on the organic growth during the year is included in the segmental operational performance on page 51 to page 53.

Commentary on inorganic growth is included on page 54 and page 55.

Commentary on net interest-bearing debt and interest rate and currency risk management is included in the financial strength and durability section on page 43.

Chief Financial Officer's report continued

Income statement comparison for the year ended

	31 March 2013 Rm	31 March 2012 Rm	% change on 2012
Income	**9 910**	9 031	10
Gaming win	**6 525**	6 111	7
Revenue			
Rooms	**1 914**	1 615	19
Food and beverage	**869**	752	16
Other	**602**	553	9
Ebitdar	**3 888**	3 501	11
Gaming	**3 138**	2 886	9
Hotels – South Africa	**615**	512	20
– Offshore	**93**	88	6
Foreign exchange gains	**37**	13	*
Corporate	**5**	2	*
Ebitdar margin	**39.2%**	38.8%	0.4pp
Long-term incentives	**(234)**	(55)	*
Property rentals	**(193)**	(190)	(2)
Amortisation and depreciation	**(608)**	(623)	2
Exceptional items	**(19)**	385	*
Finance costs (net)	**(385)**	(420)	8
Associates and joint ventures	**6**	10	(40)
Tax – normal	**(701)**	(679)	(3)
– STC	**–**	(82)	*
Non-controlling interests	**(125)**	(130)	4
Attributable earnings	**1 629**	1 717	(5)
Adjustments	**20**	(384)	*
Adjusted earnings	**1 649**	1 333	24
Weighted number of shares in issue (m)	**1 097**	1 097	–
Adjusted HEPS (cents)	**150.3**	121.5	24

* *Variance not meaningful*

Trading performance

Trading during the financial year continued to reflect a recovery in macro-economic conditions, as experienced in the second half of the prior year. Year-on-year growth was achieved in both casino and hotel revenues, assisted by the merger and acquisition activity undertaken as part of the group's stated growth strategy.

Total income for the year of R9.9 billion ended 10% (organic growth 8%) above the prior year with a 6.8% growth in gaming win assisted by a 19% growth in hotel rooms revenue and a 16% growth in food and beverage revenue.

Operating expenses including employee costs, but before exceptional items and long-term incentives, increased by 9% on the prior year mainly due to non-organic growth in the hotel business, increased offshore overheads because of the weakening of the Rand against both the US Dollar and the Euro, above inflationary increases in administered costs and payroll-related costs (mainly as a result of the equalisation of benefits in the ex-Gold Reef Resorts properties), offset by the foreign exchange gain on the translation of offshore monetary items and savings initiatives.

Ebitdar at R3.9 billion for the year reflected an 11% (organic growth 9%) increase on the prior year. The overall group Ebitdar margin of 39.2% is 0.4pp above the prior year.

Long-term incentives

The long-term incentive expense for the year ended 31 March 2013 at R234 million is R179 million above the prior year charge and reflects the effect of the increased cash settled long-term incentive liability (including dividend adjustments) due to the Tsogo Sun share price increasing to R24.75 at 31 March 2013. Refer the remuneration report on page 65 to page 69 for further detail.

Rentals, amortisation and depreciation

Property and equipment rentals for the year ended 31 March 2013 at R258 million are 8% up on the prior year mainly due to contractual increases during the year offset by the termination of the Southern Sun Grayston rental. Amortisation and depreciation for the year ended 31 March 2013 at R608 million is 2% below the prior year due to a reassessment of useful lives and residual values of properties.

Exceptional items and adjustments

Exceptional losses for the year ended 31 March 2013 of R19 million relate mainly to goodwill, property, plant and equipment and loan impairments, hotel pre-opening costs and transaction and restructure costs offset by the settlement fees received on termination of the Dubai hotel management contracts. Exceptional profits for the prior year of R385 million relate mainly to a fair value adjustment to the existing Formula 1 equity investment of R179 million and the release of the contingent purchase consideration for the 2009 Millennium transaction of R248 million offset by investment and loan impairments of R45 million.

Net finance costs

Net finance costs for the year ended 31 March 2013 of R385 million are 8% below the prior year as the cash generated by the group has reduced steady-state borrowing levels despite the acquisitions during the year.

Share of profits of associates and joint ventures

The group's share of associate and joint-venture profits of R6 million for the year ended 31 March 2013 reflected a R4 million decrease due to the consolidation of the Formula 1 business which was equity accounted in the prior year.

Taxation

The effective tax rate for the year ended 31 March 2013 at 28.6% is affected by non-deductible expenditure such as casino building depreciation and preference share dividends in the first quarter of the year. The comparative effective tax rate of 29.3% is due to the non-taxable gains referred to above and an STC impact of R82 million in the prior year.

Non-controlling interests

Profit attributable to non-controlling interests of R125 million for the year ended 31 March 2013 are 4% below the prior year due to the acquisition of a further 16.5% of Suncoast in November 2011 offset by the 15% increase in the non-controlling interests in Hemingways in September 2011.

Earnings

Group adjusted headline earnings for the year ended 31 March 2013 at R1.6 billion are 24% above the prior year. The number of shares in issue is largely unchanged year-on-year and thus adjusted headline earnings per share increased by 24% to 150.3 cents per share.

Cash flow

	31 March 2013 Rm	31 March 2012 Rm	% change on 2012
Cash generated from operations	**3 749**	3 396	10
Dividends received	**3**	5	
Net interest paid	**(399)**	(455)	
Tax paid	**(842)**	(785)	
Maintenance capital expenditure	**(579)**	(436)	
Free cash flow	**1 932**	1 725	12
Dividends paid	**(744)**	(816)	
Investment activities	**(639)**	(1 031)	
Other	**55**	28	
Decrease/(increase) in net interest-bearing debt	**604**	(94)	

Cash generated from operations for the year ended 31 March 2013 increased by 10% to R3.7 billion. Cash flows utilised for investment activities of R1.2 billion consisted mainly of maintenance capital expenditure of R579 million and the acquisitions and investments of R639 million described under the inorganic growth section on page 54. Free cash for the year ended 31 March 2013 increased by 12% to R1.9 billion.

Dividends

A final gross cash dividend of 51.0 cents per share in respect of the company's 2012 year end was declared and the dividend was paid on 11 June 2012. There were no STC credits. The number of ordinary shares in issue was 1 097 975 609 (excluding treasury shares). The dividend was subject to a local dividend withholding tax rate of 15% which resulted in a net dividend of 43.35 cents per share to those shareholders who were not exempt from paying dividend tax. The company's tax reference number is 9250039717.

The total dividends declared in respect of the 2013 financial year amounted to 75.0 cents per share which is 25% up on the 60.0 cents per share declared in respect of the 2012 financial year and which equates to 50% of fully diluted adjusted HEPS.

Subsequent events

There are no matters or circumstances arising since 31 March 2013, not otherwise dealt with in the financial statements, that would materially affect the operations or results of the group.

RB Huddy
Chief Financial Officer

30 August 2013

Our strategy in action

SUSTAINABILITY

The key pillars of our sustainability include meeting the reasonable requirements of our stakeholders, financial strength and durability, maintained product relevance to customer experience, regulatory compliance and adequate skilled human resources. In summary, a business has to stay in business to be able to take advantage of the commercial opportunities that are presented to it. Good businesses fail when they are fragile, inflexible, unethical and/or poorly managed.

Deliver to our stakeholders

A stable shareholder base is vital to the sustainability of any business. The distraction of constant restructuring and changes in controlling shareholders can be costly to a business in terms of commercial opportunities missed.

The nature of the shareholders of the group is even more important in a highly visible and regulated industry such as gaming. Popular misconceptions about the industry make it a target for attacks through excessive taxation and regulation. While the group spends significant money and time on engaging with stakeholders to ensure that the true facts around issues such as problem gaming are presented, the strongest protection for the business is to ensure that a significant portion of the economic benefits of ownership flow to community, charitable or socially beneficial organisations.

This can be achieved through meaningful CSI programmes but also through direct and indirect equity ownership and employment.

Key performance indicators

	2013	2012
Black ownership	**53%**	54%
Value added contribution to black economically empowered businesses, PDIs and government	**R7.0 billion**	R6.6 billion
BBBEE level	**Level 2**	Level 2
CSI outcomes	**SunCares Sports Academy supports 1 570 SA youths and Arts Academy supports 480 learners**	Launch of SunCares Sports Development and Arts Academy

2013 performance

Shareholders

As mentioned in the group overview on page 9 the nature of the HCI shareholding is of particular importance as it provides the bulk of the 53% broad-based empowered ownership at group level. HCI and SABMiller have provided the stable shareholder base for a number of years that has allowed the group to grow and take advantage of opportunities.

Community

Tsogo Sun is committed to the upliftment and development of local communities. We are further committed to leveraging our resources, experience and geographic spread within the hospitality and entertainment industry to provide the foundation for initiatives that achieve lasting results in the communities where we are present. Each year we set aside a portion of our profits for social investment and, through our SunCares programme, are able to deliver effective social initiatives that seek to create shared value with the broader society.

SunCares is endorsed by the Minister of Tourism, Marthinus van Schalkwyk, and was officially launched as Tsogo Sun's sustainability in tourism plan in July 2012. SunCares comprises three specific areas of focus, being community development, enterprise development and the natural environment.

Community development

During the year ended 31 March 2013, the group's combined social investment in community development amounted to R190 million. Of this, verified spend on BBBEE socio-economic development amounted to R35 million which is the equivalent of 2.0% of net profit after tax and represents 1.0% more than the DTI's target, and excludes the R150 million paid to the Gauteng Gambling Board to be allocated to charitable or socio-economic infrastructure projects.

While our casinos and hotels provide substantial support towards initiatives designed to uplift people in their local communities, Tsogo Sun's national community development takes place through the Tsogo Sun SunCares Sports, Arts and Education Academies.

SunCares Sports Academy

Designed to deliver on government's call to introduce sport back into the schooling curriculum, the SunCares Sports Academy uses sport as a medium to deliver lifeskills, leadership and healthcare training, as well as to reinforce the importance of education to young learners with the ultimate goal of nurturing a child's unique leadership qualities.

Tsogo Sun has partnered with the Department of Sport and Recreation, the Department of Basic Education, numerous sporting bodies such as the South African Football Association, the SA Rugby Union, associated school sports bodies and schools in local communities for the development of the SunCares Sports Academy programmes.

The SunCares Sports Academy aligns closely with the Department of Sport and Recreation's vision of creating 'an active and winning nation' and its primary focus of providing opportunities for all South Africans to participate in sport. Our Sports Academy currently supports more than 1 570 South African youths between the ages of 7 and 17 in soccer and rugby. This translates into 72 teams across 42 schools. It also provides training and accreditation to the coaches and referees in these programmes through our 'coach-the-coaches' programme.

SunCares Arts Academy

The SunCares Arts Academy was recently introduced to develop the artistic talent of learners from underprivileged backgrounds and to provide essential lifeskills development to them. The programme supports the educational framework through the provision of extra-curricular activities and enables learners to participate in a carefully designed full-year curriculum that uses the arts as a catalyst to give young people in our communities a chance to bring about change in their lives.

SunCares

✤ Book a Guesthouse winner Emmah Makatu

✤ SunCares Sports Academy rugby

✤ Miss Earth South Africa

SUNCARES

✤ SunCares Sports Academy soccer

✤ 7th annual Book a Guesthouse entrepreneurs' conference

✤ SunCares Arts Academy

Sustainable strategy in action continued

Deliver to our stakeholders continued

Making use of the Teatro at Montecasino and the Gold Reef City Lyric Theatre as platforms to nurture and showcase local talent, the SunCares Arts Academy commenced with a pilot project in 2012, and at the start of the school year in 2013, it increased to seven schools in Diepsloot and five schools in Mayfair. A total of 480 learners from the 12 schools are being supported by Montecasino and Gold Reef City. The programmes offer training in all disciplines within the arts, including theatre, drama, singing, musical instruments, poetry, creative arts and literature.

SunCares Education Academy

Our education academy provides peer-driven leadership programmes, visits to the Apartheid Museum, bursaries, and the provision of venues at our properties for events hosted by schools. The SunCares Education Academy works in partnership with the Columba Leadership Programme, which is providing residential support to 12 young learners in Grade 10, and two teachers.

The Olwazini Discovery Science Centre in Pietermaritzburg is Golden Horse casino's onsite science and computer centre. The centre attracts more than 12 000 learners per annum and the computer centre facilitates computer literacy courses for over 1 000 learners and adults per year.

The Apartheid Museum partnership

The group contributes R5 million per annum to the upkeep of the Apartheid Museum, which is situated on the greater Gold Reef City precinct. In addition, the group takes an active role on the board and assists with the operation of the museum.

Enterprise development

Tsogo Sun is committed to the development of small businesses in South Africa with a specific focus on skills-based entrepreneurial development and the provision of preferential procurement opportunities to black-owned qualifying small enterprises and emerging micro-enterprises. The group's spend on enterprise development for the year ended 31 March 2013 is R123 million or 7.0% of net profit after tax, which is 4.0pp above the DTI's BBBEE target.

The enterprise development projects supported by the group include various black-owned tenants at the group's casinos. Our tenant philosophy is closely connected to enterprise development and, through the provision of preferential rental fees and start-up allowances where warranted, we provide support to tenants that are black-owned or have a majority black shareholding in their businesses. The group also supports a range of black-owned small, medium and micro-enterprises (SMMEs) throughout the organisation.

Tsogo Sun's national enterprise development takes place through Tsogo Sun Book a Guesthouse, a SunCares initiative, which is endorsed by government and regional tourism agencies. As part of our sustainability in tourism plan, Book a Guesthouse harnesses decades of the group's experience and expertise in the hospitality industry and delivers this to small business owners through the support of our management and staff in the provinces.

As the only programme of its kind in South Africa, 92% of the entrepreneurs developed by Book a Guesthouse are black South African women. With 60 entrepreneurs at various phases of development within the programme's three-year model at the end of March 2013, Book a Guesthouse had been instrumental in creating over 250 jobs and supporting more than 2 000 jobs in the value chain.

The guest houses range between two and 30 rooms and 33 (55%) of the entrepreneurs have graduated to the Alumni phase and are being trained to become mentors to the new entrepreneurs that enter the programme. Of the 27 entrepreneurs in the active development phases of the programme, 17 are in year two and ten are in year three. A total of 19 guesthouses in the Alumni phase have expanded their operations as a result of the programme and each guesthouse employs between one and 15 staff and reaches up to 30 people in the value chain. During the previous year, 32 entrepreneurs successfully completed the UCT Guesthouse Management Course funded by the programme. Tsogo Sun held the 7th annual Book a Guesthouse entrepreneurs' conference at the Sandton Convention Centre, which was attended by 120 delegates, and represented the largest gathering of black female guesthouse owners in the hospitality industry in South Africa.

As a significant influencer in shaping and directing hospitality in the country, Tsogo Sun is creating shared value in partnership with its communities, government, and other stakeholders of the group through our various SunCares programmes. The work being done through Book a Guesthouse and the impact that it is having within the industry and on the broader society is meaningful and inspiring for many reasons, not least because it is literally the catalyst that turns entrepreneurs' dreams into reality.

Transformation

Tsogo Sun has always been a pioneer in transformation and the organisation continues to be a leader in the empowerment of previously disadvantaged people, businesses and communities in South Africa. The group currently holds a level 2 BBBEE contributor status, with 53% broad-based black empowerment ownership, measured against the DTI generic scorecard, and complies with guidelines outlined in the BBBEE Codes of Good Practice. The group's casinos are in addition individually measured against the same scorecard and Tsogo Sun hotels is measured against the tourism scorecard. The formal verification audits are performed annually by Empowerdex (an accredited economic empowerment rating agency), covering the year ended 31 March, with the results being as follows:

	Target score	**2013**	2012
Ownership	23	**23.00**	23.00
Management control	10	**4.44**	4.97
Employment equity	15	**10.91**	11.03
Skills development	15	**13.45**	11.50
Preferential procurement	20	**18.38**	18.06
Enterprise development	15	**15.00**	15.00
Socio-economic development	5	**5.00**	5.00
Overall	100+3	**90.18**	88.57
Rating level		**2**	2

The group's overall BBBEE result has increased by 1.61 points to 90.18 in the latest rating. This is primarily as a result of an increase in our investment in the development of our employees under the element of skills development, which is discussed in the employee development section on page 47. The group has once again received the maximum available points for ownership, enterprise development and socio-economic development, which are discussed in the deliver to our stakeholders section on page 35 to page 38. The management control and employment equity scores decreased marginally and are discussed in the human resources section on page 48. Preferential procurement once again reflected a marginal improvement and is discussed in the suppliers section on page 40.

Tsogo Sun operates a BBBEE council as one of the group's governance structures whose purpose is to ensure that the priority of empowerment is consistently managed and monitored. The BBBEE council sets BBBEE strategy and direction for the group. It ensures that the group is compliant with legislation and it monitors group-wide performance measured against the DTI's generic scorecard. It sets internal targets and oversees the annual ratings process for the group. The bi-annual BBBEE council meetings are chaired by the Group Human Resources Director and are attended by the Chief Executive Officer.

During the year, Tsogo Sun won the award for the Most Empowered Tourism Business at the Imvelo Awards for Responsible Tourism 2012. Previously Tsogo Sun hotels won the award for 2011. The award recognises the extent to which the organisation addresses the issues of empowerment and contributes to a globally competitive, demographically representative tourism industry.

Responsible gaming

Tsogo Sun acknowledges that gambling can be an issue of concern for some people in communities where we operate. We engage these concerns by educating our employees and customers about responsible gaming and seek to avoid the misuse of gambling. Tsogo Sun contributes to, and actively promotes, the National Responsible Gambling Programme.

To ensure an environment of responsible gambling, close attention is paid to the exclusion of:

- under-aged persons from gambling areas in accordance with legislation;
- visibly intoxicated people from gambling according to legislation;
- problem gamblers from gambling areas – by executing Tsogo Sun's self-exclusion policies;
- money lenders from gambling areas; and
- criminal elements and persons prone to bad behaviour.

The group monitors and manages the number of complaints and code violations.

Industry bodies

Tsogo Sun participates actively in the formation and governance of industry bodies such as the TBCSA, the SATB, Fedhasa and the CASA through the provision of time, effort and intellectual contributions from management. It also forms close relationships with national and regional gaming and tourism associations.

Tenants

The delivery of quality hospitality, gaming, dining and entertainment experiences is important to retaining footfall at our properties and satisfying our customers' diverse requirements. The delivery of these experiences is through a combination of owned and outsourced businesses to provide our customers with a range of differentiated products and services. Across Tsogo Sun's gaming properties we have more than 200 outsourced outlets that our tenanting partners operate. There are an additional 20 food and beverage tenants at our hotel properties.

Tenanting is a core focus within the group to ensure that our consumers have access to the best restaurant and entertainment related outlets. Our group's real estate department manages this critical element of our business, as well as ensuring that our buildings are maintained, refurbished, upgraded and renovated on an ongoing basis to ensure that our offerings remain fresh and current. Our philosophy with regards to selecting tenanting partners is centred on owner-run outlets that will deliver the experiences that our local communities require at appropriate price points.

Sustainable strategy in action continued

Deliver to our stakeholders continued

In addition to the retail tenanting the group also owns 29 000m^2 of office space which it partially self occupies and rents the balance to third parties.

Suppliers

The group has developed long-term, mutually beneficial relationships with our suppliers of goods and services. Through these supplier relationships many more indirect jobs are created and wealth is generated in the economy. A growing portion of our procurement is centrally managed which allows for enhanced consistency in standards and pricing and closer relationships with our suppliers. We ensure that our hotels and casinos procure products from vendors who are located in their areas, where practical.

Tsogo Sun is committed to encouraging diversity within its commercial associations, particularly through the involvement of previously disadvantaged persons and local businesses where it operates. The group supports black businesses in South Africa through a focused procurement strategy. Verified total procurement spend on black economically empowered businesses amounted to R3.1 billion during the year. The group's BBBEE score for preferential procurement is 18.4 out of 20. Procurement from black women-owned businesses and further opportunities to establish and support enterprise development initiatives through procurement are focus areas of the group.

An additional procurement consideration is the environmental performance of our suppliers, which is taken into account as part of our procurement criteria when selecting suppliers.

Third-party owners

The group leases hotel properties and manages hotel businesses on behalf of third-party owners where it is not possible to own the property or the business. The most significant relationship is with Liberty Properties for whom Tsogo Sun manages nine hotel properties and with whom Tsogo Sun jointly owns an additional three hotel properties, leases one hotel property and the Sandton Convention Centre. Most of these lease and management contracts have been in place for many years and the group values the long-term relationships that have been built. The relationships are mutually beneficial with financial returns and access to additional properties for Tsogo Sun, and enhanced returns to the owners through our skills and distribution.

Environment

While our main business activities pose limited risk to the environment, environmental management practices have been integrated as part of our operations. Tsogo Sun has made the commitment to introduce initiatives that reduce the impact that the business has on the environment and to encourage guests to embrace greener behaviour for the wellbeing of the environment.

Our efforts to manage our business sustainably serves the interests of our business and the community and in achieving this our stated objectives are to:

- ensure that at all times, we identify, evaluate and comply with local, regional or national environmental laws and regulations applicable to our operations within the areas where we conduct business;
- continually evaluate and manage our environmental risks, targets and objectives;
- actively seek to minimise pollution, emissions and effluents emanating from our operations;
- work towards minimising waste by reducing, reusing and recycling programmes and adopting a 'zero waste' policy;
- strive to reduce consumption of natural resources by the responsible use of energy, gas and water and the identification and implementation of sustainable energy solutions;
- manage biodiversity through the protection of flora, fauna and land associated with, or impacted by, our operations;
- communicate our policies and achievements openly and transparently to our stakeholders;
- collaborate with our suppliers and business partners to actively reduce the environmental impact of our business activities;
- continually improve and innovate on our environmental performance standards;
- report annually on our environmental performance; and
- provide support for the sustainable development of our communities.

To ensure the objectives of our environmental programme are met, a partnership with the Heritage group has been in place for the past three years and we have developed property-specific environmental management systems at all of our casinos and hotels aimed specifically at energy, water, waste management and responsible procurement. Our employees are informed of the group's policies governing these areas and are trained on their responsibilities in this regard.

All of our properties have achieved a minimum Heritage silver standard, with 59% achieving a gold standard and 5% achieving a platinum standard during the latest audit cycle. Over the past three years average scores have improved from 59% to 72% compliance with the Heritage standards. Riverside Sun Resort won the overall 2012 Imvelo Award.

Energy

Energy usage at our properties comprises primarily of the consumption of electricity. Liquid Petroleum Gas (LPG) is utilised for cooking, for limited space heating and for water heating at three properties and diesel is utilised primarily for back-up generators. Electricity consumption at the South African-owned properties decreased during the year by 3% to 252 million kWh mainly due to the installation of energy-efficient lighting at properties, consumption measurement and behavioural change initiatives at the units. The replacement of element water heating systems with heat pump technologies has been completed. Four of the six finalists for the 2012 Imvelo Awards Energy Management category were Tsogo Sun properties and Riverside Sun Resort won the category.

Water

The majority of our properties are in urban areas and use potable water provided by local municipalities. One resort property utilises surface water for irrigation, two resort properties are fully reliant on river water and one property primarily utilises ground water due to continuous supply problems from the local municipality. Municipal water consumption at the South African-owned properties decreased during the year by 3% to 2.3 million kilolitres due to ongoing conservation and reduction measures at all properties. Five of the six finalists for the 2012 Imvelo Awards Water Management category were Tsogo Sun properties and Riverside Sun Resort won the category.

Waste management

Recycling initiatives are in place at all properties although the efforts differ dependent on the infrastructure available to support recycling. Efforts are being made to standardise recycling systems and volume monitoring methods across our properties. Four of the six finalists for the 2012 Imvelo Awards Waste Management category were Tsogo Sun properties.

Biodiversity

The majority of our properties are in urban areas and are thus not in close proximity to sensitive environments. There are four resort properties in rural environments where management of biodiversity is more important and no new facilities were developed at these properties during the year. Where applicable the properties have programmes in place to replace alien vegetation with indigenous plants. Two of the four resort properties were finalists for the 2012 Imvelo Awards Best Overall environmental management system, which was won by our Intercontinental Sandton Towers and Sandton Sun hotels.

Although not directly protecting biodiversity, the Montecasino bird gardens serves an important environmental education purpose with 145 000 visitors per annum. The gardens host one of the world's largest private collections of South African cycads built up over a period of 35 years by a world renowned cycad specialist. The collection of 322 cycads showcases 37 different species, some of which are exceptionally rare. The bird gardens is part of the Mabula Ground Hornbill Project and holds two of the three breeding pairs in captivity in South Africa.

Environmental education

As part of our commitment to the upliftment and development of communities through SunCares we strive to create awareness in local communities to encourage a responsible attitude towards the use of electricity and water and the management of waste. We also champion opportunities to educate people about reducing their impact on the environment through tree planting, food security and conserving our natural heritage. Towards this end, Tsogo Sun partners with Generation Earth and the Miss Earth SA leadership development programme, both of which instil awareness and provide education about environmental issues among young South Africans. During the year, Tsogo Sun was involved in projects for trees and climate change, recycling and glass initiatives, stationery drives, and water and energy programmes.

Looking ahead

Community development

As the SunCares community development programmes mature, the intention during 2013 is to expand the current arts and sports programmes to other regions in the group including extending the Arts Academy to the community surrounding Emnotweni in Mbombela and the Sports Academy (through rugby) to the Overberg community near the Caledon Casino, Hotel and Spa.

In addition, as part of the Sports Academy, the group is introducing chess in schools across a number of provinces. This will involve mass participation of learners starting with the foundation phase of learning (from Grade R to Grade 3) as well as teacher training. In partnership with Moves for Life, through chess we aim to impact the understanding of maths, science and literacy at the critical early learning stage in child development.

Within the Education Academy, there will be an increase in school visits to the Apartheid Museum to expose more young learners to our South African history.

As monitoring and evaluation is critical to measuring our impact on the beneficiaries of our programmes, impact studies will be undertaken to track our involvement in the communities on a more significant basis. Currently we monitor the participation, attendance and involvement of learners, educators and community stakeholders.

Enterprise development

Tsogo Sun's enterprise development plans for the coming year will focus on continuing to support entrepreneurs in the tourism industry. In particular, the Book a Guesthouse programme will be aiming to

Sustainable strategy in action continued

Deliver to our stakeholders continued

register an additional 40 new entrepreneurs spread over Gauteng, Eastern Cape, Western Cape, Mpumalanga and KwaZulu-Natal. The programme has recently partnered with the Micro Enterprise Development Organisation in order to increase the entrepreneur and business development offerings to its beneficiaries. During 2013 an additional 28 entrepreneurs are scheduled to complete the UCT Guesthouse Management Course funded by the programme.

In addition, a partnership with Micros SA has been established and an online booking system is presently being introduced for all guesthouses in the programme which will enable guesthouses to effectively track and manage their occupancies and revenue and allow for guests to make direct online reservations at each guesthouse. In addition, this will provide for central collection of data to further enhance the effectiveness of the development that the programme delivers to the guesthouse owners.

A study to establish the feasibility of providing enterprise development assistance similar in nature to the Tsogo Sun Book a Guesthouse programme will be undertaken with a view to extending these benefits to small business owners involved in the provision of transport, housekeeping and tour services among others.

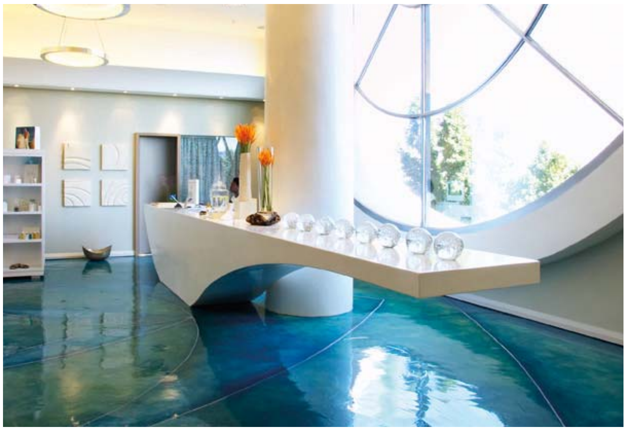
Transformation

The draft amendments to the BBBEE Codes of Good Practice are still pending feedback from the DTI and if implemented as drafted would have a material impact on the current Level 2 status. This would, however, adversely impact all other rated companies.

Environment

The environmental programme that has been in place for the past three years in partnership with Heritage has successfully steered the business towards an awareness of the environment and our need to manage related processes and performance. It is, however, our belief that we can leverage the programme by simplifying it and by integrating it into the business where it can be managed holistically. The Heritage programme will be incorporated during the year into the in-house Organisational Resilience Management Standard audit process and will be aligned to the ISO 14001 standard.

Progress has been made in the measurement of the consumption of utilities and a baseline has been set. Comparative reporting will be included in our next integrated annual report for electricity and water consumption and this will be expanded to the non-South African properties and to the consumption of LPG and diesel and to the measurement of waste volumes in time.



Financial strength and durability

Macro-economic conditions will vary in cycles. This is particularly relevant in the hotel industry that is in a perpetual state of under or over supply. In order to be able to withstand the impacts of these cycles, the group has ensured that debt is used judiciously, with careful monitoring of net debt to Ebitdar and debt service cover ratios.

In addition the group has ensured that there are always sufficient credit facilities with long-term maturities, providing adequate liquidity in any reasonable set of economic circumstances.

Key performance indicators

	2013	2012
Net debt to Ebitdar	**0.9 times**	1.2 times
Debt service cover ratio	**2.8 times**	2.8 times
Unutilised net facilities (including available cash on hand)	**R4.1 billion**	R2.3 billion
Weighted average number of months to expiry of debt facilities (excluding permanent revolving credit facilities)	**50 months**	47 months

2013 performance

Net interest-bearing debt

Interest-bearing debt net of cash at 31 March 2013 totalled R3.6 billion, which is R604 million lower than the 31 March 2012 balance of R4.2 billion, with R744 million paid in dividends to company and non-controlling shareholders and investment activities of R1.2 billion during the year ended 31 March 2013. The net debt balance at year end was approximately R400 million lower than anticipated due to the acquisition of the remaining outstanding 10% effective interest in the Suncoast casino only closing in June 2013.

For more detail on the group's borrowings and cash position refer to notes 29 and 32 on pages 46 and 48 of the annual financial statements.

The debt service cover ratio at the end of the year is 2.8 times with unutilised net facilities (including available cash on hand) at R4.1 billion. The weighted average number of months to expiry of the debt facilities (excluding 364 day revolving credit facilities) is 50 months.

Interest rate and currency risk management

The group has hedged a significant proportion of debt facilities to maturity to lock in the current historically low interest rate environment. In order to limit income statement volatility the group does not normally enter into speculative hedges. As at 31 March 2013, 56% of net debt was hedged through fixed interest rate swaps and other fixed rate instruments.

All debt at year end is Rand denominated with offshore cash held approximately one-third in Euros and two-thirds in US Dollars with limited local currency deposits. Post-year end USD denominated facilities of USD72 million were negotiated to fund the acquisition of a 75.5% stake in Ikoyi Hotels Limited and for the expansion of Southern Sun Maputo.

Looking ahead

The group has adequate facilities in place for all planned additional acquisition and expansionary projects and has extended tenures on the majority of the facilities. The facility pricing with the existing consortium of banks remains competitive and thus there is no immediate requirement to enter into the debt capital markets.

Further future dated interest rate swaps will be concluded as and when the tenure of the group's facilities are extended or in the event of an increased requirement for the level of debt. In the event of a significant spike in interest rates the group would be protected until March 2018 and could restrict investment to ensure debt levels would not cause financial distress.

Sustainable strategy in action continued

Product relevance to customer experience

Tsogo Sun sells experiences including hospitality, gaming, dining and entertainment. To provide the variety and quality of experiences demanded by the group's various clientele at the appropriate price points, the group needs to constantly monitor and invest in:

- physical product that caters to the customer – including hotel operating equipment, major and minor refurbishments to both hotel and entertainment complexes, gaming equipment, tenant allowances and mind and mood infrastructure to enhance customer experience;
- technology that works for the customer and makes the product work – including gaming management systems to ensure optimal gaming floor utilisation, guest facing and back-of-house hospitality systems for in-house facilities and reservations, channel and customer relationship management; and
- accessibility that allows the customer to utilise the group's products with minimal barriers to entry – including physical facilities as simple as sufficient parking, accessibility for mobility-impaired guests, easy access to reservation systems and personnel for both trade and individual buyers and easy access to information on the group's products.

Key performance indicators

	2013	2012
Gaming		
✤ Reward club membership contribution to gaming revenue	**63%**	62%
✤ Slot machine average age	**5.0 years**	4.6 years
Hotels		
✤ Reward club membership contribution to hotel revenue	**26%**	26%
✤ Guest satisfaction	**86%**	86%
✤ Hotel property audits	**No material deviations from brand standards**	No material deviations from brand standards
Hygiene audits	**No significant issues noted**	No significant issues noted
Maintenance capital spend	**R579 million**	R436 million

2013 performance

Product relevance

In order for the group to deliver the hospitality, gaming, dining and entertainment experiences that our customers want, it is important that our physical product and service delivery are relevant to our customers at appropriate price points, are consistent in standard and delivery, provide the variety of experiences that will encourage repeat visits and make it easy for our customers to do business with the group. Slot machines are replaced on an approximate seven-year cycle and the current average age of slot machines is five years. Many of these machines, however, have been upgraded or have had game changes to ensure they remain relevant. Physical standards at hotel properties are evaluated through hotel property audits. There are no material deviations from the relevant brand standards.

Product development

Development of the real estate of the gaming and entertainment complexes and hotels is a critical component of the business and is intrinsic in our culture. In excess of R10 billion has been invested in new properties, the refurbishment of existing properties and the maintenance of existing products over the past 12 years. The ability to develop and maintain relevant physical products is a key competency required in the business and the location selection, design concept, budgetary control and project execution during construction and ongoing property maintenance are the core skills required. Key personnel are employed on a permanent basis to deliver these core skills that safeguard and mentor this knowledge. These skills are augmented by a network of experienced professionals that have worked with the business for a number of years but who are regularly supplemented with new professional firms with the objective of introducing change and fresh ideas to established methods, concepts and systems.

Information technology

Information technology strategy and governance is driven centrally with divisional teams delivering operational system specific solutions to meet the business requirements. Both divisions predominantly utilise third party packaged solutions which have been purpose built for the industry. Key focus areas are gaming and hotel management systems, customer relationship management, business intelligence and digital platforms (e.g. website, channel integration).

It remains our strategy to leverage off specialist application software providers and not to invest heavily in our own internally developed systems. We believe suppliers are, in general, better positioned to carry out research and development and keep pace with industry changes and the rapid evolution of technology. However, we position ourselves to actively influence application development direction through direct participation and collaborative design with our suppliers. This approach optimises our technology investment and reduces redundancy.

Our core technology differentiator will remain the manner in which we utilise and integrate the relevant features of our systems to streamline and optimise our operations, enhance the customer experience and ensure Tsogo Sun is the easiest place to do business.

Customer satisfaction

Guest satisfaction is important to us and delivering consistent experiences is integral to our success and sustainability. The experiences of our guests create loyalty to our brands and properties.

Our hotels need to ensure that basic services are consistently delivered according to the brand standards and to measure if the service creates memorable experiences for our guests. Measurement is carried out through post-stay surveys to check on brand delivery and in-hotel experiential surveys with a sample of guests at all touch points to measure whether we are meeting the expectations of our guests. This is supplemented by ad hoc brand health checks and annual brand audits. With the success in tracking satisfaction and using it as a gauge for operations in hotels, we have commenced a roll out of post-visit surveys in our casinos.

The annual average results for guest satisfaction in hotels, across eGuestserv, our post-stay survey, and memorable experiences surveys for the year are 86% and 88% respectively. The results reflect a high level of guest satisfaction and comments received through the surveys assist us to understand what our customers want, allowing us to understand our guests better, create more intelligent customer relationship management processes and track changing guest preferences. Additional valuable guest feedback is received from public sources such as third-party travel websites such as Tripadvisor.

Customer reward programmes

In the year under review Tsogo Sun gaming operated two reward programmes: Club Festival for the historical Tsogo Sun properties and Strike it Rich for the historical Gold Reef properties. There were 391 000 active reward programme members during the year. The contribution to total gaming revenue for the year from active members of the reward programmes (aligned as per Club Festival tiers for comparability) is as follows:

Tsogo Sun gaming – Club Festival and Strike it Rich segmental analysis

	% active customers	**2013 contribution**	2012 contribution
Platinum [(1)]	9%	**42%**	40%
Gold [(2)]	22%	**15%**	16%
Red [(3)]	69%	**6%**	6%
	100%	**63%**	62%

[(1)] *Includes Club Festival Platinum and Strike it Rich Black Diamond and Gold*

[(2)] *Includes Club Festival Gold and Strike it Rich Silver*

[(3)] *Includes Club Festival Red and Strike it Rich Bronze*

In the 2013 financial year, Tsogo Sun hotels operated the Frequent Guest reward programme. There were 69 500 active reward programme members during the year. The contribution to total hotel revenue for the year from active members of the reward programme is as follows:

Tsogo Sun hotels – Frequent Guest segmental analysis

	% active customers	**2013 contribution***	2012 contribution*
President	3%	**4%**	4%
Director	15%	**8%**	7%
Executive preferred	30%	**6%**	6%
Executive	52%	**8%**	9%
	100%	**26%**	26%

* *Systemwide*

Customer safety

Tsogo Sun recognises that the health, safety and wellbeing of our guests, patrons, customers and staff is of paramount importance. Life safety equipment and procedures are maintained at high levels of quality and compliance at all our facilities. Compliance with best practice in life safety, health, hygiene and fire protection is a non-negotiable element of our management systems.

Each property undergoes rigorous safety inspections as part of the Organisational Resilience Management Standard audit process, and deviations from the agreed standards, and incidents and events are reported and resolved.

All Tsogo Sun hotel and restaurant properties, including outsourced restaurants, undergo an independent audit every second or third month, which covers food safety practices and compliance to the group standard as well as legislated elements. Temperature control, personal hygiene, good manufacturing practices, product traceability and storage, cleaning programmes and pest control are included. Audits are strictly unannounced and include surface swabs, hand swabs and food samples, which are selected at random during the audits and assessed for microbiological quality. No significant issues were noted.

Looking ahead

Customer reward programmes

Tsogo Sun operates customer reward programmes in both the gaming and hotel divisions. As part of the integration of our hotel and casino operations, we are currently consolidating the different reward programmes that exist within our group (Frequent Guest in hotels, and Club Festival and Strike it Rich at casinos) into one rewards programme.

The rewards programme is designed to encourage relationships of mutual value with our customers and guests by giving benefits and rewards to our cardholders. This will include both hotel and gaming offerings and provide consistent card status levels, rewards and benefits. Whilst the rewards programme structure is consistent across the group however, the card benefits differ slightly by property, depending on its facilities. In line with this, the rewards programme position statement is "*Unleash Value!*".

There are three status levels in the programme – Gold, Platinum and Black and the rewards programme benefits include:

- PLAY: Points for playing slots and tables can be redeemed for Gaming Play or property-specific food and beverages;
- PARK: Access to free or preferential parking at Tsogo Sun properties;
- EAT: Food and beverage discounts at casino and hotel outlets;
- ENJOY: Discounts for property events, shows, lifestyle and entertainment offerings;
- STAY: Sun Rands for staying at our hotels can be redeemed for hotel accommodation or food and beverage at participating restaurants; and
- EXPLORE: Like-for-like status match across all casinos and hotels. Hotel cardholders receive additional benefits such as "pay single, stay double", early check-in and late check-out, uncapped wi-fi and dedicated check-in for Platinum and Black cardholders.

Sustainable strategy in action continued

Regulatory compliance

Gaming licences are extremely valuable assets to the group. These are issued for an indefinite period (with the exception of the Eastern Cape based licences) and are maintained through a strict compliance culture including compliance with all laws and regulations to which the group is subject.

This strict culture of compliance is applied to all aspects of the group's business including areas as diverse as hospitality hygiene, liquor licences, fire and life safety regulations and competition law.

Despite the significant cost involved, the group treats compliance as a necessary investment and not an unavoidable cost, and recognises that compliance yields benefits such as an enhanced financial and operational internal control environment.

Key performance indicators

	2013	2012
Gaming regulation breaches	**1**	Nil
Fines imposed for other regulatory breaches	**Nil**	Nil
Fines imposed for breaches of law	**Nil**	Nil

2013 performance

Regulatory compliance

The South African trading environment is highly regulated and compliance with the regulations is critical to our licence to trade. The broader trading environment is becoming increasingly complex and is governed by legislation, much of it relatively new, relating to competition, customer protection, privacy, environmental, health and safety, money laundering and labour issues. A number of statutes provide for monitoring and enforcement by regulatory bodies. The audit and risk committee and board are updated with all material changes to legislation and regulations twice a year.

The casino operations are regulated by the provincial gambling boards and, from an oversight perspective, by the National Gambling Board. The standards of regulation within the industry are in line with global best practice. Gaming regulation compliance, which is of particular importance in retaining casino licences, is achieved through the implementation of internal control procedures and compliance policies, compliance committees, interventions with regulators and law enforcement agencies, centralised specialist understanding of the interpretation and application of legislation, internal and external compliance audits and by creating a compliance culture through training.

Tsogo Sun ensures that the group complies with all applicable legislation in all countries in which it operates and, where practical, builds constructive relationships with the regulatory bodies. There were no significant breaches of any legislation during the year apart from one matter at the Golden Horse casino. Following written approvals received from the KwaZulu-Natal Gambling Board in April 2012 Golden Horse casino commenced with the implementation of the requested gaming floor changes. The Board subsequently held a hearing and ruled that the written approvals did not include specific approval to expand the physical gaming floor area and imposed a R100 000 fine with R90 000 suspended for two years.

Looking ahead

Although significant efforts are made throughout the group to ensure that all relevant legislation and regulations are complied with there is no formal compliance framework in place. To enhance the compliance environment a regulatory universe and a formal compliance framework will be documented during 2013 to identify whether all applicable laws are applied and adhered to.

Human resources

People are at the core of delivering a Tsogo Sun experience, both front and back-of-house.

At the guest level, Tsogo Sun does not sell a system or manufacture a physical product for resale. Every aspect of the business, from the gamer's experience at the roulette wheel to the dining experience in the restaurants, to the check in and check out at the front desk, requires an interaction with people of the group. A pool of qualified, trained and talented people is required to deliver these experiences, supported by empowered management and relevant support services.

At the corporate level the group is reliant on executives and managers who can identify and manage both risk and opportunities and implement appropriate responses. These individuals, both senior and junior, need to apply long-term thinking and avoid quick and unsustainable fixes.

In order to attract and retain the appropriate talent pool, the group needs to ensure that all aspects of the employee's experience, including but not limited to remuneration and incentivisation, is properly structured.

Key performance indicators

	2013	2012
Employment equity score	**10.9/15**	11.0/15
Training spend as a % of payroll	**5.8%**	2.8%
Employment engagement score – hotels	**n/a**	73%
Staff resignations	**9.9%**	9.8%
Corporate Research Foundation Institute Best Employer ranking	**3rd in the giants category**	8th overall

2013 performance

Human capital management

We believe that the sustainable growth of our group depends as much on our people as it does on our operational expertise. Our employment policies are designed to empower and develop employees, and create an environment in which each employee can perform and grow to his or her fullest potential regardless of ethnic background, gender or disability. We also strive to attract and retain the highest calibre staff while at the same time redressing historical imbalances, where they may exist.

Based on independent research by the Corporate Research Foundation Institute, Tsogo Sun has been certified as a Best Employer for several consecutive years for its outstanding HR policies and working conditions, excellent reputation, impressive training and development opportunities and highly engaged workforce. Most recently the group was ranked number three in the giants category in the Corporate Research Foundation Institute Best Employer in South Africa survey and the best employer in the hospitality industry for 2012/2013.

Job creation and employee stability

The group contributes no less than 12 500 direct jobs and 19 400 combined direct and indirect jobs (including contract staff employed by third-party service providers) within the communities in which our operations are situated.

Staff resignations at 9.9% remain low for the hospitality industry and are testimony to the favourable employee engagement and values-based leadership process within the group.

Employee development

Training spend for the year at R114 million, which is at 5.8% of payroll, has increased group-wide with skills development being a focus area of the group. The group spent R86 million on training and development initiatives provided to its black staff during the year, which is 3.7% of payroll in accordance with the DTI's BBBEE targets.

The group has established an academy to integrate the training and development activities within the business. The academy is going to be a centre of excellence, a catalyst for innovation and best practice, designed to unlock the potential of Tsogo Sun employees and capture hearts and minds. Over time it will facilitate the development of a high performance culture within the group.

Employee engagement

In the past few years, Tsogo Sun introduced two employment engagement programmes designed to drive employees towards a rational, emotional and intellectual commitment to the organisation. The employee engagement programmes, namely '*Siyakhanya*' in Tsogo Sun hotels and the '*Tsogo Way*' in Tsogo Sun gaming, have been successful in aligning employee behaviour with the brand promise through optimising the potential and capacity of employees to deliver distinctive and compelling customer experiences. The group has embarked upon a process of integrating the two engagement programmes and thus no engagement survey was undertaken during the year.

Sustainable strategy in action continued

Human resources continued

Employee wellness

Tsogo Sun is committed to the wellness of our employees and provides services to them through employee clinics in Tsogo Sun gaming, an employee assistance helpline, wellness days and executive medicals. During the year a total of 51 200 primary healthcare consultations were provided at our employee clinics located at our casino complexes and this has contributed positively to the management of absenteeism within the group.

As part of the wellness programme, HIV/AIDS has been a focus area for many years through awareness campaigns, voluntary testing, counselling and clinical management, which has positively contributed to a lower prevalence rate than anticipated.

Health and safety

The gaming and hospitality industries are safe environments relative to many other industries. Tsogo Sun properties undergo rigorous safety inspections as part of the Organisational Resilience Management Standard audit process, and deviations from the agreed standards, as well as incidents and events, are reported and resolved.

No employee fatalities as a result of health and safety incidents occurred at any of our properties. The group maintained an average lost-time injury frequency rate of 0.43, which is below our target of 1.0. This equates to the number of injuries which rendered an employee unfit for duty for one shift or longer per 200 000 hours worked.

Employment equity

The principles of empowerment and diversity are entrenched into the ethos of Tsogo Sun. The table below includes South Africa only and excludes contract staff employed by third party service providers:

	South African male				South African female				Foreign nationals		Total
Employees	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Permanent	**3 320**	**406**	**513**	**650**	**3 403**	**492**	**365**	**592**	**82**	**47**	**9 870**
Executives	4	–	3	38	3	2	–	2	2	1	55
Management	378	92	178	383	287	85	98	306	33	20	1 860
Supervisors and skilled	1 146	141	178	146	1 070	161	157	212	20	22	3 253
Other employees	1 792	173	154	83	2 043	244	110	72	27	4	4 702
Operational support	**1 081**	**39**	**47**	**45**	**1 255**	**48**	**50**	**57**	**5**	**2**	**2 629**
Management	1	1	1	11	–	–	2	6	–	–	22
Supervisors and skilled	464	23	33	20	541	28	34	35	2	1	1 181
Other employees	616	15	13	14	714	20	14	16	3	1	1 426
Total 2013	**4 401**	**445**	**560**	**695**	**4 658**	**540**	**415**	**649**	**87**	**49**	**12 499**
Total 2012	**4 432**	**505**	**586**	**759**	**4 711**	**659**	**418**	**713**	**55**	**33**	**12 871**

Permanent employees work full time or on a flexible roster basis according to business levels and are guaranteed a minimum number of hours per month. Operational support staff work on a flexible roster basis according to business levels and have no guaranteed hours.

Employment numbers have decreased marginally year-on-year mainly due to tight control over vacancies as a result of natural attrition of staff. Female employees have remained fairly static at 50.5% of the workforce.

We ensure that our workforce reflects our focused employment equity philosophy. In this regard, in accordance with our verified employment equity results, presently black representation at senior management level is 34.9%, at middle management level it is 56.3% and at junior management level it is 87.0%. The representation of black employees throughout the group is currently 88.5%, which is slightly below the updated economically active population ('EAP') percentage of 88.8%.

The main challenges in employment equity remain in the areas of executive, senior management and black disabled employees. The launch of the Tsogo Sun Academy will assist in facilitating and fast-tracking the development of our employees' skills enabling our development pipeline. The group has undergone a section 43 Employment Equity Act – Director General Review for the gaming division and corporate office. The issues raised were of an administrative nature, the resolution of which is underway.

Unions

Tsogo Sun recognises the right to freedom of association of employees and we recognise that collective bargaining forms an integral part of labour relations. Tsogo Sun has recognition agreements with four unions and 3 076 of our employees are union members. There has been a 16% reduction in union membership from the 3 675 members in the prior year.

We endeavour to maintain transparent and constructive relations with our employees and to encourage a culture of engagement within the business. In addition, the consistent approach we have applied to determining annual increases over many years, including during times of economic downturn, has resulted in a low level of industrial action over the past decade.

Looking ahead

Employee development

All training and development activities within the organisation will be integrated through the new Tsogo Sun Academy in order to enhance their impact and results, further demonstrating our commitment to investing in the education, training and development of our employees which we recognise as being critical for our long-term sustainability and growth.

The objectives are the development of a high performance culture within the group, to be a catalyst for innovation and best practice and above all, to play a significant role in empowering employees to deliver on the brand promise of creating great experiences.

Employee engagement

Tsogo Sun has embarked on a process to form a single engagement programme, reflecting the values, culture and behaviours common to our integrated hotels and gaming business. Employees across the broader group have been engaged, either face-to-face or online, in order to obtain their views on what they believe should be the basis for a new value system for the group. Two key trends have emerged during this exercise – firstly, the importance of the "Sunburst" logo to employees and secondly, the passion that employees have for the Tsogo Sun brand. These two factors will feature strongly in the final outcome of the new engagement programme, which is due to be introduced in late 2013. Once embedded within the organisation an engagement survey will be conducted to measure how aligned the employees feel the business is to its values.

Growth strategy in action

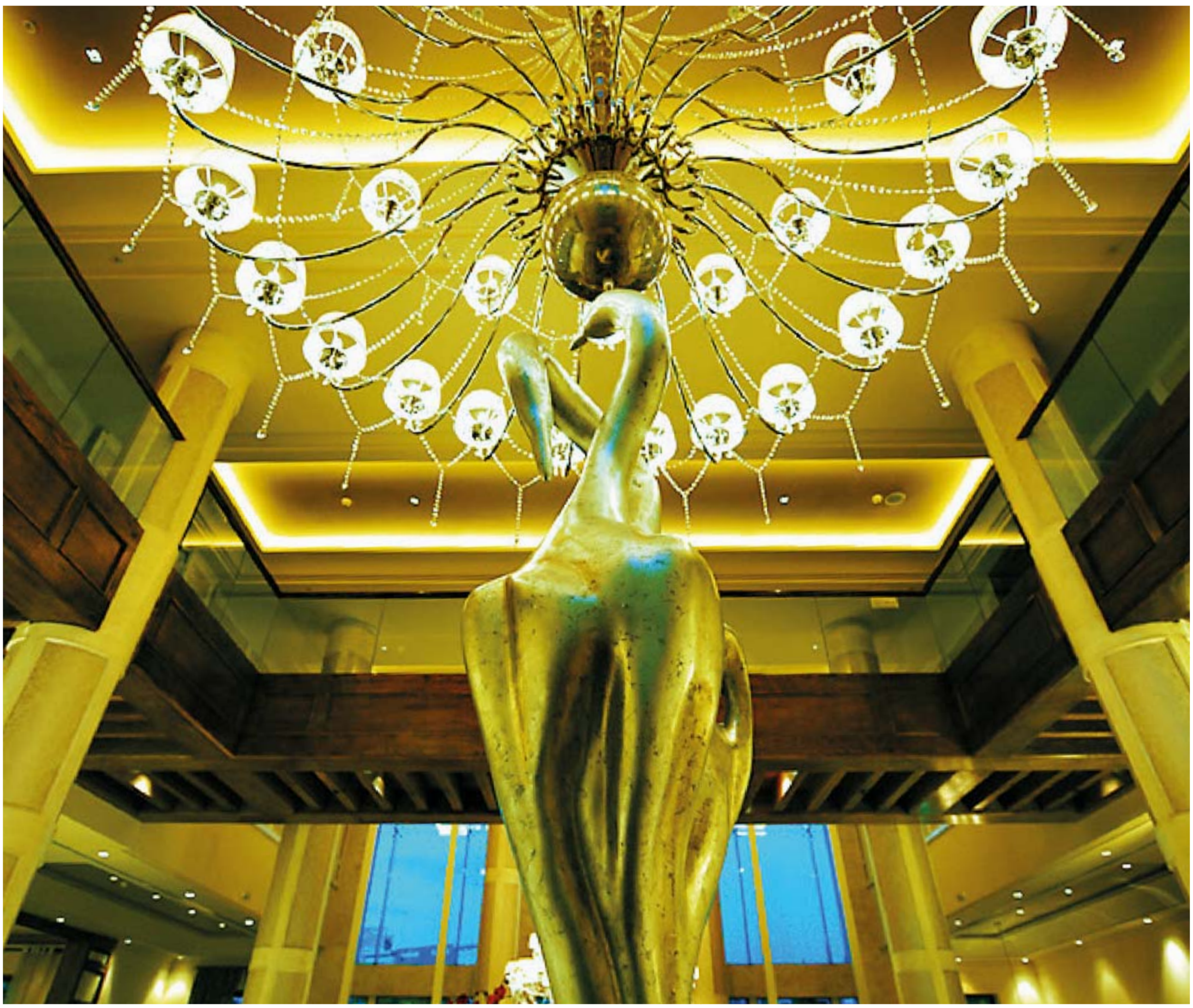
GROWTH

The value of a business is the present value of the future cash flows that can be generated by the assets and other capitals owned or controlled. Accordingly, the only true measure of growth for our business over time is the growth in cash flow.

The capitals that generate these cash flows include physical assets such as property, plant and equipment and employees as well as intangible capitals such as licences, brands, trademarks, technology and systems. Execution of a robust strategy informed by and responding to material risks and opportunities will lead to optimal utilisation of capitals and generation of cash flows and ultimately value.

Growth in cash flows over time are generated through the optimal operation of the group's capitals or organic growth and building the tangible and intangible asset base of the group through developing and acquiring new businesses or inorganic growth.

While the use of cash flow as the only measure of growth may appear mercenary, it is only with sustainable and growing cash flows that a business can hope to create value for the organisation, its stakeholders and society and thereby achieve a multitude of additional benefits such as increased levels of employment and meaningful social contributions.



Organic growth

Both hotels and gaming have high levels of operational gearing due to substantial levels of fixed operating costs. The major driver of long-term organic growth will arise from maximising the revenue generated from the group's asset base in all macro-economic circumstances.

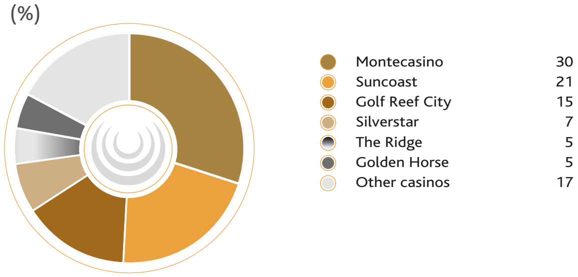
Operational overheads must be reviewed and measured for efficiency and to ensure each Rand spent is either in support of the objective of sustainability or growth.

Capital expenditure is an important component of both maintaining and improving the group's facilities and thereby ensuring revenue sustainability and growth.

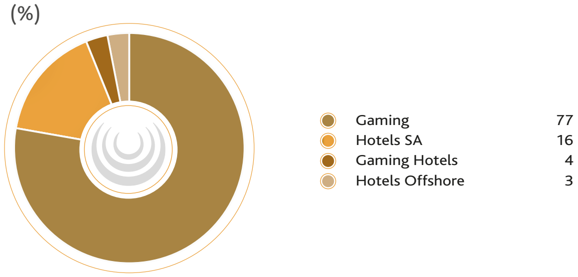
Key performance indicators

	2013	2012
Organic revenue growth	**8%**	5%
Organic Ebitdar growth	**9%**	7%
Free cash flow	**R1.9 billion**	R1.7 billion
Maintenance capital expenditure	**R579 million**	R436 million
Adjusted HEPS growth	**24%**	12%

Gaming F'13 Ebitdar by property (%)



Group F'13 Ebitdar by source (%)



2013 performance

Segmental operating performance

	Income		Ebitdar		Ebitdar margin	
	2013	2012	**2013**	2012	**2013**	2012
Year ended 31 March	**Rm**	Rm	**Rm**	Rm	**%**	%
Montecasino	**2 266**	2 107	**1 026**	901	**45.3**	42.8
Suncoast	**1 440**	1 313	**692**	634	**48.1**	48.3
Gold Reef City	**1 218**	1 162	**479**	462	**39.3**	39.8
Silverstar	**602**	557	**237**	207	**39.4**	37.2
The Ridge	**387**	357	**187**	171	**48.3**	47.9
Emnotweni	**319**	292	**147**	130	**46.1**	44.5
Golden Horse	**303**	287	**150**	144	**49.5**	50.2
Hemingways	**303**	285	**125**	122	**41.3**	42.8
Garden Route	**173**	155	**76**	70	**43.9**	45.2
Goldfields	**136**	131	**60**	59	**44.1**	45.0
Blackrock	**135**	123	**53**	48	**39.3**	39.0
Mykonos	**134**	120	**59**	52	**44.0**	43.3
The Caledon	**128**	123	**32**	36	**25.0**	29.3
Other gaming operations	**104**	101	**(185)**	(150)		
Total gaming operations	**7 648**	7 113	**3 138**	2 886	**41.0**	40.6
South African hotels division[1]	**1 937**	1 625	**615**	512	**31.8**	31.5
Offshore hotels division	**361**	324	**130**	101	**36.0**	31.2
Pre-foreign exchange gains			***93***	*88*	***25.8***	*27.2*
Foreign exchange gains			***37***	*13*		
Corporate	**(36)**	(31)	**5**	2		
Group	**9 910**	9 031	**3 888**	3 501	**39.2**	38.8

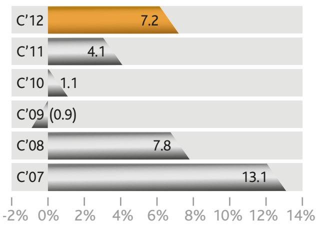
All casino units are reported pre-internal gaming management fees

[1] *Includes R39 million (2012: R31 million) intergroup management fees*

Growth strategy in action continued

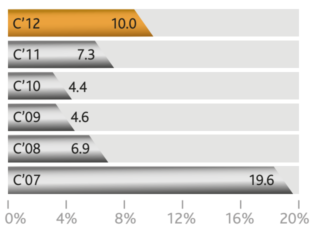
Organic growth continued

Gauteng



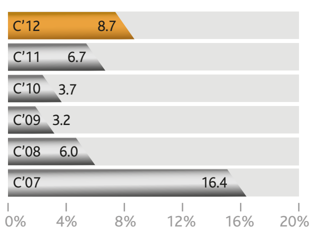
Gaming win growth*

KwaZulu-Natal



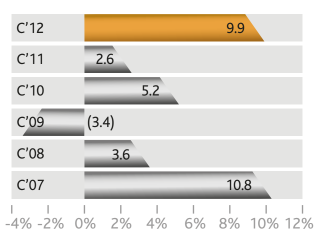
Gaming win growth*

Mpumalanga



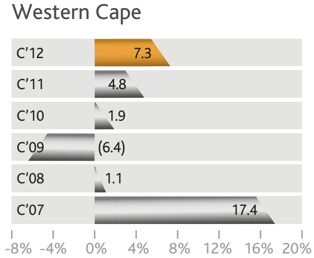
Gaming win growth*

Eastern Cape



Gaming win growth*

Western Cape



Gaming win growth*

**Based on gaming board statistics (calendar year)*

Tsogo Sun Gaming

Pleasingly, all gaming complexes, with the exception of The Caledon, showed growth in both revenue and Ebitdar.

Gauteng recorded provincial growth in gaming win of 6.7% for the year ended 31 March 2013 over the prior period. Gaming win growth for the year of 7.1% was achieved at Montecasino, 3.5% at Gold Reef City and 7.2% at Silverstar. Ebitdar margins improved at Montecasino and Silverstar and reduced slightly at Gold Reef City.

KwaZulu-Natal provincial gaming win grew by 9.3% for the year ended 31 March 2013 over the prior period. Gaming win growth for the year of 11.2% was achieved at Suncoast Casino and Entertainment World, 5.5% at Golden Horse casino and 10.9% at Blackrock casino. Ebitdar margins improved marginally at Blackrock and weakened marginally at Suncoast and Golden Horse, impacted by the introduction of increased gaming levies in the province.

Mpumalanga reported growth in provincial gaming win of 7.7% for the year ended 31 March 2013 over the prior period. The Ridge casino in Emalahleni and the Emnotweni casino in Mbombela reported growth in gaming win of 6.9% and 8.4% respectively. Ebitdar margins improved at both units.

The Eastern Cape provincial gaming win grew by 9.3% for the year ended 31 March 2013. Hemingways reported growth in gaming win of 7.7%, despite the impact of the redevelopment-related construction activities. Ebitdar margin reduced on the prior year.

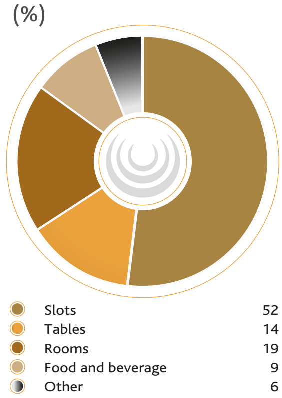
The Western Cape reported growth in provincial gaming win of 4.8% for the year ended 31 March 2013. The Caledon Casino, Hotel and Spa, Garden Route casino in Mossel Bay and the Mykonos casino in Langebaan reported growth of 3.7%, 8.7% and 12.0% respectively. Improved Ebitdar margins were recorded at Mykonos with Garden Route and The Caledon margins weakening due to the constrained revenue growth and the reallocation of certain head office costs.

The Goldfields casino in Welkom in the Free State experienced difficult conditions with growth in gaming win of 4.5% on the prior year.

Other gaming division operations, consisting of the Sandton Convention Centre, the StayEasy Century City hotel and head office costs, reflected a net loss of R185 million, R35 million adverse to the prior period mainly due to an increase in and change to the basis of the allocation of corporate costs.

Overall revenue for the gaming division increased 8% on the prior year to R7.6 billion. Ebitdar improved 9% to R3.1 billion at a margin of 41.0%, 0.4pp above the prior year.

Group revenue by nature (%)



Tsogo Sun Hotels

The hotel industry in South Africa is experiencing a recovery from the dual impact of depressed demand and oversupply. Overall industry occupancies have improved to 60.9% (2012: 57.1%) for the year ended 31 March 2013. As a result of the strong sales and distribution channels and the superior product and service quality available within the group, Tsogo Sun hotels continues to achieve an occupancy and rate premium in the segments in which the group operates.

Trading for the group's South African hotels for the year has been more buoyant recording a systemwide Revpar growth of 10.6% on the prior year due mainly to an increase in occupancies to 64.1% (2012: 60.9%). Average room rates remain constrained with limited yielding opportunities and increased by 5% to R814. Overall revenue for the South African hotel division increased 19% on the prior year to R1.9 billion assisted by the inclusion of Hotel Formula 1, 54 on Bath and Southern Sun Hyde Park offset by the closure of Southern Sun Grayston. Ebitdar improved 20% to R615 million at a margin of 31.8%.

The offshore division of hotels achieved total revenue for the year ended 31 March 2013 of R361 million representing an 11% improvement on the prior year, driven by the weakening of the Rand against both the US Dollar and the Euro. Ebitdar (pre-foreign exchange gains) of R93 million was achieved. The Rand weakness resulted in a R37 million (2012: R13 million) foreign exchange gain on the translation of offshore monetary items.

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

	31 March 2013	31 March 2012
Occupancy (%)	**64.7**	61.4
Average room rate (R)	**782**	802
Revpar (R)	**506**	492
Rooms available ('000)	**3 780**	3 281
Rooms sold ('000)	**2 445**	2 014
Rooms revenue (Rm)	**1 914**	1 615

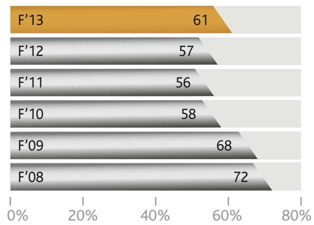
The increase in occupancy and decline in average rate is affected by the inclusion of the Formula 1 hotels as owned in the year compared to managed in the prior period. These hotels trade at a higher average occupancy and lower average rate than the balance of the Tsogo Sun hotel portfolio.

Looking ahead

The underlying operations of the group remain highly geared towards the South African consumer (in gaming) and the corporate market (in hotels) with both sectors still experiencing difficult economic conditions and increased administered costs (electricity, water and property rates). The results for the year continue to reflect the growth potential of the group should these sectors of the South African economy continue to improve.

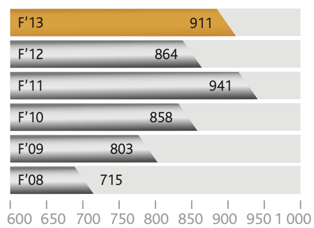
The continued improvement in trading performance across the group's operations during the year remains encouraging. However, the ongoing sustainability of this growth is uncertain due to the inconsistent monthly results during the year.

SA Occupancy



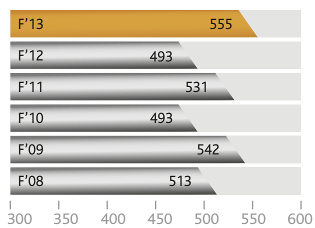
Systemwide*

SA Average rate



Systemwide*

SA Revpar



Systemwide*

*Based on STR Global statistics

Growth strategy in action continued

Inorganic growth

Inorganic growth will be a combination of capacity increases in existing businesses, greenfield developments in new markets and acquisitions within the group's core competence. In all situations, a discipline around due diligence and feasibility is critical to ensuring the success of growth projects.

The propensity for growth projects to absorb both financial and human resources must be carefully evaluated within the group's capacity tolerances as these can impact on some of the pillars of sustainability.

Key performance indicators

	2013	2012
Expansion capital expenditure	**R639 million**	R1 031 million

2013 performance

Tsogo Sun has continued to allocate capital during the 2013 financial year in terms of its stated growth strategy and accordingly:

- concluded the acquisition of Southern Sun Hyde Park for R130 million from Hyprop Limited, which was previously operated under a management agreement. R65 million was paid on 1 September 2012 when the group began trading at the hotel for its own account and the balance was paid on 17 May 2013 on transfer of the property;
- completed the refurbishment of 54 on Bath and opened the hotel in July 2012;
- acquired the hotel at the Garden Route casino which was transferred in August 2012 and has been branded Garden Court Mossel Bay;
- spent R231 million during the year on the redevelopment of the Hemingways casino in East London. The total spend on this R400 million project to the end of March 2013 is R329 million, the work has been completed and the residual payments due will be made during the 2014 financial year;
- commissioned an additional 96 slot machines at the Suncoast Casino and Entertainment World;
- spent R18 million during the year on the R206 million expansion of the Emnotweni casino, which includes the construction of an expanded casino floor, additional gaming positions, additional covered parking, a conference and eventing area and restaurants; and
- commenced an expansion programme for the three Gauteng-based casinos, including an additional 1 500 gaming positions to be rolled out over the medium term. The group has committed R750 million in capital expenditure at Silverstar and Gold Reef City and paid an amount of R150 million to the Gauteng Gambling Board to be allocated to charitable or socio-economic infrastructure projects.

Looking ahead

The group remains highly cash generative and continues to pursue significant opportunities to invest capital in its growth strategy.

Our medium-term growth strategy focuses on opportunities that are expected to yield greater return on investment and effort at lower levels of risk.

In gaming the focus remains on capacity increases in our existing properties, particularly in specific markets where changing demographics are driving growth. With only one of the national licences that are not allocated, or are allocated but not trading an attractive proposition we remain acquisitive for existing licences, but only at the right price. African expansion would only become attractive as regional economies develop a more robust middle market and enable regulatory environments. Expansion outside South Africa remains unattractive due to the additional risk of operating in diverse regulatory environments and the limited economies of scale that can be achieved.

In hotels we remain opportunistic in South Africa and will acquire properties if they are well located, align with our business model and are realistically priced. Although occupancies are improving they are not yet at long-term averages and there should not be significant hotel stock being added to the market at this stage of the cycle. We would however actively seek opportunities to land bank or build or lease in superior locations or nodes that are expected to grow more strongly in the future. In other jurisdictions we continue to evaluate opportunities to manage, lease or own hotel properties in markets where we believe we have a competitive advantage and will mostly focus on the territories we already operate in.

Post-year end, an agreement was reached with 89% of the outstanding shareholders in Durban Add-Ventures Limited ('DAV') and 100% in Adventure World Management Proprietary Limited for the acquisition of the remaining outstanding 10% effective interest in Tsogo Sun KwaZulu-Natal Proprietary Limited. The transaction was implemented as a buy-back of shares, via a scheme of arrangement in DAV, in accordance with the Companies Act. To date, an effective 8.7% was acquired at a cost of R363 million with the resultant shareholding in Suncoast being 98.7%. All required shareholders' resolutions were passed at a general meeting of DAV and the transaction approved by the KwaZulu-Natal Gambling Board on 10 May 2013. An attempt will be made to acquire the remaining shares in terms of section 124 of the Companies Act.

Following the approval by the Gauteng Gambling Board of the additional gaming positions at Montecasino, Gold Reef City and Silverstar the group has commenced with the R480 million expansion and redevelopment of the Silverstar casino and will commence with the R270 million refurbishment and expansion of the Gold Reef City casino and Theme Park. The Silverstar casino redevelopment includes additional dining options, an outdoor events area, cinemas, ten-pin bowling alley, laser tag games, an expanded and enhanced casino floor and parking. The Gold Reef City expansion includes an increased casino offering, cinemas and additional restaurants at the casino and additional food and beverage outlets and improved access systems at the Theme Park with an improved linkage to the casino complex.

The KwaZulu-Natal Gambling Board has granted an application for an additional 50 slot machines and three tables at Blackrock casino. The group will also be expanding the Garden Court Blackrock hotel by an additional 40 rooms.

The group completed the acquisition of a 75.5% stake in Ikoyi Hotels Limited on 29 June 2013 for USD50.6 million and the take on of USD19.7 million debt in the business. The property was previously managed by the group on behalf of the third-party owners. In addition, the group will invest USD30 million in the expansion of Southern Sun Maputo including the addition of 110 rooms and conference facilities, the expansion of the existing restaurant, lobby and back-of-house facilities and the refurbishment of the existing 158 rooms.

The group is also exploring a variety of projects, including the expansion of the Suncoast casino and related entertainment facilities, as well as a number of potential acquisitions which are at various stages.

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.

The ability to continue to pursue the group's investment strategy will depend on the final outcome and impact of the variety of proposed regulatory and tax changes considered by government and will require the successful interaction with various regulatory bodies including gaming boards, city councils, provincial authorities and national departments. The group continues to constructively engage with the various spheres of government in this regard.

GOVERNANCE AND REMUNERATION

Corporate governance

Our governance framework

Support from combined assurance providers, legal, risk, compliance and company secretarial functions

Board
Two executive directors and 10 non-executive directors

Responsibility for the overall conduct of the business and the strategy

Audit and risk committee
*Three independent non-executive directors**

Provides effective governance over reporting, the effectiveness of the internal financial controls and the external and internal audit functions and ensures that there is an effective risk management process that identifies and monitors the management of the key risks.

Remuneration committee
*Three independent non-executive directors**

Ensures the adoption of remuneration policies that attract and retain top talent, are aligned to the company's strategy, are market related and drive performance in the short and long term.

Social and ethics committee
*Three independent non-executive directors**

Assists the board to ensure that the transformation strategy is appropriate and integrated into the business. It performs the social and ethics functions required by the Companies Act, 2008, as amended.

Chief Executive Officer
Marcel von Aulock

Responsible for the development and implementation of board strategy and policy and management of the business.

**The committee meetings are also attended by major shareholder directors.*

Group executive committee
Fourteen members including the executive directors, divisional managing and financial directors and certain group function heads

Responsible for the day-to-day management of the operations of the group.

Pure risk committee
Chief Financial Officer, Director of Risk, risk managers, divisional finance, security and development directors

Responsible for the identification and management of insurable risks.

Compliance committee
Executive directors and gaming managing, finance, operations, human resources, security, legal and compliance directors

Responsible for compliance, mainly in gaming division.

IT steering committees
Chief Information Officer and management committees for the gaming and hotel divisions

Responsible for the technology roadmap and IT project portfolio for the divisions.

Management committees
Managing director and divisional function heads for gaming and hotel divisions

Responsible for the day-to-day management of the operations of the divisions.

Ethical conduct	Corporate governance	Risk governance	Fair remuneration

The board and board committees

The board maintains full and effective control over the company and is accountable and responsible for its performance. The board reviews the strategic priorities of the group, determines the investment policies and delegates to management the detailed planning and implementation of the objectives and policies in accordance with appropriate risk parameters. The board monitors compliance with policies and achievement against objectives by holding management accountable for its activities through quarterly performance reporting and budget updates.

The board charter codifies the board's composition, appointment, authorities, responsibilities and processes, and sets out the fiduciary duties of the directors of the company. It provides the board with a mandate to exercise leadership, determine the group's vision and strategy and monitors operational performance.

The board governs through clearly mandated board committees. Each committee has specific written terms of reference issued by the board and adopted by the committee. All committee chairmen report orally on the proceedings of their committees at the board meetings.

Corporate governance continued

Our board

MN VON AULOCK

CA(SA)
Executive Director – Chief Executive Officer
Age: 39

Marcel von Aulock served his articles at PwC and joined Tsogo Sun as Group Financial Manager in 1999. In 2004 he was promoted to Group Strategic Planning Director. In 2009 he was appointed Chief Financial Officer and on 30 September 2011 he assumed the role of Chief Executive Officer.

RB HUDDY

CA(SA)
Executive Director – Chief Financial Officer
Age: 44

Rob Huddy served his articles at PwC and joined Tsogo Sun in 1997. He held various management positions prior to being appointed Financial Director – Hotels Offshore in 2006 and Financial Director – Hotels South Africa in 2009. On 30 September 2011 he assumed the role of Chief Financial Officer.

JA COPELYN

BA(Hons), BProc
Non-executive Chairman and member of the remuneration committee
Age: 63

John Copelyn joined HCI as Chief Executive Officer in 1997. He was previously General Secretary of the Southern African Clothing and Textile Workers Union from 1974 before becoming a member of parliament in 1994. He currently holds various directorships and is Non-executive Chairman of e.tv.

JA MABUZA

Non-executive Deputy Chairman
Age: 55

Jabu Mabuza joined Tsogo Sun in 1995 from South African Breweries and served as Chief Executive Officer from 2006 to September 2011. Following his retirement, he assumed the role of Non-executive Deputy Chairman. He has held directorships for numerous companies and has served as Chairman of the Mpumalanga Development Corporation, Future Bank, the Marketing Federation for African Business, the South African Tourism Board and is currently Chairman of the Casino Association of South Africa.

MA GOLDING

BA(Hons)
Non-executive Director
Age: 53

Marcel Golding joined HCI as Chairman in 1997. Prior to this he was a member of parliament and Deputy General Secretary of the National Union of Mineworkers. He is Chief Executive Officer of e.tv and Chairman of Golden Arrow Bus Services, KWV Holdings and HCI Coal.

EAG MACKAY

BSc(Eng), BCom
Non-executive Director and member of the remuneration committee
Age: 64

Graham Mackay joined SAB in 1978 and has held a number of positions including Executive Chairman of the SA beer business. He was appointed Group Managing Director in 1997 and Chief Executive of SABMiller upon its listing on the London Stock Exchange in 1999. He is a Director of Reckitt Benckiser Group plc and Philip Morris International Inc. He served as Executive Chairman of SABMiller until April 2013.

Elias Mphande has served as the National Organising Secretary of the Southern African Clothing and Textile Workers Union, Marketing Director of Viamax Fleet Solutions, Chief Executive Officer of AUTA and the Vukani Group and Chairman of Golden Arrow Bus Services. He was appointed to the HCI board in 2010 as a Non-executive Director and serves on the board of Vukani Gaming Corporation and e.tv.

VE **MPHANDE**

Elec Eng (Dip)
Non-executive Director
Age: 55

Jamie Wilson joined SABMiller in 2005 and was elected as a director and appointed as Chief Financial Officer in 2011. He has held a number of senior positions in the group, including Senior Vice President, Market Development and Strategy, Miller Brewing Company, USA; Managing Director, SABMiller Russia; Managing Director for SABMiller's Central European businesses, and Finance Director for SABMiller Europe. Before joining SABMiller he held a number of senior roles in the global beverage industry.

JS **WILSON**

LL.B.(Hons), CA, ATI
Non-executive Director
Age: 54

Malcolm Wyman joined SAB in 1986 and joined the board as Group Corporate Finance Director in 1990. He was appointed to the board of SABMiller upon its listing on the London Stock Exchange in 1999. He was Chief Financial Officer from 2001 until his retirement in July 2011. He is a director of Nedbank Group Limited, Nedbank Limited, and LSE listed Imperial Tobacco Group plc and Serco Group plc.

MI **WYMAN**

CA(SA)
Non-executive Director
Age: 67

Rex Tomlinson was Human Resources Director of Illovo Sugar Limited, before joining Nampak, where he held numerous executive line management roles and was a member of the Nampak Limited board. He joined Liberty Holdings in 2004, was appointed Deputy Chief Executive in 2005 and to the Liberty Holdings board in 2006 where he served until his resignation in 2010. He is a director of Kelly Group Limited and Chairman of three unlisted companies.

RG **TOMLINSON**

BCom, HDip Personnel Management
Lead Independent Non-executive Director, Chairman of the audit and risk committee and the social and ethics committee and member of the remuneration committee
Age: 50

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

JG **NGCOBO**

Independent Non-executive Director, member of the audit and risk committee, the social and ethics committee and remuneration committee
Age: 62

Yunis Shaik is an admitted attorney of the High Court of South Africa and is presently in private practice. He is a former Deputy General Secretary of the Southern African Clothing and Textile Workers Union and a Director of Workers' College. He has served as a Senior Commissioner to the KwaZulu-Natal CCMA. He was appointed to the board of HCI in 2005 and as lead independent Non-executive Director of HCI in 2010.

Y **SHAIK**

BA(Law), BProc
Independent Non-executive Director, member of the audit and risk committee and the social and ethics committee and Chairman of the remuneration committee
Age: 55

Corporate governance continued

The board

Segregation of duties

The roles of the Chairman and the Chief Executive Officer are separate, with responsibilities divided between them to ensure a balance of power and authority. The Chairman is responsible for providing overall leadership of the board and ensuring that the board performs effectively. The Chief Executive Officer is responsible for the execution of the strategic direction, which is approved by the board, through the delegation of authority.

The Lead Independent Director is Rex Tomlinson who chairs or serves on all of the committees of the board and is therefore well placed to influence the governance of the company and meet his obligations as Lead Independent Director.

The Company Secretary ensures that board procedures and relevant regulations are fully adhered to. The Company Secretary is not a director of the company. The directors have unlimited access to the advice and services of the Company Secretary. The board is satisfied that the Company Secretary is competent and has the appropriate qualifications and experience required by the group. The Company Secretary also acts as secretary for the committees of the board.

All directors have unrestricted access to company records, information, documents and property and unfettered access to management at any time. All directors are entitled, at Tsogo Sun's expense, to seek independent professional advice on any matters pertaining to the group where they deem this to be necessary.

Board composition and attendance

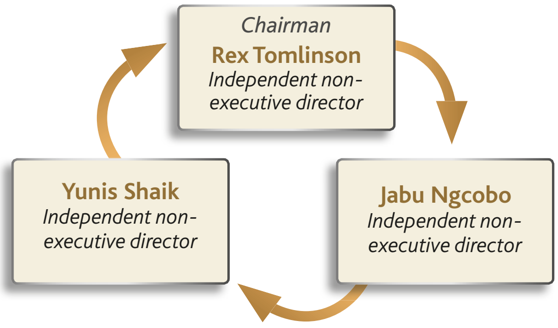
The composition of the board and of the audit and risk, remuneration and the social and ethics committees are determined primarily by the terms of the relationship between the majority shareholders. No independent director has served for more than nine years. The board considers that there is an appropriate balance of skills, experience, independence and knowledge among the independent directors. One third of the directors retire by rotation each year in line with the memorandum of incorporation.

During the year there were five board meetings. Individual directors' attendance at the board and committee meetings and at the AGM is set out in the table below:

	Board	Audit and risk committee	Remuneration committee	Social and ethics committee	AGM
Executive directors					
Marcel von Aulock	5/5				✔
Rob Huddy	5/5				✔
Non-executive directors					
Chairman					
John Copelyn	5/5		2/2		✔
Deputy Chairman					
Jabu Mabuza	4/5				✔
Lead independent					
Rex Tomlinson	5/5	3/3	2/2	1/1	✔
Independent					
Jabu Ngcobo	5/5	3/3	2/2	1/1	
Yunis Shaik	5/5	3/3	2/2	1/1	
Non-independent					
Marcel Golding	4/5				
Meyer Kahn	3/5				
Graham Mackay	4/5		2/2		
Elias Mphande	4/5				
Malcolm Wyman	5/5				
Andre van der Veen	3/3				

In addition, the divisional Managing Directors, the Group Human Resources Director and the Chief Marketing Officer attend board meetings, enabling the board to explore specific issues and developments in greater detail.

Audit and risk committee



Key objective:

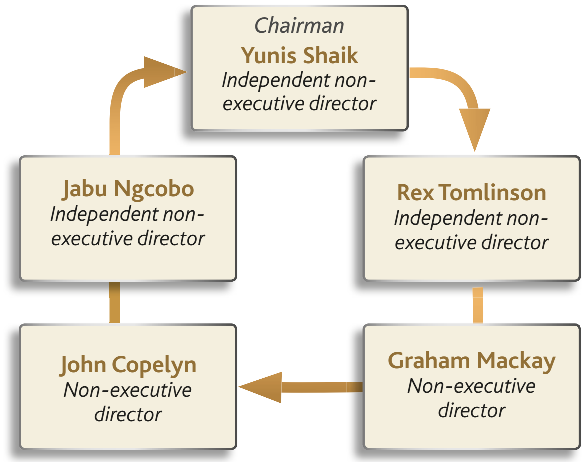
The provision of effective governance over the appropriateness of the group's financial and integrated reporting including the adequacy of related disclosures, the performance of both the internal audit function and the external auditor, and the management of the group's systems of internal control, business risks and related compliance activities.

The committee met three times during the year. The Chief Executive Officer, the Chief Financial Officer, the group's Director of Risk, the Chief Information Officer and directors from the majority shareholders (John Copelyn and Malcolm Wyman) attend the meetings as permanent invitees, along with external audit and the outsourced internal audit. Other directors and members of management attend as required.

The work of the audit and risk committee during the year focused on:

- review of the risk landscape to which the group is exposed in relation to the group's risk tolerance and risk appetite levels and evaluation of the strategy and appropriateness of management's responses to the risks;
- oversight of the implementation of the combined assurance model;
- review of IT risks in relation to core operational systems, systems projects and security initiatives;
- review of material legal, legislation and regulatory developments;
- review of and recommendation to the board for approval of the interim and annual results announcements and the annual financial statements and annual integrated report;
- approval of the external audit and internal audit plans;
- evaluation of the independence and effectiveness of, and determination of the fees and terms of engagement of the external auditors;
- evaluation of the effectiveness of the outsourced internal audit function;
- assessment of the internal control environment, particularly in relation to the group's system on internal financial controls;
- evaluation of the whistle-blowing systems in place in the group; and
- assessment of the expertise and experience of the Chief Financial Officer.

Remuneration committee



Key objective:

The committee is empowered by the board to assess and approve the broad remuneration strategy for the group, the operation of the company's short-term and long-term incentives for executives across the group, and set short-term and long-term remuneration for the executive directors and members of the executive committee.

The committee met twice during the year. The Chief Executive Officer and the group's Human Resources Director attend the meetings as permanent invitees, except when issues relating to their own compensation are discussed.

The scope of the remuneration committee's work during the year included the following matters:

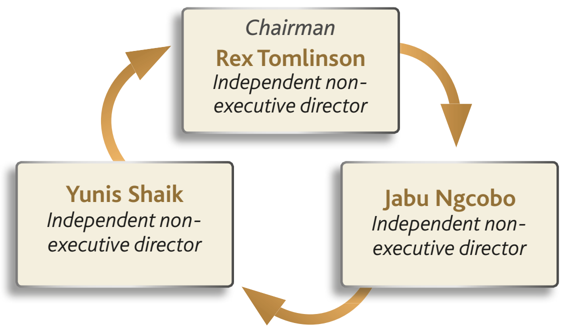
- monitoring and providing guidance in matters relating to organisational culture, structures and processes that support the development and retention of people, and the optimisation of their potential;
- ensuring that the priorities of employment equity and skills retention form part of the business plans of the company – enforcing, monitoring and auditing development and progress;
- determining the company's general policy on executive and senior management remuneration and the specific remuneration packages for the executive directors and other senior executives of the group, and to ensure that they are fairly, competitively but responsibly rewarded for their individual contributions and performance; and
- determining any criteria necessary to measure the performance of executive directors and other senior executives and approving targets for any performance-related pay schemes.

Further details of the group's remuneration policy and the work of the remuneration committee can be found in the remuneration section on page 65 to page 69.

Corporate governance continued

The board continued

Social and ethics committee



Key objective:

The purpose of the committee is to regularly monitor the company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice and, in particular, to monitor the group's compliance with the applicable requirements of Regulation 43 of the South African Companies Act in relation to matters pertaining to social and economic development, good corporate citizenship, environment, occupational health and public safety, labour and employment and the group's code of ethics and sustainable business practice.

The committee met once during the year. The Chief Executive Officer, the Chief Financial Officer, the group's Director of Risk, the group's Human Resources Director, the Chief Marketing Officer and directors from the majority shareholders (John Copelyn and Malcolm Wyman) attend the meetings as permanent invitees, along with other directors and members of management who attend as required.

The work of the social and ethics committee during the year focused on:

- disputes with government or legislation;
- compliance with regulations;
- the proposed revisions to the BBBEE codes;
- socio-economic development and enterprise development;
- environmental management and certification;
- customer satisfaction, loyalty and health and safety; and
- job creation, employee health and safety, employee development and employment equity.

Combined assurance

The board and executive management acknowledge that an integrated approach to the total process of assurance will improve assurance coverage and quality and will be more cost-effective. To this end, the group is finalising a combined assurance model that will address all areas that require assurance.

Key participants in this process are the audit and risk committee, external audit, internal audit, various external assurance providers including environmental certification, as well as internal assurance providers – primarily management and the group's organisational resilience management standard process.

Conflicts of interest

The directors are required to avoid situations where they have direct or indirect interests that conflict or may conflict with the group's interests. Procedures are in place for disclosure by directors of any potential conflicts and for appropriate authorisation to be sought if conflict arises.

Internal control

The directors are responsible for the group's systems of internal control. The systems of internal control are designed to manage rather than eliminate risk, and provide reasonable but not absolute assurance as to the integrity and reliability of the financial statements, the compliance with statutory laws and regulations, and to safeguard and maintain accountability of the group's assets.

The directors have satisfied themselves that adequate systems of internal control are in place to mitigate significant risks identified to an acceptable level. Nothing has come to their attention to indicate that a material breakdown in the functioning of these systems within the group has occurred during the year.

Political contributions

The group does not make donations to political parties, with the exception of national government elections where donations were made to the African National Congress and the Democratic Alliance in support of the advancement and promotion of multi-party democracy in South Africa.

King III application

The King III gap analysis, to review the company's application of the various principles of King III, was conducted during the year. A copy of the full gap analysis is available on the company's website.

The principles required by King III where application is currently "in progress" are as follows:

- A regulatory universe and formal compliance framework are in the process of being documented to evaluate whether all applicable laws are applied and adhered to.
- The adoption of the group governance framework will be minuted at subsidiary board meetings.
- Appraisals of the individual directors, the board and the board committees will be carried out annually utilising external service providers. The process is currently being implemented and the first assessment will be completed during September 2013.
- The combined assurance model is being formally documented.

The principles required by King III where application is "applied differently" are as follows:

✤ The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board.	The majority shareholders exercised their prerogative to appoint John Copelyn as the Chairman, representing their interests. As a compensating control, a Lead Independent Director was appointed, namely Mr Rex Tomlinson.
✤ The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	The majority shareholders exercised their prerogative to appoint the directors representing their interests. The majority of the directors are non-executive with three of the 10 non-executive directors being independent.
✤ Directors should be appointed through a formal process.	Directors are appointed by the two major shareholders. Formal letters of appointment including the required roles and responsibilities are however not issued.
✤ The induction of and ongoing training and development of directors should be conducted through formal processes.	The board has a stable and long-term membership with low director turnover. Training is facilitated as required. The majority of the directors have experience in serving on other JSE or UK listed boards.

Group executive committee

The board delegates responsibility for determining and implementing the group's strategy and managing the group to the Chief Executive Officer who is supported by the GEC. The committee coordinates operational execution of the strategy, ensures effective internal controls are functioning and that there is an effective risk management process in operation throughout the group. The GEC is supported by the management committees for the gaming and hotel divisions. The members of the GEC at 31 March 2013 were:

Marcel von Aulock
Chief Executive Officer

Jacques Booysen
Managing Director gaming

Jaco Boshoff
Financial Director hotels

Rob Collins
Chief Marketing Officer

Vusi Dlamini
Group Human Resources Director

Laurelle Fick
Corporate Finance Manager

Rob Huddy
Chief Financial Officer

Greg Lunga
Financial Director gaming

Kevin Page
Director of Development

Henry Parrymore
Chief Information Officer

Graham Tyrrell
Director of Legal Services

Richard Weilers
Managing Director hotels offshore

Graham Wood
Managing Director hotels

Wynand van Wyngaardt
Group Company Secretary

IT governance

The board of directors is accountable for IT governance. An IT governance charter has been adopted and approved by the board and takes into account the requirements of King III, globally accepted standards and good practice, together with the performance and sustainability objectives of the group. This charter outlines the decision-making rights and accountability framework for IT. The Chief Information Officer reports directly to the Chief Executive Officer and has responsibility for the ownership and execution of IT governance.

All IT strategies in support of business objectives are debated in divisional management and IT steering committees prior to being presented to the GEC. Once agreed and prioritised these are motivated to the board for approval. All approved investments are tracked through the divisional management and IT steering committees to ensure delivery of business benefit.

Corporate governance continued

Remuneration report

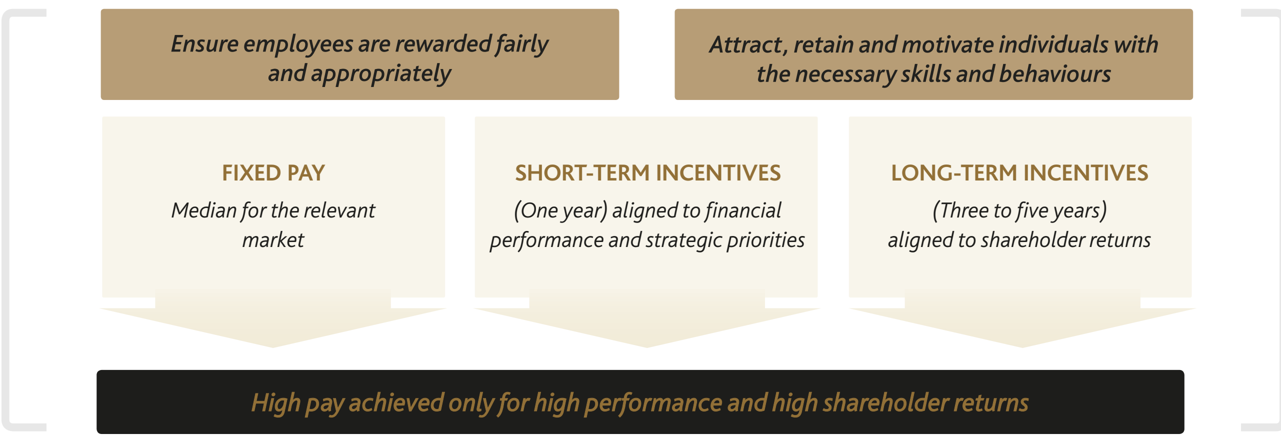
Remuneration philosophy and policy

Key tenets of our remuneration philosophy are that we act fairly and responsibly in our approach to employee remuneration and benefits at all times, ensuring our actions are sustainable, that they underscore our objective of being an employer of choice, and are aligned to the strategic and operational requirements of the business.

The objective of the group's remuneration policy is to ensure that we attract and retain employees of the right calibre and skills and motivate them to achieve exceptional performance aligned to our strategic priorities. We aim to reward employees fairly and equitably through both financial rewards and non-financial benefits such as performance recognition, development and career opportunities. We believe our employees and their representative trade unions, where relevant, value the consistency and predictability of how the terms and conditions of employment are determined, both in times of economic growth and in difficult economic conditions.

Total rewards are set at levels that are competitive within the gaming, entertainment and hospitality sectors and the group utilises market surveys to ensure that the components of the remuneration structure are appropriate. The fixed and variable element mix of the remuneration structure differ depending on the employee grade.

Senior management and executive remuneration



Short-term incentives reflect a balance between annual financial performance and other specific strategic priorities over which the participant has influence in order to ensure that achievement of short-term financial performance is not at the expense of future opportunities. Between 15% and 40% of the potential award is based on non-financial strategic priorities dependent on the employee grade. Where relevant and if the information is publicly available, an additional 25% of the potential award is linked to the relative performance of a business unit against a regional or national market set.

The group seeks to ensure an appropriate balance between fixed and performance-related elements of remuneration, and those aspects of the package linked to short-term financial performance and to those linked to longer-term shareholder value creation. The combination of the components ensures that high pay is achieved only for high performance and high shareholder returns. Senior executives have a larger proportion of their total remuneration subject to performance-based variable principles. Long-term incentives are cash settled resulting in income statement volatility but no dilutionary impact to shareholders.

The remuneration committee considers each element of remuneration relative to the market and takes into account the performance of the group and the individual executive in determining both quantum and design. The remuneration committee also considers the total remuneration (fixed pay plus short-term and long-term incentives) that may be earned at various levels of performance.

Remuneration report continued

Key elements of remuneration

	Fixed pay			
	Base salaries	**Non-executive directors' fees**	**Retirement benefits**	**Other benefits**
Purpose and link to strategy	Provides a fixed level of earnings appropriate to the requirements of the role	Remunerates non-executive directors for their responsibilities and time commitment	Provides the basis for retirement savings	Provides benefits appropriate to the market and the role
Application dependent on employee type and level	All employees	Non-executive directors	All employees entitled to benefits are required to belong to an approved pension/provident fund	All employees entitled to benefits are eligible for membership of an approved medical scheme and other benefits
Operation and performance measures	*Base salaries* Base salaries are subject to annual review. Tsogo Sun's policy is to be competitive at the median level with reference to market practice in companies comparable in terms of size, market sector, business complexity and international scope. However, base salaries of individuals and incumbents in key roles are aligned to the upper quartile level of the market. Group performance, individual performance and changes in responsibilities are also taken into consideration when determining increases to base salaries	*Non-executive directors' fees* The fees for the non-executive directors have been recommended by the remuneration committee to the board for their approval, taking into account fees payable to non-executive directors of comparable companies and the importance attached to the attraction and retention of high calibre individuals as non-executive directors. Levels of fees are also set by reference to the responsibilities assumed by the non-executive directors in chairing the board and in chairing or participating in its committees	*Retirement fund membership* Retirement funding for management, who are remunerated on a total package basis, is non-contributory and is included in their total cost of employment. For staff, retirement funding consists of employer and employee contributions dependent on fund membership. The group offers a pension fund (Tsogo Sun Group Pension Fund) and two provident funds (Alexander Forbes Retirement Fund (Provident Section) and Gold Reef Resorts Provident Fund). Other approved funds include union-negotiated funds and funds to which members have historically belonged. Members of the Gold Reef Resorts Executive Provident Fund are in the process of being transferred to the group's provident fund	*Healthcare* The majority of employees with medical cover belong to the Tsogo Sun Group Medical Scheme, a restricted membership scheme administered by Discovery Health. The scheme offers hospital, chronic illness and day-to-day cover for 4 391 principal members (9 441 beneficiaries) through either comprehensive or saver type plan options *Risk and insured benefits* Arising through membership of the group's pension and provident funds, competitive death, disability and funeral benefits are made available to employees *Long-service awards* Full-time employees of the organisation receive long-service awards calculated based on the tenure of the employee linked to their guaranteed package. Employees receive an award for every 10 years of continued service with the group

<table>
<tr><th>Short-term incentives</th><th colspan="2">Long-term incentives</th></tr>
<tr><th>Annual bonus plan</th><th colspan="2">Share appreciation plan</th></tr>
<tr><td>Rewards the achievement of annual financial performance balanced with other specific strategic priorities and ensures that above-market pay cannot be achieved unless challenging performance targets are met. The non-financial element ensures that the achievement of short-term financial performance is not at the expense of future opportunities</td><td colspan="2">Share appreciation-based incentives are utilised to reward long-term sustainable group performance improvement, retain its senior management expertise and ensure that executives and key talent share a significant level of personal risk and reward with the company's shareholders to align executive pay and long-term value creation for shareholders</td></tr>
<tr><td>All executives and senior management and selected middle management</td><td>Tsogo Sun and ex-Gold Reef (post-merger) executives and selected managers</td><td>Pre-merger Gold Reef executives and selected senior managers</td></tr>
<tr><td rowspan="2">Annual cash incentive
Potential bonus earnings are reviewed periodically by the remuneration committee with minimum and maximum bonus percentages of total package set for each broadband level for the achievement of "on-target" and "stretch target" performance, based on or above the median being paid in the marketplace. Bonus awards are based on individual ratings achieved against set targets for financial performance, relative growth against the market, where relevant, and personal performance. The remuneration committee approves the scheme's targets and hurdles annually</td><td colspan="2">Tsogo Sun, and historically Gold Reef, have in operation phantom share schemes with cash settlement designed to align the interests of participants with those of the company's shareholders. The essential elements of these schemes are that the plan is essentially a "phantom" version of a share scheme where each unit (whether an appreciation unit, performance unit or a bonus unit) is in effect linked to an underlying share in Tsogo Sun</td></tr>
<tr><td>Appreciation units
Appreciation units allocated at market price are the only share appreciation-based reward mechanism utilised by both Tsogo Sun under the Tsogo Sun Share Appreciation Bonus Plan and Gold Reef prior to the merger. Annual allocations of appreciation units are made to executives and selected managers. They are available to be settled on the third anniversaries of their allocation, but must be exercised by the sixth anniversary, or they will lapse. Allocations made to Tsogo Sun executives and managers prior to 31 March 2008 were available for settlement over a period, being 25%, 25% and 50% on the third, fourth and fifth anniversary respectively, and must be exercised by the eighth anniversary, or they will lapse. On settlement, the value accruing to participants will be the full appreciation of Tsogo Sun's share price over the allocation price plus dividends declared and paid post-grant date, which value will be settled in cash</td><td>Performance units, bonus units and Gold Reef Share Scheme
The three pre-merger Gold Reef long-term incentive plans are in the process of winding down. No options have been granted to existing executive directors or key management

The final amounts due in respect of the performance units and bonus units will be settled during February 2014 and the liability as at 31 March 2013 is reflected on page 68. Refer note 25.2 on page 42 of the annual financial statements for further information on this scheme

The final tranche of the options in terms of the Gold Reef Share Scheme vested on 31 March 2013, although not all vested options have been exercised. Refer note 25.1 on page 42 of the annual financial statements for more information on this scheme</td></tr>
</table>

Remuneration report continued

Long-term incentive liability – cash settled

The following table reflects the liability for long-term incentives and summarises details of the bonus units awarded to participants per financial year, the units vested at the end of the period and expiry dates of each allocation for the Tsogo Sun Share Appreciation Bonus Plan:

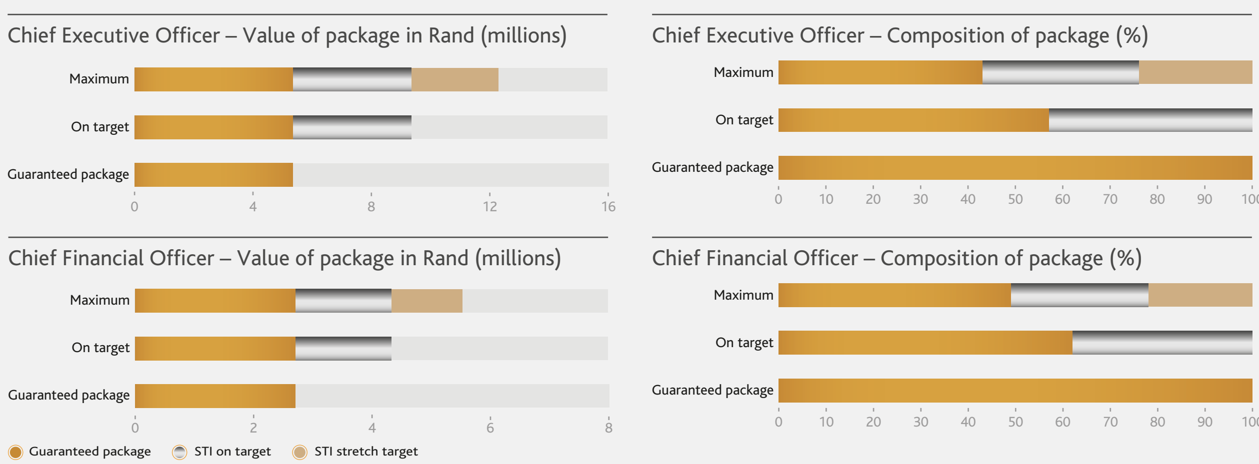
Tsogo Sun Share Appreciation Bonus Plan

	Appreciation units granted and still outstanding		Strike price[1]	**Appreciation units vested and still outstanding**			**Liability 31 March 2013**	Liability 31 March 2012
Grant date	**2013**	2012	R	**2013**	2012	Expiry date	**Rm**	Rm
1 April 2005	**–**	275 165	8.08	**–**	275 165	31 March 2013	**–**	10
1 April 2006	**1 180 631**	1 232 789	13.49	**1 180 631**	1 232 789	31 March 2014	**53**	23
1 April 2007	**362 709**	400 964	19.87	**362 709**	400 964	31 March 2015	**8**	–
1 April 2008	**963 982**	1 018 678	21.10	**963 982**	1 018 678	31 March 2014	**17**	–
1 April 2009	**1 239 512**	1 286 110	15.10	**1 239 512**	1 286 110	31 March 2015	**48**	17
1 April 2010	**1 946 257**	2 030 228	15.08	**1 946 257**	–	31 March 2016	**76**	17
1 April 2011	**5 627 490**	5 893 094	15.06	**–**	–	31 March 2017	**41**	7
1 October 2011	**1 890 337**	1 890 337	18.78	**–**	–	30 September 2017	**7**	–
1 April 2012	**8 400 352**	–	17.66	**–**	–	31 March 2018	**22**	–
1 October 2012	**263 825**	–	19.71	**–**	–	30 September 2018	**–**	–
Liability at 31 March							**272**	74
Gold Reef schemes (performance units and bonus units)							**24**	8
Total long-term incentive liabilities at 31 March							**296**	82
Share price at 31 March (R)							**24.75**	18.00

[1] *Grants prior to merger converted based on swap ratio of 3.553 Gold Reef shares for each TSH share*

Composition of total remuneration package – Executive directors

The charts below provide an indication of the remuneration outcomes for executive directors showing potential total remuneration of maximum on target, and minimum performance levels.



The scenario charts assume:

- Guaranteed package – fixed pay and benefits for the year ended 31 March 2013
- Short-term incentives – based on scheme rules with maximum bonus paid at maximum performance and nil bonus below threshold performance
- Long-term incentives – excluded from the charts as issued at market price and participants are rewarded through variable share price increases

Employment agreements

Mr JA Mabuza retired from his position as Chief Executive Officer on 30 September 2011. The group entered into a three-year restraint of trade contract that expires on 30 September 2014. In terms of this contract, Mr Mabuza is paid an amount of R8.5 million per annum, in quarterly instalments. In terms of the restraint, Mr Mabuza is prohibited from acting for, consulting to, or advising any other party in the hotel or gaming industry and makes himself available to the group for consultation and assistance where required. In addition, although no further long-term incentive allocations will be made, his existing allocations will vest over that period. There are no other contracts with senior executives with fixed durations.

Executive directors' remuneration for the year ended 31 March

	Basic remuneration R'000	Benefits R'000	Short-term incentives R'000	Long-term incentives R'000	2013 Total R'000
Paid by subsidiaries					
MN von Aulock	**4 509**	**967**	**5 550**	**2 591**	**13 617**
RB Huddy	**2 250**	**517**	**1 946**	**4 024**	**8 737**
	6 759	**1 484**	**7 496**	**6 615**	**22 354**

	Basic remuneration R'000	Benefits R'000	Short-term incentives R'000	Long-term incentives R'000	2012 Total R'000
Paid by subsidiaries					
MN von Aulock(1)	3 311	690	1 854	–	5 855
RB Huddy(2)	938	202	–	–	1 140
JA Mabuza(3)	2 063	599	6 462	–	9 124
RA Collins(4)	1 716	287	2 626	–	4 629
GI Wood(4)	1 452	230	731	–	2 413
	9 480	2 008	11 673	–	23 161

(1) *Executive director of TSH prior to merger and appointed to Tsogo Sun board on 24 February 2011*
(2) *Appointed to Tsogo Sun board on 31 October 2011*
(3) *Executive director of TSH prior to merger, appointed to Tsogo Sun board on 24 February 2011 and retired 30 September 2011*
(4) *Executive director of TSH prior to merger, appointed to Tsogo Sun board on 24 February 2011 and resigned from board on 31 October 2011*

Non-executive directors

Non-executive directors receive fees for services on board and board committees. Non-executive directors do not receive short-term incentives and do not participate in any long-term incentive scheme, with the exception of Mr JA Mabuza whose existing share appreciation rights vest over the shorter of the vesting period or his restraint of trade ending on 30 September 2014.

Any increases will be motivated to the shareholders at the company's AGM and reflect the market dynamics and the increasingly heavy demands being made on the individuals. Proposed non-executive directors' fees, for shareholder approval, appear in the table below:

	Actual 2012 R'000	Proposed 2013 R'000
Chairman of the board	750	**800**
Chairman of the audit and risk and social and ethics committees	430	**460**
Chairman of the remuneration committee	325	**350**
Non-executive director and member of a board committee	270	**290**
Non-executive director	215	**230**

Non-executive directors' remuneration for the year ended 31 March

Fees and services	Directors' fees R'000	Other benefits R'000	2013 total R'000	Directors' fees R'000	Other benefits R'000	2012 Total R'000
Paid by subsidiaries						
JA Copelyn (1)(6)	**712**	**–**	**712**	547	–	547
JA Mabuza (1)	**–**	**8 500**	**8 500**	–	4 250	4 250
MJA Golding (1)(6)	**204**	**–**	**204**	163	–	163
JM Kahn (2)	**204**	**–**	**204**	165	–	165
EAG Mackay (1)(6)	**255**	**–**	**255**	200	–	200
VE Mphande (1)	**204**	**–**	**204**	160	–	160
A van der Veen (3)(6)	**204**	**–**	**204**	163	–	163
MI Wyman (1)(6)	**204**	**–**	**204**	163	–	163
PJ Venison (4)	**–**	**–**	**–**	125	–	125
RG Tomlinson (1)	**407**	**–**	**407**	300	–	300
JG Ngcobo (1)	**255**	**–**	**255**	187	–	187
Y Shaik (5)	**306**	**–**	**306**	150	–	150
	2 955	**8 500**	**11 455**	2 323	4 250	6 573

(1) *Executive director of TSH prior to merger and appointed to Tsogo Sun board on 24 February 2011*
(2) *Executive director of TSH prior to merger and appointed to Tsogo Sun board on 24 February 2011 and resigned 31 March 2013*
(3) *Executive director of TSH prior to merger and appointed to Tsogo Sun board on 24 February 2011 and resigned 8 November 2012*
(4) *Executive director of TSH prior to merger and appointed to Tsogo Sun board on 24 February 2011 and retired 15 June 2011*
(5) *Appointed to Tsogo Sun board on 15 June 2011*
(6) *Directors' fees paid to respective employer companies*

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

Note to the summarised consolidated financial statements

1. BASIS OF PREPARATION

The summarised consolidated annual financial statements for the year ended 31 March 2013 have been prepared in accordance with the recognition and measurement criteria of IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and are presented in terms of IAS 34 *Interim Financial Reporting*, the Companies Act of South Africa and the JSE Listing Requirements. Chief Financial Officer, Rob Huddy CA(SA), supervised the preparation of the summarised consolidated annual financial statements.

The accounting policies applied in the preparation of the audited consolidated financial statements, from which the summarised consolidated financial statements were derived, are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous audited consolidated financial statements. The summarised consolidated annual financial statements should be read in conjunction with the audited annual financial statements for the year ended 31 March 2013, which were approved by the board on 30 August 2013 and are available online or can be requested directly from our Company Secretary.

The unmodified audit report of PricewaterhouseCoopers Inc., the independent auditors, on the consolidated and separate company annual financial statements for the year ended 31 March 2013, dated 30 August 2013, is available for inspection at the registered office of the company.

2. SEGMENT INFORMATION

In terms of IFRS 8 *Operating Segments* the Chief Operating Decision-maker has been identified as the group's board of directors. The board reviews the group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the group's board of directors at the board meetings which are used to make strategic decisions.

The board considers the business from both a geographical basis and business type, being hotels and gaming. All gaming segments and the South African hotels division conduct business in South Africa, with the offshore hotels division having operations in other African countries, the Middle East and the Seychelles. Other gaming operations consist mainly of the Sandton Convention Centre, the StayEasy Century City hotel and head office costs. The corporate segment includes the treasury and management function of the group, together with the group's captive insurance operations. Although the offshore hotels segment does not meet the quantitative thresholds of IFRS 8, management has concluded that the segment should be reported as it has a different risk and reward profile. It is closely monitored as it is expected to materially contribute to group revenue in the future.

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

All revenue and income from gaming and hotel operations shown on page 77 are derived from external customers. No one customer contributes more than 10% to the group's total revenue.

3. CAPITAL COMMITMENTS

As at 31 March 2013 the board had committed a total of R2.5 billion for maintenance and expansion capital items at its gaming and hotel properties of which R1.7 billion is anticipated to be spent during the financial year ended 31 March 2014.

4. SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with in the financial statements, that would significantly affect the operations or results of the company or the group. Refer to the inorganic growth section on pages 54 and 55 of the integrated annual report and note 50 of the group annual financial statements for details of events occurring after the balance sheet date relating to:

- the acquisition of the Hyde Park hotel;
- the acquisition of the Ikoyi hotel; and
- the share buy-back of additional Durban Add-Ventures Limited and Adventure World Management (Pty) Limited minorities.

www.tsogosun.com/investor-relations/reports/pages/integrated-reports.aspx

Download the annual financial statements to your smartphone, tablet or e-reader.

Summarised consolidated income statement

for the year ended 31 March

	Change %	Audited 2013 Rm	Audited 2012 Rm
Net gaming win	7	**6 525**	6 111
Rooms revenue	19	**1 914**	1 615
Food and beverage revenue	16	**869**	752
Other revenue		**602**	553
Income	10	**9 910**	9 031
Gaming levies and Value Added Tax		**(1 341)**	(1 248)
Property and equipment rentals		**(258)**	(239)
Amortisation and depreciation		**(608)**	(623)
Employee costs		**(2 510)**	(2 116)
Other operating expenses		**(2 359)**	(1 787)
Operating profit	(6)	**2 834**	3 018
Interest income		**45**	49
Finance costs		**(430)**	(469)
Share of profit of associates and joint ventures		**6**	10
Profit before income tax		**2 455**	2 608
Income tax expense		**(701)**	(761)
Profit for the year		**1 754**	1 847
Profit attributable to:			
Equity holders of the company		**1 629**	1 717
Non-controlling interests		**125**	130
		1 754	1 847
Number of shares in issue (million)		**1 098**	1 097
Weighted number of shares in issue (million)		**1 097**	1 097
Basic and diluted earnings per share (cents)	(5)	**148.5**	156.5

Summarised consolidated statement of comprehensive income

for the year ended 31 March

	Audited 2013 Rm	Audited 2012 Rm
Profit for the year	**1 754**	1 847
Other comprehensive income for the year, net of tax	**47**	23
Cash flow hedges	**(33)**	(25)
Close out of cash flow hedge	**–**	(2)
Currency translation adjustments	**71**	43
Income tax relating to components of other comprehensive income	**9**	7
Total comprehensive income for the year	**1 801**	1 870
Total comprehensive income attributable to:		
Equity holders of the company	**1 676**	1 739
Non-controlling interests	**125**	131
	1 801	1 870

Supplementary information

for the year ended 31 March

	Change %	Audited 2013 Rm	Audited 2012 Rm
Reconciliation of earnings attributable to equity holders of the company to headline earnings and adjusted earnings[(1)]			
Earnings attributable to equity holders of the company		**1 629**	1 717
Gain on disposal of property, plant and equipment		**(1)**	(2)
Impairment of property, plant and equipment		**9**	–
Impairment of goodwill		**16**	–
Impairment of investment in joint venture		**–**	2
Fair value gain on revaluation of previously held interest in associate		**–**	(179)
Headline earnings	7	**1 653**	1 538
Write-back of contingent purchase consideration		**–**	(248)
Other exceptional items		**(4)**	43
Adjusted headline earnings	24	**1 649**	1 333
Number of shares in issue (million)		**1 098**	1 097
Weighted number of shares in issue (million)		**1 097**	1 097
Basic and diluted HEPS (cents)	7	**150.7**	140.2
Basic and diluted adjusted HEPS (cents)	24	**150.3**	121.5
Reconciliation of operating profit to Ebitdar			
Group Ebitdar pre-exceptional items is made up as follows:			
Operating profit		**2 834**	3 018
Add:			
Property rentals		**193**	190
Amortisation and depreciation		**608**	623
Long-term incentive expense		**234**	55
		3 869	3 886
Add/(less): Exceptional losses/(profits)		**19**	(385)
Gain on disposal of property, plant and equipment		**(1)**	(3)
Impairment of property, plant and equipment		**9**	–
Impairment of goodwill		**16**	–
Fair value gain on revaluation of previously held interest in associate		**–**	(179)
Write-back of contingent purchase consideration		**–**	(248)
Other adjustments		**(5)**	45
Ebitdar	11	**3 888**	3 501

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

Summarised consolidated cash flow statement

for the year ended 31 March

	Audited 2013 Rm	Audited 2012 Rm
Cash flows from operating activities		
Profit before interest and income tax	**2 834**	3 018
Non-cash movements	**1 131**	485
Increase in working capital	**(216)**	(107)
Cash generated from operations	**3 749**	3 396
Interest received	**46**	46
Finance costs paid	**(445)**	(501)
	3 350	2 941
Income tax paid	**(842)**	(785)
Dividends paid to shareholders	**(702)**	(768)
Dividends paid to non-controlling interests	**(42)**	(48)
Dividends received	**3**	5
Net cash generated from operations	**1 767**	1 345
Cash flows from investment activities		
Purchase of property, plant and equipment	**(903)**	(692)
Advance payment for business acquisition	**(65)**	–
Proceeds from disposals of property, plant and equipment	**6**	10
Purchase of intangible assets	**(47)**	(44)
Purchase of investment property	**(7)**	–
Advance payment related to casino licences	**(116)**	–
Acquisition of subsidiaries, net of cash acquired	**–**	(278)
Acquisition of business	**(20)**	–
Other loans and investments repaid	**1**	5
Net cash utilised for investment activities	**(1 151)**	(999)
Cash flows from financing activities		
Borrowings raised	**782**	1 152
Borrowings repaid	**(2 079)**	(594)
Acquisition of non-controlling interests	**–**	(509)
Settlement of contingent consideration for Millennium acquisition	**(58)**	(24)
Loan repayments (to)/by non-controlling interests	**(3)**	98
Decrease/(increase) in amounts due by share scheme participants	**3**	(1)
Net cash (utilised in)/generated from financing activities	**(1 355)**	122
Net (decrease)/increase in cash and cash equivalents	**(739)**	468
Cash and cash equivalents at beginning of the year	**1 443**	956
Foreign currency translation	**46**	19
Cash and cash equivalents at end of the year	**750**	1 443

Summarised consolidated balance sheet

as at 31 March

	Audited 2013 Rm	Audited 2012 Rm
ASSETS		
Non-current assets		
Property, plant and equipment	**9 004**	8 568
Goodwill and other intangible assets	**6 330**	6 342
Investments in associates and joint ventures	**171**	170
Non-current receivables	**49**	54
Deferred income tax assets	**179**	114
Amounts due by share scheme participants	**30**	19
Investment property	**7**	–
	15 770	15 267
Current assets		
Inventories	**204**	176
Trade and other receivables	**633**	407
Current income tax assets	**73**	82
Cash and cash equivalents	**750**	1 443
	1 660	2 108
Total assets	**17 430**	17 375
EQUITY		
Capital and reserves attributable to equity holders of the company		
Ordinary share capital and premium	**4 768**	4 754
Share-based payment reserve	**3**	3
Surplus arising on change in control in joint venture	**130**	130
Other reserves	**(583)**	(230)
Retained earnings	**3 990**	3 063
Total shareholders' equity	**8 308**	7 720
Non-controlling interests	**807**	727
Total equity	**9 115**	8 447
LIABILITIES		
Non-current liabilities		
Interest-bearing borrowings	**3 386**	4 245
Derivative financial instruments	**45**	9
Deferred income tax liabilities	**1 446**	1 517
Provisions and other liabilities	**513**	449
	5 390	6 220
Current liabilities		
Interest-bearing borrowings	**944**	1 382
Derivative financial instruments	**37**	38
Trade and other payables	**984**	958
Current income tax liabilities	**39**	61
Provisions and other liabilities	**921**	269
	2 925	2 708
Total liabilities	**8 315**	8 928
Total equity and liabilities	**17 430**	17 375

Summarised consolidated statement of changes in equity

for the year ended 31 March

	Attributable to equity holders of the company		
	Equity attributable to owners of the parent Rm	**Non-controlling interests Rm**	**Total equity Rm**
Balance at 1 April 2011 (audited)	7 011	862	7 873
Total comprehensive income for the year	1 739	131	1 870
Profit for the year	1 717	130	1 847
Other comprehensive income	22	1	23
Shares issued to share trust	35	–	35
Shares issued by subsidiary taken up by non-controlling interests	–	20	20
Non-controlling interests arising on business combinations	–	7	7
Recognition of share-based payments	1	–	1
Repayment of non-controlling interests' equity loans	–	(1)	(1)
Treasury shares held by share trust	(32)	–	(32)
Acquisition of non-controlling interests	(265)	(244)	(509)
Ordinary dividends	(769)	(48)	(817)
Balance at 31 March 2012 (audited)	7 720	727	8 447
Total comprehensive income for the year	**1 676**	**125**	**1 801**
Profit for the year	**1 629**	**125**	**1 754**
Other comprehensive income	**47**	**–**	**47**
Shares issued to share scheme participants	**15**	**–**	**15**
Share options lapsed	**(1)**	**–**	**(1)**
Obligation for subsidiary share buy-back scheme	**(400)**	**–**	**(400)**
Repayment of non-controlling interests' equity loans	**–**	**(3)**	**(3)**
Ordinary dividends	**(702)**	**(42)**	**(744)**
Balance at 31 March 2013 (audited)	**8 308**	**807**	**9 115**

Segmental analysis

for the year ended 31 March

	Income		Ebitdar(1)		Ebitdar margin		Amortisation and depreciation	
	2013 Rm	2012 Rm	**2013 Rm**	2012 Rm	**2013 Rm**	2012 Rm	**2013 Rm**	2012 Rm
Montecasino	**2 266**	2 107	**1 026**	901	**45.3**	42.8	**83**	86
Suncoast	**1 440**	1 313	**692**	634	**48.1**	48.3	**102**	98
Gold Reef City	**1 218**	1 162	**479**	462	**39.3**	39.8	**74**	85
Silverstar	**602**	557	**237**	207	**39.4**	37.2	**49**	53
The Ridge	**387**	357	**187**	171	**48.3**	47.9	**26**	26
Emnotweni	**319**	292	**147**	130	**46.1**	44.5	**14**	17
Golden Horse	**303**	287	**150**	144	**49.5**	50.2	**30**	32
Hemingways	**303**	285	**125**	122	**41.3**	42.8	**22**	19
Garden Route	**173**	155	**76**	70	**43.9**	45.2	**13**	13
Goldfields	**136**	131	**60**	59	**44.1**	45.0	**9**	11
Blackrock	**135**	123	**53**	48	**39.3**	39.0	**7**	12
Mykonos	**134**	120	**59**	52	**44.0**	43.3	**7**	8
The Caledon	**128**	123	**32**	36	**25.0**	29.3	**6**	8
Other gaming operations	**104**	101	**(185)**	(150)			**11**	11
Total gaming operations	**7 648**	7 113	**3 138**	2 886	**41.0**	40.6	**453**	479
South African hotels division(2)	**1 937**	1 625	**615**	512	**31.8**	31.5	**139**	129
Offshore hotels division	**361**	324	**130**	101	**36.0**	31.2	**14**	12
Pre-foreign exchange gains			***93***	*88*	***25.8***	*27.2*		
Foreign exchange gains			***37***	*13*				
Corporate	**(36)**	(31)	**5**	2			**2**	3
Group	**9 910**	9 031	**3 888**	3 501	**39.2**	38.8	**608**	623

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

(2) *Includes R39 million (2012: R31 million) intergroup management fees.*

SHAREHOLDER INFORMATION AND ADMINISTRATION

Analysis of shareholdings

	Number of shareholders	%	Number of shares	%
Portfolio size				
Range				
1 – 1 000	770	39.15	337 587	0.03
1 001 – 5 000	523	26.59	1 397 090	0.12
5 001 – 10 000	133	6.76	991 885	0.08
10 001 – 50 000	216	10.98	5 404 860	0.46
50 001 – 100 000	89	4.52	6 503 943	0.55
100 001 – and more	236	12.00	1 168 130 623	98.76
	1 967	100.00	1 182 765 988	100.00
Shareholder spread				
Public	1 960	99.64	209 546 806	17.72
Collective investment schemes and mutual funds	120	6.10	73 211 799	6.19
Individuals	1 372	69.75	72 752 881	6.15
Pension funds and medical aid societies	143	7.27	31 050 297	2.63
Banks and insurance companies	40	2.03	14 010 134	1.18
Others	285	14.49	18 521 695	1.57
Non-public	7	0.36	973 219 182	82.28
Directors[1]	1	0.05	167 775	0.01
Subsidiary companies*	3	0.15	83 632 695	7.07
Gold Reef Share Scheme*	1	0.05	1 157 684	0.10
Holding 10% +	2	0.11	888 261 028	75.10
	1 967	100.00	1 182 765 988	100.00
Major shareholders owning 1% or more				
Tsogo Investment Holding Company (Pty) Limited			453 013 124	38.30
SABSA Holdings (Pty) Limited			435 247 904	36.80
Tsogo Sun Gaming (Pty) Limited*			42 876 046	3.63
Tsogo Sun Expansion No 1 (Pty) Limited*			26 329 047	2.23
Maxim Krok			15 494 632	1.31
Aldiss Investments (Pty) Limited*			14 427 602	1.22

**Treasury shares*

There are 84 790 379 treasury shares.

[1] *As at 31 March 2013 167 775 (2012: 167 775) shares were held directly by JA Copelyn, Non-executive Director and Chairman. Subsequent to 31 March 2013 JA Mabuza, Non-executive Director and Deputy Chairman, acquired 40 000 shares which are held directly. No other director holds shares in the company or any of its subsidiaries. There has been no other change to directors' shareholdings between the balance sheet date and the date of these annual financial statements.*

Glossary

Adjusted HEPS	Adjusted headline earnings per share
AGM	Annual General Meeting
BBBEE	Broad-based black economic empowerment
BSLA	Business Leadership SA
the board	The board of directors of Tsogo Sun Holdings Limited
CAGR	Compound annual growth rate
CASA	Casino Association of South Africa
Companies Act	the Companies Act of 2008, as amended
CPA	Consumer Protection Act
CSI	Corporate Social Investment
CSDP	Central Securities Depository Participant
DTI	Department of Trade and Industry
Ebitdar	Earnings before interest, tax, depreciation, amortisation and rentals
Fedhasa	Federated Hospitality Association of South Africa
Gambling Board	Collectively, the Eastern Cape Gambling and Betting Board, the Free State Gambling and Racing Board, the Gauteng Gambling Board, the KwaZulu-Natal Gambling Board, the Western Cape Gambling and Racing Board and the Mpumalanga Gambling Board
GEC	Group executive committee
Gold Reef	Gold Reef Resorts Limited
GRI	Global Reporting Initiative
HCI	Hosken Consolidated Investments Limited
HEPS	Headline earnings per share
Heritage	Heritage Environmental Management Company
IAR	Integrated annual report
IAS	International Accounting Standards
IIRC	International Integrated Reporting Council
IFRS	International Financial Reporting Standards
Imvelo Awards	Imvelo Awards for responsible tourism
IT	Information technology
JSE	JSE Limited
King III	The King Code of Governance Principles for South Africa 2009
PDIs	Previously disadvantaged individuals
PoPI	Protection of Personal Information Act
PP	Percentage points
Revpar	Revenue per available room
SABMiller	SABMiller plc
SATB	South African Tourism Board
STC	Secondary Tax on Companies
SENS	Securities Exchange News Service of the JSE
Systemwide	Including both owned and managed businesses
TBCSA	Tourism Business Council of South Africa
the group	Tsogo Sun Holdings Limited and its subsidiaries, associates and joint ventures
TSH	Tsogo Sun Hotels, Gaming and Entertainment (Pty) Limited (previously Tsogo Sun Holdings (Pty) Limited)
Tsogo Sun or the company	Tsogo Sun Holdings Limited
VAT	Value Added Tax

Corporate information

Company Secretary and Registered Office
WJ van Wyngaardt/GD Tyrrell [1]
Palazzo Towers East
Montecasino Boulevard
Fourways, 2055
(Private Bag X200, Bryanston, 2021)

Sponsor
Deutsche Securities (SA) Proprietary Limited
(A non-bank member of the Deutsche Bank Group)
(Registration number: 1995/011798/07)
3 Exchange Square, 87 Maude Street
Sandton, 2196
(Private Bag X9933, Sandton, 2146)

Attorneys
Tabacks Attorneys
(Registration number: 2000/024541/21)
13 Eton Road
Parktown, 2193
(PO Box 3334, Houghton, 2041)

Nortons Inc.
(Registration number: 2009/006902/21)
135 Daisy Street
Sandton, 2196
(PO Box 41162, Craighall, 2024)

Auditors
PricewaterhouseCoopers Inc.
Registered Accountants and Auditors
(Registration number: 1998/012055/21)
2 Eglin Road
Sunninghill, 2157
(Private Bag X36, Sunninghill, 2157)

[1] *Mr GD Tyrrell will replace Mr WJ van Wyngaardt on his retirement on 30 September 2013*

Transfer secretaries
Link Market Services South Africa Proprietary Limited
(Registration number: 2000/007239/07)
13th Floor, Rennie House
19 Ameshoff Street
Braamfontein
Johannesburg, 2001
(PO Box 4844, Johannesburg, 2000)

Commercial bankers
Nedbank Limited
(Registration number: 1966/010630/06)
1st Floor Corporate Park
Nedcor Sandton
135 Rivonia Road
Sandown, 2196
(PO Box 1144, Johannesburg, 2000)

Rand Merchant Bank
A division of FirstRand Bank Limited
(Registration number: 1929/001225/06)
1 Merchant Place
cnr Fredman Drive and Rivonia Road
Sandton, 2196
(PO Box 786273, Sandton, 2146)

Absa Group Limited
(Registration number: 1986/003934/06)
3rd Floor
Absa Towers East
170 Main Street
Johannesburg, 2001
(PO Box 7735, Johannesburg, 2000)

Investor relations
Brunswick South Africa Limited
(Registration number: 1995/011507/10)
23 Fricker Road
Illovo Boulevard
Illovo, 2196

Shareholders' diary

Annual General Meeting	14 October 2013
Next financial year end	31 March 2014

Reports

Announcements	
Interim results for six months to September	November 2013
Preliminary announcement of annual results	May 2014
Annual financial statements published	September 2014

Dividends	**Declared**	**Paid**
Ordinary – interim	November	December
Ordinary – final	May	June

Notice of Annual General Meeting

TSOGO SUN HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 1989/002108/06
Share code: TSH
ISIN: ZAE000156238
("the company")

Notice is hereby given that the AGM of the company will be held at the company's head office, main boardroom, Ground Floor, Palazzo Towers East, Montecasino Boulevard, Fourways, South Africa on Monday, 14 October 2013 at 10:00 for the purpose of considering the following business to be transacted and, if deemed fit, passing with or without amendment, the following ordinary and special resolutions and considering any other matters raised by shareholders at the AGM.

1. ANNUAL FINANCIAL STATEMENTS

To present the audited annual financial statements of the company and the group for the year ended 31 March 2013, together with the audit and risk committee's, the independent auditors' and the directors' reports. The financial statements of the company and the group relating to the financial years ended 31 March 2013 and 31 March 2012 can be obtained from the company's website at www.tsogosun.com.

2. SOCIAL AND ETHICS COMMITTEE REPORT

To present the report of the social and ethics committee for the year ended 31 March 2013.

3. APPOINTMENT OF AUDITORS

Ordinary resolution number 1

"Resolved as an ordinary resolution, that PricewaterhouseCoopers Inc. be appointed as independent auditors of the company until the conclusion of the next AGM of the company."

4. AUDIT AND RISK COMMITTEE

Ordinary resolution number 2.1

"Resolved as an ordinary resolution, that Mr RG Tomlinson be appointed as a member and chairman of the company's audit and risk committee."

Ordinary resolution number 2.2

"Resolved as an ordinary resolution, that Mr JG Ngcobo (subject to the passing of ordinary resolution number 3.1) be appointed as a member of the company's audit and risk committee."

Ordinary resolution number 2.3

"Resolved as an ordinary resolution, that Mr Y Shaik (subject to the passing of ordinary resolution number 3.2) be appointed as a member of the company's audit and risk committee."

5. DIRECTORS

Ordinary resolution number 3.1

"Resolved as an ordinary resolution, that Mr JG Ngcobo, who retires in terms of the company's memorandum of incorporation and who, being eligible, offers himself for re-election, is hereby elected as a director of the company."

An abbreviated curriculum vitae in respect of Mr Ngcobo is contained on page 59 of the integrated annual report of the company for the year ended 31 March 2013 of which this notice forms part.

Ordinary resolution number 3.2

"Resolved as an ordinary resolution, that Mr Y Shaik, who retires by rotation in terms of the company's memorandum of incorporation and who, being eligible, offers himself for re-election, is hereby elected as a director of the company."

An abbreviated curriculum vitae in respect of Mr Shaik is contained on page 59 of the integrated annual report of the company for the year ended 31 March 2013 of which this notice forms part.

Ordinary resolution number 3.3

"Resolved as an ordinary resolution, that Mr MI Wyman, who retires by rotation in terms of the company's memorandum of incorporation and who, being eligible, offers himself for re-election, is hereby elected as a director of the company."

An abbreviated curriculum vitae in respect of Mr Wyman is contained on page 59 of the integrated annual report of the company for the year ended 31 March 2013 of which this notice forms part.

Ordinary resolution number 3.4
"Resolved as an ordinary resolution, that Mr JS Wilson is hereby elected as a director of the company."

An abbreviated curriculum vitae in respect of Mr Wilson is contained on page 59 of the integrated annual report of the company for the year ended 31 March 2013 of which this notice forms part.

Mr Wilson replaces Mr JM Kahn who resigned as a director of the company with effect from 31 March 2013.

6. NON-BINDING ADVISORY RESOLUTION APPROVING THE COMPANY'S REMUNERATION POLICY

Ordinary resolution number 4
"Resolved as an ordinary resolution, by way of a non-binding advisory vote, that the company's remuneration policy, as set out on page 65 to page 69 of the integrated annual report of which this notice forms part, be and is approved in terms of the King Report on Corporate Governance for South Africa 2009."

7. NON-EXECUTIVE DIRECTORS' FEES

Special resolution number 1
"Resolved as a special resolution, that the fees payable to non-executive directors for their services as directors or as members of the board subcommittees in respect of the period from 1 October 2013 until the next AGM of the company, as proposed in the remuneration report on page 69 of the integrated annual report of which this notice forms part, be approved."

The reason for and the effect of this special resolution number 1, if passed and becoming effective, is to ensure that the remuneration of the non-executive directors remains competitive in order to enable the company to attract and retain persons of the calibre required to make meaningful contributions to the company.

8. GENERAL AUTHORITY TO REPURCHASE SHARES

Special resolution number 2
"Resolved as a special resolution, that the company and/or any of its subsidiaries be and are hereby authorised, by way of a general approval in terms of the Listings Requirements of the JSE Limited, to acquire ordinary shares issued by the company, provided that:

- any such acquisition shall only be made in compliance with the provisions of section 48 read with section 46 of the Companies Act;
- any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- this general authority shall be valid until the company's next AGM, provided that it shall not extend beyond 15 months from the date of passing of this special resolution;
- acquisitions of shares in aggregate in any one financial year may not exceed 10% of the company's issued ordinary share capital as at the date of passing of this special resolution;
- in determining the price at which ordinary shares issued by the company are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% of the weighted average of the market value at which such ordinary shares are traded on the JSE for the five business days immediately preceding the date of repurchase of such ordinary shares by the company or any of its subsidiaries;
- at any point in time, the company may only appoint one agent to effect any repurchase on the company's behalf;
- the company's sponsor must report to the JSE in writing that it has discharged its responsibilities in terms of Schedule 25 of the Listings Requirements of the JSE relating to the company's working capital for purposes of undertaking the repurchase of shares before entering the market to proceed with the repurchase;
- the company and/or its subsidiaries may not repurchase any shares during a prohibited period as defined by the Listings Requirements of the JSE unless they have in place a repurchase programme where the dates and quantities of ordinary shares to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;
- the board of directors authorises such transaction; and
- the company passes the solvency and liquidity test as required by the Companies Act."

The reason for and effect of this special resolution number 2, if passed and becoming effective, is to grant the company and the subsidiaries of the company a general authority in terms of the Listings Requirements of the JSE for the acquisition by the company, or a subsidiary of the company, of the company's shares.

The directors consider that such a general authority should be put in place in order to enable the acquisition of the company's shares should an opportunity to do so present itself during the year and which is in the best interests of the company and its shareholders.

Notice of Annual General Meeting continued

After considering the effects of this special resolution number 2, the directors are satisfied that for a period of 12 months after the date of this notice of AGM:

- the company and the group will be able, in the ordinary course of business, to pay its debts;
- the assets of the company and the group, measured in accordance with the accounting policies used in the latest audited annual group financial statements, will exceed the liabilities of the company and the group; and
- the company and the group's ordinary share capital, reserves and working capital will be adequate for ordinary business purposes.

Upon cumulatively repurchasing 3% of the initial number of ordinary shares in issue and for each 3% of ordinary shares repurchased thereafter, the company will make an announcement to such effect not later than 08:30 on the second business day following the day on which the relevant threshold is reached or exceeded.

The following additional information, some of which appears in the integrated annual report, is provided in terms of the Listings Requirements of the JSE for purposes of the general authority to repurchase shares (special resolution number 2):

- directors and management – page 58, 59 and page 63 of the integrated annual report;
- major beneficial shareholders – page 9 and page 79 of the integrated annual report;
- the directors with an interest in securities are Mr JA Copelyn and Mr JA Mabuza – refer to page 79 of the integrated annual report; and
- share capital of the company – note 14 on page 67 of the annual financial statements.

The directors, whose names appear on page 58 and page 59 of the integrated annual report are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the group's financial position.

The directors, whose names appear on page 58 and page 59 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 2 and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice contains all information required by law and the Listings Requirements of the JSE.

Other than the facts and developments reported on in the integrated annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the integrated annual report and up to the date of this notice.

9. FINANCIAL ASSISTANCE TO RELATED OR INTER-RELATED COMPANIES OR CORPORATIONS

Special resolution number 3

"Resolved as a special resolution that, to the extent required in terms and subject to the provisions of section 45 of the Companies Act and the requirements (if applicable) of the company's memorandum of incorporation and the Listings Requirements of the JSE Limited, the provision by the company at any time and from time to time during the period of two years commencing on the date of the adoption of this special resolution, of direct or indirect financial assistance (whether by way of loan, guarantee, the provision of security or otherwise), to any related or inter-related company or corporation of the company, on such terms and conditions as the directors (or any one or more persons authorised by the directors from time to time for such purpose) may deem fit, be and is hereby approved."

The reason for and effect of this special resolution number 3, if passed and becoming effective, is to grant the directors of the company the authority to provide financial assistance to any company or corporation which is related or inter-related to the company for the ensuing two years. The company will accordingly be authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

10. ISSUE OF SHARES OR OPTIONS AND GRANT OF FINANCIAL ASSISTANCE IN TERMS OF THE COMPANY'S SHARE-BASED INCENTIVE SCHEMES

Special resolution number 4

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

- the issue by the company of shares or securities convertible into shares, or the grant by the company of options for the allotment or subscription of shares or other securities of the company or the grant of any other rights exercisable for securities of the company; and/or

- the provision by the company of direct or indirect financial assistance (whether by way of loan, guarantee, the provision of security or otherwise) in connection with the subscription of any option or any securities issued or to be issued by the company or by a related or inter-related company or for the purchase of any securities of the company or of a related or inter-related company, at any time and from time to time during the period of two years commencing on the date of the adoption of this special resolution,

to the Gold Reef Share Scheme or to a director, future director, prescribed officer or future prescribed officer of the company or to a person related or inter-related to the company or to a director or prescribed officer of the company or to their respective nominees, in accordance with the provisions of the Gold Reef Share Scheme and/or in accordance with the provisions of any other share-based incentive scheme established by the company, be and is hereby approved."

The reason for and effect of this special resolution number 4, if passed and becoming effective, is to authorise the provision of financial assistance to the extent necessary for the purposes of complying with the company's obligations under the Gold Reef Share Scheme.

RECORD DATES

The directors have determined that the date on which a shareholder must be registered in the company's register of shareholders in order to:

- receive notice of the AGM is Friday, 6 September 2013; and
- participate in and vote at the AGM is Friday, 4 October 2013. The last day to trade in order to be registered in the company's register of shareholders would therefore be Friday, 27 September 2013.

VOTING

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

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

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

On a show of hands, every shareholder present in person or represented by proxy at the AGM shall have only one vote, irrespective of how many shares such shareholder holds and irrespective of how many shareholders such proxy represents. On a poll every shareholder present in person or represented by proxy shall have one vote for every share held by such shareholder.

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

PROXIES

A shareholder holding certificated shares and a shareholder holding dematerialised shares in such shareholder's own name and who is registered as such on Friday, 4 October 2013 is entitled to attend, participate in and vote at the AGM and may appoint a proxy or proxies (acting in the alternative) to attend, participate in, speak and vote at the AGM in such shareholder's stead. A proxy need not be a shareholder of the company. The completion and lodging of a form of proxy will not preclude a shareholder from attending, participating in, speaking and voting at the AGM to the exclusion of the proxy/ies so appointed.

The attached form of proxy should be completed and returned to the transfer secretaries, Link Market Services South Africa Proprietary Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000), in accordance with the instructions contained therein so as to be received by the transfer secretaries, by no later than 10:00 on Thursday, 10 October 2013.

IDENTIFICATION

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

Notice of Annual General Meeting continued

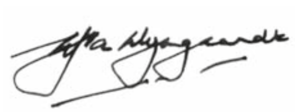
AVAILABILITY OF DOCUMENTS

Copies of the integrated annual report and the consolidated financial statements for the years ended 31 March 2013 and 2012 may be obtained from the registered office of the company, Palazzo Towers East, Montecasino Boulevard, Fourways, 2055, during normal business hours from Thursday, 12 September 2013 to and including Monday, 14 October 2013 or the company's website, www.tsogosun.com.

ELECTRONIC COMMUNICATION

Should any shareholder (or a representative or proxy for a shareholder) wish to participate in the AGM by way of electronic participation, that shareholder should make an application in writing (including details as to how the shareholder or its representative (including its proxy) can be contacted) to so participate, to the transfer secretaries, at their address below, to be received by the transfer secretaries at least 7 business days prior to the AGM (i.e. Thursday, 3 October 2013) in order for the transfer secretaries to arrange for the shareholder (or its representative or proxy) to provide reasonable satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act and for the transfer secretaries to provide the shareholder (or its representative or proxy) with details as to how to access the AGM by means of electronic participation. Shareholders participating electronically will not be able to vote electronically and must follow the standard voting arrangements indicated above. The company reserves the right not to provide for electronic participation at the AGM in the event that it determines that it is not practical to do so, or an insufficient number of shareholders (or their representatives or proxies) request to so participate.

By order of the board



WJ van Wyngaardt
Company Secretary

30 August 2013

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

TSOGO SUN

Form of proxy

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

This form of proxy is for use by shareholders registered as such who hold certificated shares in the company and shareholders who hold "own-name" dematerialised shares in the company, to appoint a proxy or proxies for the Annual General Meeting of the company to be held at 10:00 on Monday, 14 October 2013 at the company's head office, main boardroom, Ground Floor, Palazzo Towers East, Montecasino Boulevard, Fourways, South Africa, or any adjournment or postponement thereof ('Annual General Meeting').

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

I/We (full names in BLOCK LETTERS please)

of (insert address)

being the holder(s) of (insert number) ordinary shares in the company, hereby appoint:

1. or failing him/her,

2. or failing him/her,

3. the chairperson of the Annual General Meeting,

as my/our proxy to attend, speak, participate in and vote on the resolutions to be considered at the Annual General Meeting on my/our behalf and to vote for and/or against the ordinary and special resolutions and/or abstain from voting in respect of the ordinary shares in the company registered in my/our name/s (see notes 3 and 4 overleaf):

Please indicate with an "X" the instructions to your proxy in the spaces provided below. In the absence of such indication the proxy will be entitled to vote or abstain from voting in his/her discretion.

	Insert number of votes or an "X" in the relevant column		
	For	**Against**	**Abstain**
Ordinary resolution 1 – Appointment of PricewaterhouseCoopers Inc. as independent auditors of the company			
Ordinary resolution 2.1 – Election of Mr RG Tomlinson as a member and chairman of the audit and risk committee			
Ordinary resolution 2.2 – Election of Mr JG Ngcobo as a member of the audit and risk committee			
Ordinary resolution 2.3 – Election of Mr Y Shaik as a member of the audit and risk committee			
Ordinary resolution 3.1 – Re-election of Mr JG Ngcobo as a director of the company			
Ordinary resolution 3.2 – Re-election of Mr Y Shaik as a director of the company			
Ordinary resolution 3.3 – Re-election of Mr MI Wyman as a director of the company			
Ordinary resolution 3.4 – Election of Mr JS Wilson as a director of the company			
Ordinary resolution 4 – Non-binding advisory resolution approving company's remuneration policy			
Special resolution 1 – Approval of the fees proposed for non-executive directors in respect of the period from 1 October 2013 until the next Annual General Meeting of the company			
Special resolution 2 – General authority to repurchase shares			
Special resolution 3 – Approval of provision of financial assistance to related or inter-related companies or corporations			
Special resolution 4 – Approval of issue of shares or options and grant of financial assistance in terms of the company's share based incentive schemes			

Any shareholder entitled to participate in, attend, speak and vote at the Annual General Meeting may appoint a proxy or proxies (acting in the alternative) to attend, speak and vote in his/her stead. A proxy need not be a member of the company. The completion and lodging of a form of proxy will not preclude a shareholder from attending the Annual General Meeting, participating therein and speaking and voting thereat to the exclusion of the proxy/ies so appointed.

Please read the notes overleaf.

Notes to form of proxy

1. The form of proxy must only be used by shareholders who hold certificated ordinary shares or shareholders of the company who hold dematerialised ordinary shares with "own-name" registration. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the Annual General Meeting must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker concerned.
2. A shareholder entitled to participate in, attend and vote at the Annual General Meeting may appoint and insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairperson of the Annual General Meeting". The proxy or proxies need not be shareholders of the company. The person whose name stands first on this form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of any proxy whose name follows.
3. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each ordinary share held in the company. A shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the shareholder in the appropriate box(es). If an "X" has been inserted in one of the blocks to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned.
4. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
5. A vote given in terms of an instrument of proxy shall be valid in relation to the Annual General Meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the proxy is given, unless notice as to any of the aforementioned matters shall have been received by the transfer secretaries not less than 24 hours before the commencement of the Annual General Meeting, or before any adjournment or postponement thereof.
6. If a shareholder does not indicate on this form of proxy that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the Annual General Meeting be proposed, such proxy, if he is the chairperson of the Annual General Meeting, shall be entitled to vote in favour of the resolutions proposed at the Annual General Meeting in respect of all the shareholders' votes exercisable thereat or if the proxy is not the chairperson of the Annual General Meeting, to vote or abstain from voting as the proxy thinks fit.
7. The chairperson of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
8. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
9. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company or unless this requirement is waived by the chairperson of the Annual General Meeting.
10. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered with the company.
11. Where there are joint holders of ordinary shares in the company:
    - any one holder may sign this form of proxy; and
    - the vote(s) of the senior shareholder (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
12. Forms of proxy must, in order to be effective, be lodged with or mailed to the transfer secretaries, Link Market Services South Africa Proprietary Limited, PO Box 4844, Johannesburg, 2000 or 13th Floor, Rennie House, 19 Ameshoff Street Braamfontein, Johannesburg, 2001 to be received by no later than 10:00 on Thursday, 10 October 2013 (or 24 hours before the date of any adjourned or postponed Annual General Meeting which date, if necessary, will be notified on the Stock Exchange News Service of the JSE Limited and in the press).
13. Any alteration or correction made to this form of proxy, other than the deletion of alternatives, must be initialled by the signatory(ies).
14. The appointment of a proxy or proxies:
    - is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder; and
    - is revocable in which case a shareholder may revoke the proxy appointment by:
        - cancelling it in writing or making a later inconsistent appointment of a proxy; and
        - delivering a copy of the revocation instrument to the proxy and to the company.
15. If the instrument appointing a proxy or proxies has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Companies Act of 2008, as amended or the company's memorandum of incorporation to be delivered by the company to the shareholder must be delivered by the company to:
    - the shareholder; or
    - the proxy or proxies, if the shareholder has directed the company to do so in writing and paid any reasonable fee charged by the company for doing so.
16. The appointment of a proxy or proxies remains valid only until the end of the Annual General Meeting subject to any revocation thereof.