TSOGO SUN

Integrated Annual Report 2014

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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.

Social platforms
link to us via other media

Like our Facebook page to connect with Tsogo Sun on a regular basis. www.facebook.com/TsogoSun

Link to our twitter account to follow the latest news regarding Tsogo Sun https://twitter.com/tsogosun

Watch Tsogo Sun videos on YouTube www.youtube.com/tsogosungroup

Interact with Tsogo Sun on Google http://gplus.to/TsogoSun

Reporting approach

We are pleased to present our 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 and applying materiality is included on page 22 of the report.

The information has been prepared in accordance with IFRS, the South African Companies Act 2008, the JSE Listings Requirements, King III and 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 annual report includes all our subsidiaries, associates and joint ventures and covers the period from 1 April 2013 to 31 March 2014. Non-financial disclosures focus on the South African operations, except for environmental disclosures, which generate 95% of our earnings.

Financial statements

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 preparation, presentation and 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 output of the reporting process and the content of the integrated annual report. The directors believe that this integrated annual report 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

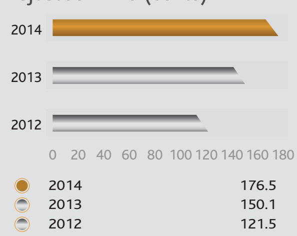
Certain statements in this document may constitute 'forward looking statements'. Such forward looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Tsogo Sun Holdings Limited and its subsidiaries 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

Acquisition during the year of 10% of Suncoast and 75% of Southern Sun Ikoyi

livingTSOGO values programme launched

Adjusted HEPS (cents)



>14 200

hotel rooms across all market sectors

Tsogo Sun Moves For Life national chess programme introduced to 16 719 learners and 455 educators

Level 2
BBBEE contributor

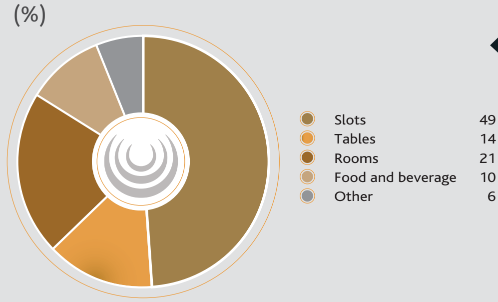
Acquisition post-year end of

10% of Cullinan and additional hotels;

40% of SunWest and Worcester casinos; and

12% of Tsogo Sun shares in buy-back

Group revenue by nature (%)



14
gaming and entertainment destinations

Shareholding free float
increase from 19.1% to 52.4% post-year end

	2014	2013	% change
Income (Rm)	**10 767**	9 910	9
Ebitdar (Rm)	**4 214**	3 886	8
Ebitdar margin (%)	**39.1**	39.2	(0.1pp)
Adjusted headline earnings per share (cents)	**176.5**	150.1	18
Dividend for the year per share (cents)	**89.0**	75.0	19
Free cash flow (Rm)	**1 825**	1 932	(6)
Maintenance capital expenditure (Rm)	**769**	579	
Investment activities (Rm)	**1 643**	639	

13 000
direct employees in South Africa

71%
of gaming revenue from loyalty club members

R7.9 billion
Value added to black economically empowered businesses and government

Chairman's statement

DEAR STAKEHOLDERS

Subsequent to year end your company has undergone a historic change with the exit by SABMiller after some 45 years of ownership in the organisation. This has presented the opportunity for the group to simultaneously increase the free float and consequential liquidity available for the trading of the company's shares and undertake a compelling and value creating buy-back of around 12% of the company's own shares. The placing undertaken on behalf of SABMiller was very well received by both local and international institutions, with the final book being some 2.25 times oversubscribed at the placing price of R25.75 per share and some 35% of the orders coming from foreign institutions.

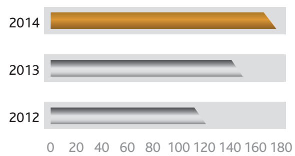
John Copelyn
Chairman

- Growth strategy assisted adjusted earnings performance in difficult trading environment.
- Strategic investments in the acquisition of a 40% stake in the GrandWest Casino and the buy-back of shares totalling R5 billion.
- BBBEE rating has been reaffirmed at level 2.

Overview

During the year ended March 2014 the Tsogo Sun group faced a difficult trading environment, but despite this macro headwind, delivered a strong performance in adjusted earnings. The continued delivery of its growth strategy assisted the group in augmenting the poor levels of organic growth, particularly in casino win, and while the ability to continue to deliver strong earnings growth will ultimately depend on a macro recovery in the South African economy, it is encouraging that the group continues to explore every avenue for development and expansion. Once again a number of investment projects have been implemented or initiated, including the redevelopment and capacity increases at our Silverstar and Gold Reef properties in Gauteng and the application for a large-scale expansion and development at the Suncoast Casino and Entertainment world. With regards to our sub-Saharan operations we have invested in projects totalling US$100 million in Nigeria and Mozambique and continue to look for opportunities to add to our businesses in these regions.

Adjusted HEPS (cents)



2014	176.5
2013	150.1
2012	121.5

Operating environment

The group's operations delivered organic growth, albeit at a slower rate in gaming than we would have liked, with hotels delivering a satisfactory growth in Revpar despite a marginal decline in occupancies. Both the corporate and the consumer markets continue to face uncertain economic circumstances, exacerbated by the continued effect of industrial unrest and general poor economic fundamentals.

Regulatory challenges are the only other real substantive risks to the group and we remain vigilant to these, constructively engaging and challenging 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.

Tsogo Sun, due to its strong balance sheet and industry knowledge, remains uniquely placed to take advantage of opportunities, the most significant of which are the announced acquisition of a 40% stake in the GrandWest Casino in Cape Town which is currently subject to regulatory approval and the buy-back of shares referred to above. These two projects will see some R5 billion of capital deployed into what we think are both lucrative and strategic investments.

Performance and dividend

The year under review saw adjusted headline earnings per share increase by a very pleasing 18% to 176.5 cents per share and the dividend declared in respect of the year totalling 89 cents per share is in line with the group policy of declaring 50% of adjusted headline earnings per share.

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 that 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 page 38 to page 61), and seeks to describe the programmes that will be required to achieve them. In the Chief Executive Officer's review it is described 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 2014 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 continues to be significant uncertainty as to what the group's BBBEE rating will be under the new codes as a result of the uncommercial nature in which they have been drafted, particularly with regard to the sub-minimum demotions and the change in scoring scales. The group continues to litigate against attempts by various gambling boards to impose the achievement of defined levels of empowerment, as measured against the codes, as a licence condition due to the uncertainty and the extent to which the levels achieved are moved out of the group's control. We remain committed to enhancing the group's BBBEE credentials in every commercially reasonable way, but cannot expose our licences to regulatory risk against uncertain moving targets.

The CSI activities are an ongoing focus of the group. The deliver to our stakeholders section on page 39 to page 46 sets out the Tsogo Sun 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 and the significant step change transactions achieved in the first half of the 2015 financial year. With the exit of SABMiller, the representatives of SABMiller on our board have resigned and I thank them for their contributions to the group, particularly Malcolm Wyman who served on the board together with Graham Mackay and Meyer Kahn for over 20 years.

Jabu Mabuza, the previous CEO of Tsogo Sun and current Deputy Chairman, a founder of the group as we currently know it, will also be stepping down after some 20 years' service as a director of the group. Jabu played an immense role in establishing Tsogo as a successful player in the modern casino industry in South Africa and the subsequent growth initiatives undertaken by the group. Jabu will always be a part of the Tsogo Sun family.

I would like to welcome Busi Mabuza to the board as an independent non-executive director. Busi is an experienced executive and serves on the boards of IDC and ACSA and we look forward to her contributions.

Lastly and with great sadness, I'd like to acknowledge Graham Mackay, who passed away in December 2013. Graham was one of the finest business minds South Africa has produced and his intellect and clarity of thought will be sorely missed. It was a privilege to work with Graham and Tsogo Sun is deeply in debt to his support over his years of service. Our condolences to his family, friends and colleagues.

John Copelyn
Chairman

29 August 2014

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 group's heritage dates back to the founding of Southern Sun Hotels ('Southern Sun') in 1969, when South African Breweries Limited ('SAB Limited') and hotel magnate, Sol Kerzner, partnered to create the largest hotel group in the southern hemisphere. Southern Sun commenced operations with six hotels, including the iconic Beverly Hills hotel in Umhlanga Rocks, Durban, and was subsequently involved in the development of many of the most prestigious hotels of the era, including the Cape Sun, Sandton Sun and Sun City. In 1983, Sun International Limited ('Sun International') was split out of Southern Sun as a separate gaming business and Southern Sun remained focused on hotels. By 1985, Southern Sun had expanded to 26 hotels. It then acquired the Holiday Inn South Africa hotel group, thereby establishing a countrywide distribution of 49 hotels, in both the up-market and mid-market segments. In 1991, Southern Sun was delisted from the JSE and became a wholly owned subsidiary of SAB Limited. In the same year, Southern Sun entered into a joint venture with Accor SA, the French hotel group, to develop the Formula1 and Formula Inn range of hotels in South Africa and the first of 23 hotels opened in 1992. In 1999, Southern Sun acquired a 50% interest in a consortium with Liberty called Cullinan which owned three hotels.

In 1995, in anticipation of the introduction of the new gaming dispensation in South Africa, Tsogo Sun Holdings Proprietary Limited (as it was then known) ('Tsogo Sun Holdings') was constituted as a bidding consortium between Southern Sun and numerous black empowerment corporates, associations and individuals (via Tsogo Investment Holding Company Proprietary Limited ('TIH')). Tsogo Sun Holdings contracted with MGM Grand Inc. for casino management expertise and the consortium was successful in obtaining five casino licences. The first such licensed facility, Emnotweni Casino located in Nelspruit, Mpumalanga province, opened in October 1997. This was the first operating casino within the new regulated environment in post-apartheid South Africa. During 2002, the two shareholders of Tsogo Sun Holdings, SABMiller (via SABSA Holdings Limited) and Hosken Consolidated Investments Limited (via TIH), concluded a landmark BBBEE transaction which resulted in TIH acquiring control of Tsogo Sun Holdings, including the hotel business, and the dilution of SABMiller's ownership interest to 49%. HCI, currently the ultimate holding company of TIH, first acquired an indirect 10% interest in Tsogo Sun Holdings during December 2002 and has subsequently obtained a 99% ownership of TIH.

By 2002, the contract with MGM Grand Inc. had been transferred to Tsogo Sun Holdings. In 2009, the group acquired two casino properties owned by Century Casinos Inc. ('Century Casinos'), Blackrock Casino and The Caledon Casino. More recently, the group concluded a landmark merger with Gold Reef Resorts Limited ('Gold Reef') in February 2011, incorporating an additional seven casinos into the group's portfolio – Gold Reef City Casino, Silverstar Casino, Golden Horse Casino, Garden Route Casino, Mykonos Casino, Goldfields Casino and an associate investment in Queens Casino. The group was reverse listed into Gold Reef and subsequently renamed Tsogo Sun Holdings Limited ('Tsogo Sun').

Tsogo Sun's portfolio proudly comprises over 90 hotels with more than 14 200 hotel rooms across all sectors of the market, from luxury to budget in South Africa, the rest of Africa, the United Arab Emirates and the Seychelles; 14 premier gaming and entertainment destinations in six provinces of South Africa; theatres, cinemas, restaurants and bars; and over 240 conference and banqueting facilities, including the Sandton Convention Centre.

Group overview continued

Our owners

Our key shareholders at 31 March 2014 were Hosken Consolidated Investments Limited, a JSE listed investment holding company (through TIH), at 41.3% and SABMiller plc, the London listed brewing company (through SABSA), at 39.6%, with financial institutions and the general public holding 19.1%, excluding treasury shares. A detailed analysis of shareholdings is included on page 85.

The HCI shareholding is of particular importance to the sustainability of the group as it provides the bulk of the 56% 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.

Post-year end, on 15 April 2014, SABMiller announced that it was conducting a strategic review of its investment in Tsogo Sun which culminated in the disposal of all of its ordinary shares in Tsogo Sun on 28 July 2014 through:
- a fully marketed secondary placing of 301.7 million ordinary shares to selected South African and international institutional investors; and
- a specific repurchase of 133.6 million ordinary shares by Tsogo Sun for R2.8 billion.

Following the placing and the repurchase, the shareholding of Tsogo Sun as at 29 August 2014 changed to HCI holding 47.6%, with holdings by financial institutions and the general public increasing to 52.4%.

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 63 to page 69.

Our group structure

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.

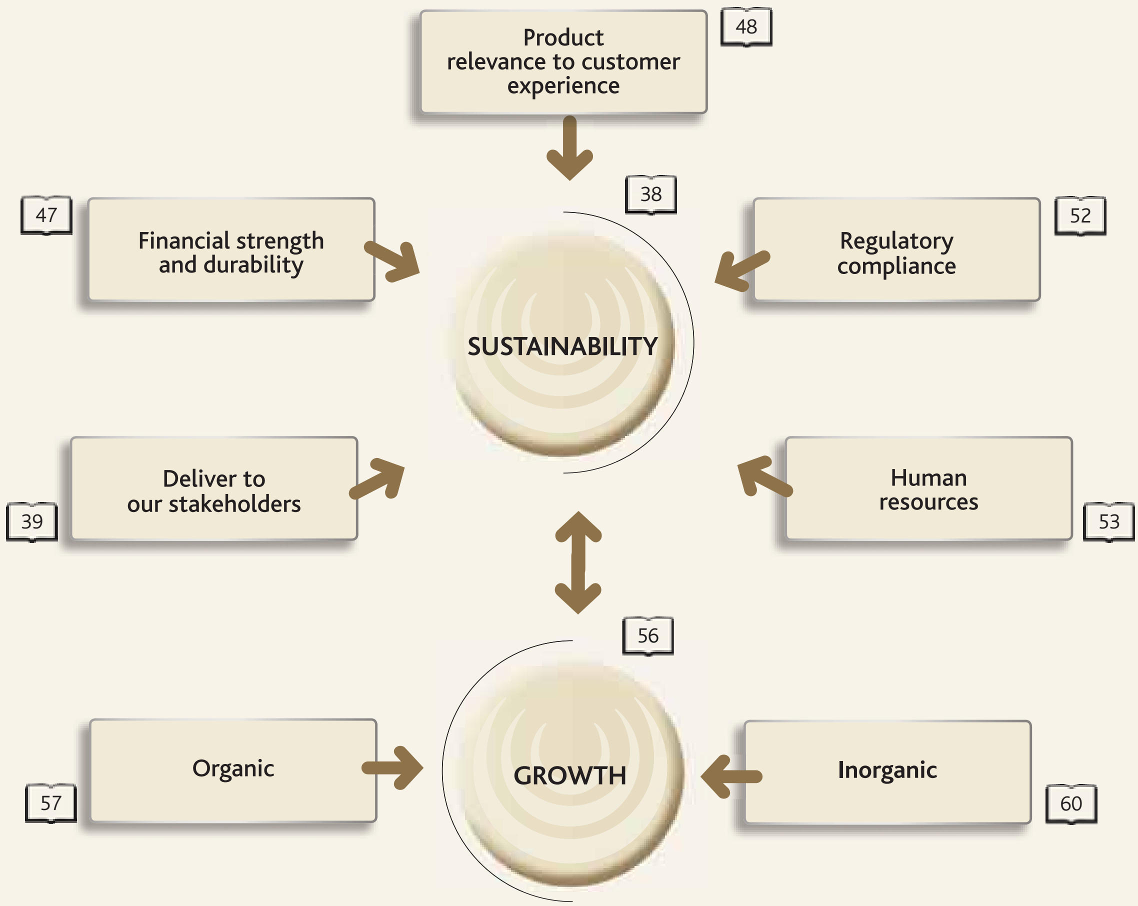
Our strategy

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, maintaining 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 supported by adequate financial capital to pursue growth opportunities and underpinned by quality relationships with key stakeholders. 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 primary 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 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

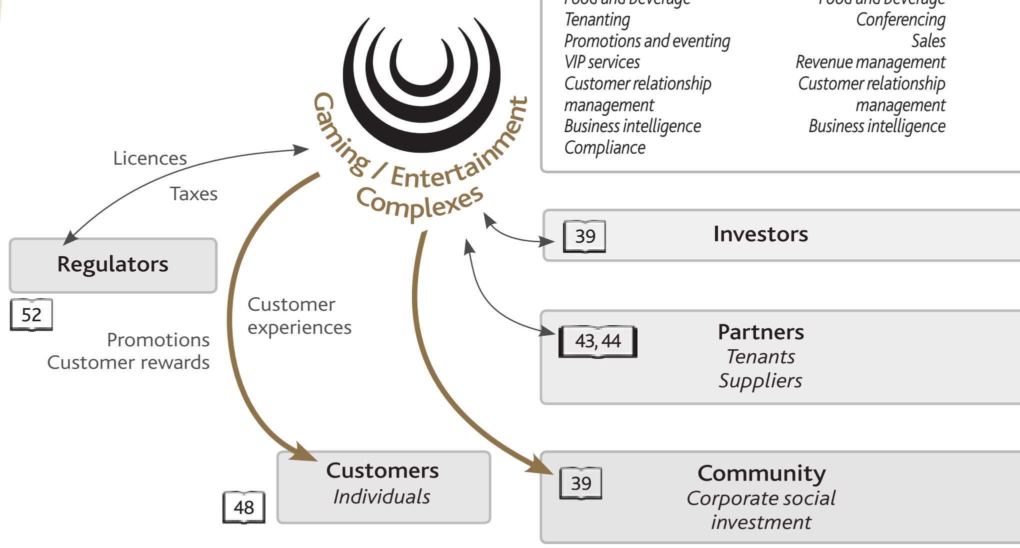
Corporate services

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	



63 **Governance**

18 Legislation and regulations 18 Economic conditions 19 Industry

External environment

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

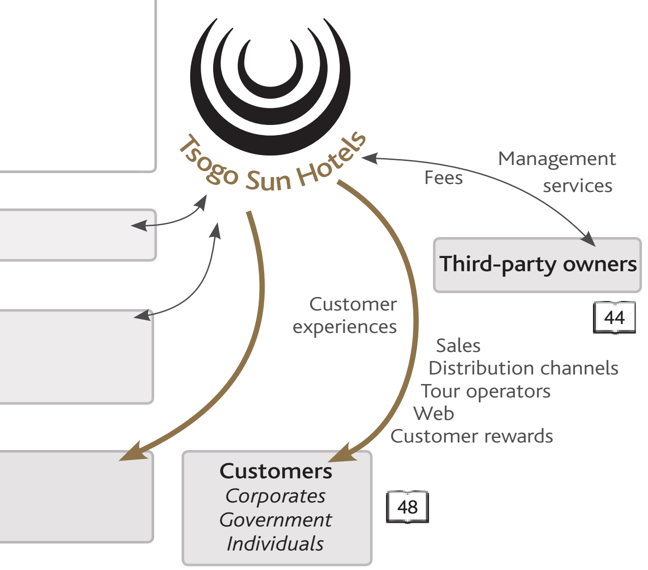
HOTEL DIVISION

Core business

Owns, leases and manages hotels

Key market differentiator

Wide geographic distribution of quality budget to luxury hotel properties



Outputs	Outcomes linked to strategic priorities

Outputs

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

Gaming 14
- Slots
- Tables
- Restaurants
- Bars
- Events
- Theatres
- Retail
- Conferencing
- Cinemas
- Theme Parks
- Entertainment

Hotels 16
- Accommodation
  - Luxury
  - Full Service
  - Select Service
  - Budget
- Restaurants
- Bars
- Conferencing

Environmental and social impacts

Waste 45

Social impact 43

Outcomes linked to strategic priorities

Deliver to our stakeholders 39
- Stakeholder engagement
- Flow of economic benefits to
  - Community
  - Socially beneficial organisations
- Returns to investors
- Taxation contribution to economy
- Environmental impact
- Transformation

Financial strength and durability 47
- Resources to pursue opportunities
- Prudent gearing levels
- Adequate funding facilities
- Long-term funding maturities

Product relevance to customer experience 48
- Customer satisfaction
- Customer value
- Brand loyalty

Regulatory compliance 52
- Licence to trade

Human resources 53
- Job creation
- Employee engagement
- Employee development
- Employee wellness
- Employment equity

Organic growth 57
- Profit
- Improved margins
- Cash flow

Inorganic growth 60
- Capacity increases
- Developments and acquisitions

20 Technology | 20 Consumer preferences | 20 Societal issues | 20 Environmental challenges

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. Nine of the 14 gaming operations of the group are wholly owned with minority shareholders in Hemingways (35%), Garden Route (15%), Blackrock (2%) and Mykonos (30%), and with Queens Casino being an associate investment of 25%. During the year, the group acquired the remaining minority interest in Suncoast which is now wholly owned.

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.

The customer reward programme in the division reward customers with status, benefits and recognition, and are important as 71% of gaming revenue is contributed by active reward club members. The group relaunched the gaming reward programme during the year.

Compliance with gaming regulations is critical to the retention of the casino licences and is discussed in the regulatory compliance section on page 52.

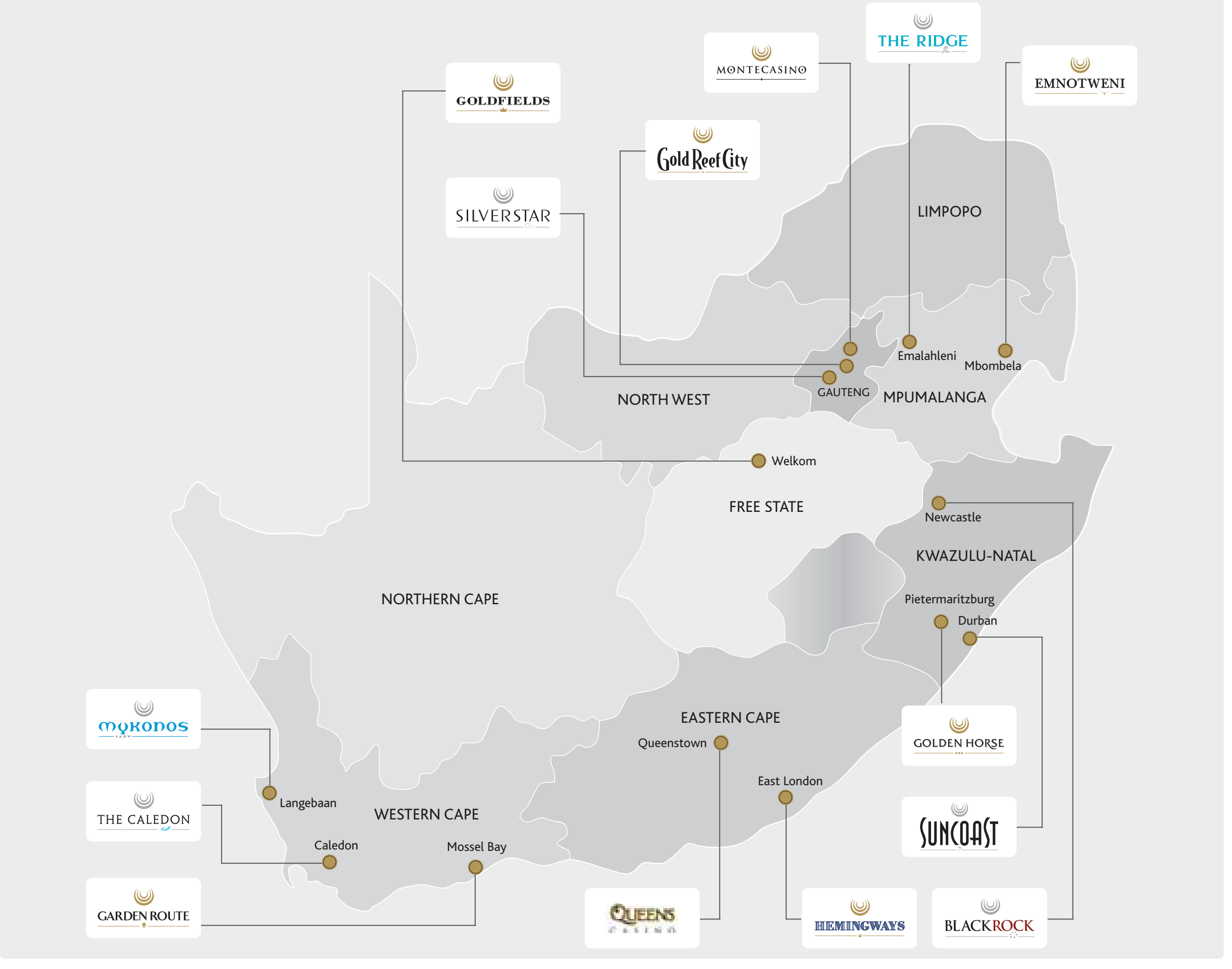
Brands

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 2014 Tables	Slots	Hotel rooms	Group revenue contribution %	Group Ebitdar contribution %
Montecasino	100	78	1 817	619	22	26
Suncoast	100	57	1 450	165	14	17
Gold Reef City	100	50	1 700	113	12	12
Silverstar	100	25	870	34	6	6
The Ridge	100	19	450	175	4	5
Hemingways	65	16	504	108	3	3
Emnotweni	100	18	425	224	3	4
Golden Horse	100	20	450	96	3	4
Garden Route	85	16	412	43	2	2
Goldfields	100	9	250	–	2	1
Blackrock	98	10	300	80	1	1
The Caledon	100	7	313	95	1	1
Mykonos	70	6	320	–	1	1
Queens	25	6	180	–	*	*
Other gaming operations	100			175	1	(5)
Total		**337**	**9 441**	**1 927**	**75**	**78**

Notes **Queens Casino is equity accounted*
Ebitdar is stated pre-management fees
Post-year end, the group acquired 40% of GrandWest and Worcester casinos subject to regulatory approvals



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.

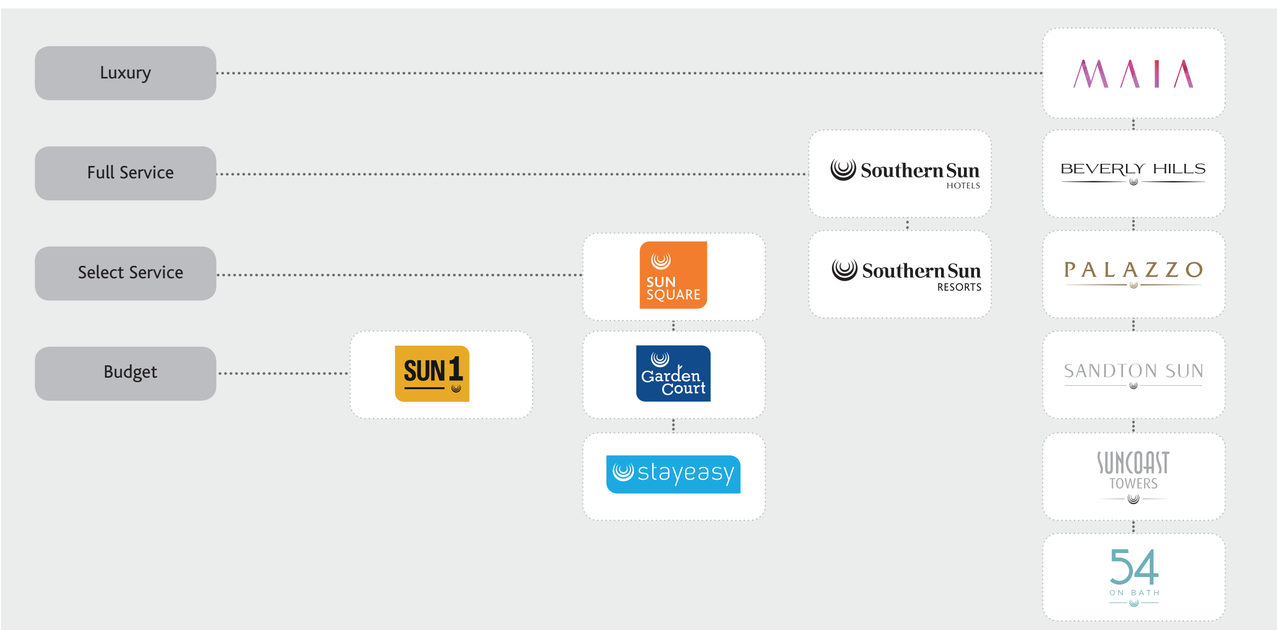
The group leases assets both in South Africa and offshore where it is not possible to own the land and buildings, but then loses the growth of the property value over time. In South Africa the group will only manage operations for third parties if they are strategically important (due to partner requirements 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.

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 28% of hotel revenue is contributed by active reward club members. The group relaunched the hotel reward programme during the year.

Brands

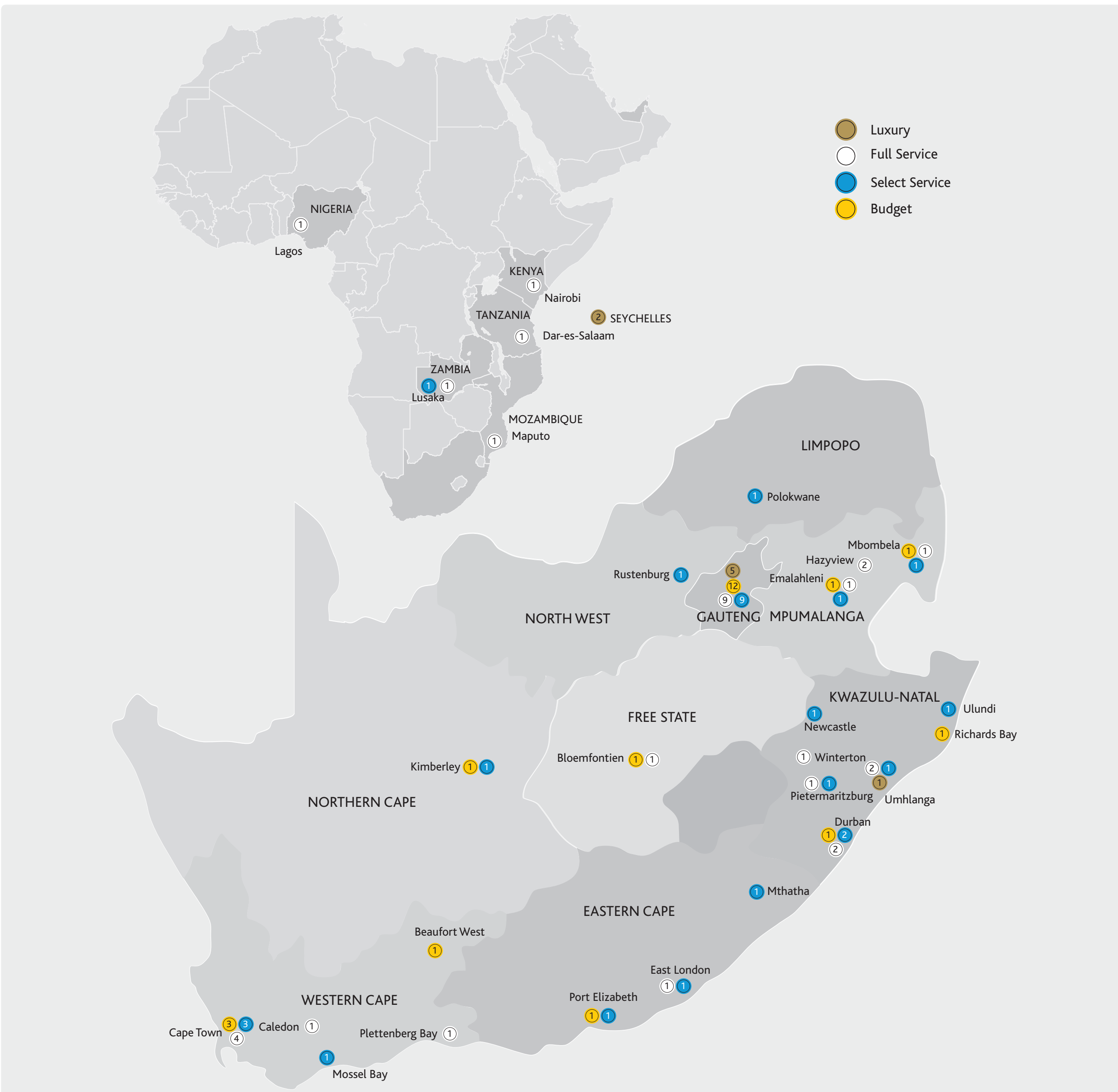


Each luxury hotel offers guests world-class style, unparalleled service and accommodation and signature touches that define luxury travel. The full service hotels offer products and services that meet the needs of tomorrow's savvy global travellers, whether travelling for business or leisure. Our select 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

	as at 31 March 2014							
	Owned/Leased		Managed		Total			
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Group revenue contribution %	Ebitdar contribution %
Luxury	3	410	3	703	6	1 113	1	–
Full Service	22	4 030	5	1 391	27	5 421	10	8
Select Service	20	3 612	7	1 296	27	4 908	7	8
Budget	23	1 690	–	–	23	1 690	2	2
South Africa	68	9 742	15	3 390	83	13 132	20	18
Offshore	7	942	1	130	8	1 072	5	4
Total	**75**	**10 684**	**16**	**3 520**	**91**	**14 204**	**25**	**22**

Note *Post-year end, the group acquired four managed hotels comprising 986 rooms in South Africa and opened the 353-room Southern Sun Abu Dhabi under management contract*



Our business model continued

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, among 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 potential amendments to smoking legislation and the 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 gambling boards attempting to impose the achievement of defined levels of empowerment, as measured against the codes, as a licence condition.

The gaming industry in South Africa is highly regulated, both at national and provincial level, and thus has, unlike the hotel industry, high barriers to entry. The National Gambling Act sets the broad framework for the licensing and regulation of gambling in South Africa, but each province has its own legislation relating to casinos, gambling and wagering. The National Gambling Act limits the number of casino licences that may be granted to 40 for South Africa as a whole. The table below sets out details in respect of the number of casino licences in South Africa which are authorised to be issued, have been issued and are available to be issued:

Province	Authorised to be issued	Issued	Available
Gauteng	7	7	–
Eastern Cape	5	4	1
Western Cape	5	5[1]	–
Mpumalanga	4	3	1
Limpopo	3	3	–[2]
Northern Cape	3	3	–[2]
Free State	4	4	1[3]
North West	4	4	–
KwaZulu-Natal	5	5	–
Total	**40**	**38**	**3**

Notes

[1] *The Western Cape provincial government is considering the relocation of an existing Western Cape casino licence to the Cape Metropole*

[2] *The third casino is yet to be built*

[3] *One of the existing licences will lapse upon the issue of the one available licence*

The recent approval by the Gauteng Gambling Board of Sun International's application to relocate its Maroela licence to Menlyn in Pretoria potentially increases the risk of the relocation of other casino licences.

With the exception of the group's Eastern Cape-based licences, its casino licences are issued for an indefinite period, subject to payment to the relevant provincial board or provincial fund of the applicable annual licence fees.

Economic environment

Disposable income growth, significant middle-class growth, developed infrastructure and an operating environment conducive to business have been long-term structural drivers of growth in South Africa and have increased the consumer base and spending power of the population. Between 2002 and 2012, annual disposable income in South Africa more than quadrupled from R673 billion to R3 035 billion, while the South African population grew by 7 million people to a total of 52.5 million. Since 2004, 14 million South Africans have entered LSM 5 to 10. In 2004, 49% of the economically active population between ages 15 and 64 were in LSM 5 to 10. In 2013, that percentage increased to 78%, with LSM 8 to 10 growing from 16% of the 2004 population to 25% of the 2013 population.

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. 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 at a high level and unsecured lending defaults continuing.

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 manifested in significant monthly trading volatility with growth for the second half of the year relatively weak. 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

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 casino market reflected double-digit growth until 2008 when the impact of the global recession slowed growth. The industry proved to be resilient and 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.

The South African formal gaming market is made up of casinos, the national lottery, sports betting, limited payout machines 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 47% in the six provinces in which it operates. As a result of their geographic distribution, casinos in South Africa mainly compete with providers of other leisure and entertainment activities for patronage, such as shopping centres, restaurants and sporting and concert venues, rather than with other casinos. The group has a significant presence in each of South Africa's largest casino markets. The table below sets out the group's estimate of its share of the total casino gaming win per province:

	For the year ended 31 March 2014	
	Total casino gaming win Rm	Group share of total casino gaming win %
Gauteng	6 907	53
KwaZulu-Natal	3 073	59
Western Cape	2 527	16
Eastern Cape	1 171	24
Mpumalanga	729	81
Free State	475	28
Other	1 618	–
Total	**16 499**	**42**

On 12 May 2014, the group entered into agreements to acquire a 40% interest in each of SunWest International Proprietary Limited and Worcester Casino Proprietary Limited for an aggregate consideration of R2 185 million, which acquisition remains subject to regulatory approvals. The completion of the acquisition will increase the group's share in the Western Cape market to approximately 50%.

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. Limited payout machines 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. What would be of concern to the casino market is if the roll out was on an uncontrolled basis and resulted in a proliferation of large sites, particularly if the maximum bet and maximum payout limits were substantially increased.

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. 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 hotels has a strong presence throughout South Africa and has a broad portfolio of hotels, particularly in urban centres. Of the approximately 150 000 hotel, bed and breakfast and guesthouse rooms available in South Africa, the formal hotels contributing statistics to STR Global make up approximately 30% of the total market, with 40 750 rooms available as at 31 March 2014. The group's share of this market is approximately 30% and the group thus benefits from a significant presence in the South African hospitality industry and is the only hotel group in South Africa with wide distribution across all grading levels.

Our business model continued

Trading in the majority of the African cities where Tsogo Sun hotels 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 technology 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 POPI; and
- free broadband wireless access has become the norm.

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.

Public recognition of brands and their associated reputation are important in attracting and retaining customers.

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 risks 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

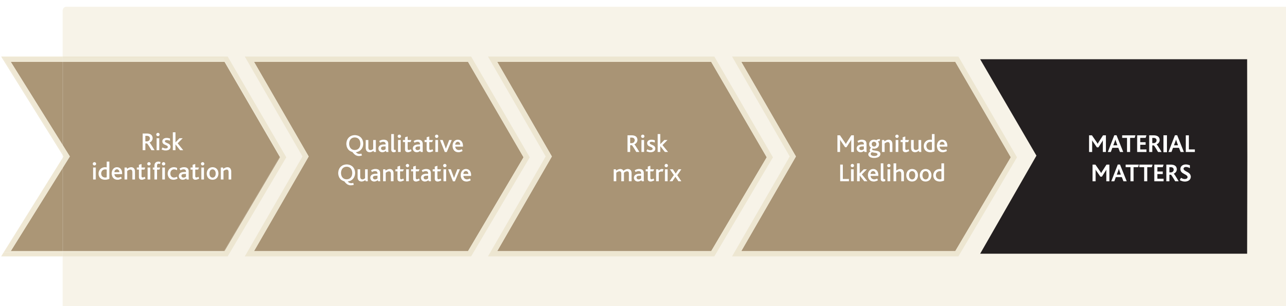
The Tsogo Sun board recognises that the management of business risk is crucial to our continued growth and success and this can only be achieved if all three elements of risk – namely threat, uncertainty and opportunity – are recognised and managed in an integrated fashion.

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. Appropriate risk responses to each individual risk are designed, implemented and monitored.

The risk profiles, with the risk responses, are reviewed by the audit and risk committee at least 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, largely aligned with other key stakeholders in that they also are focused on the creation of value in the long term.

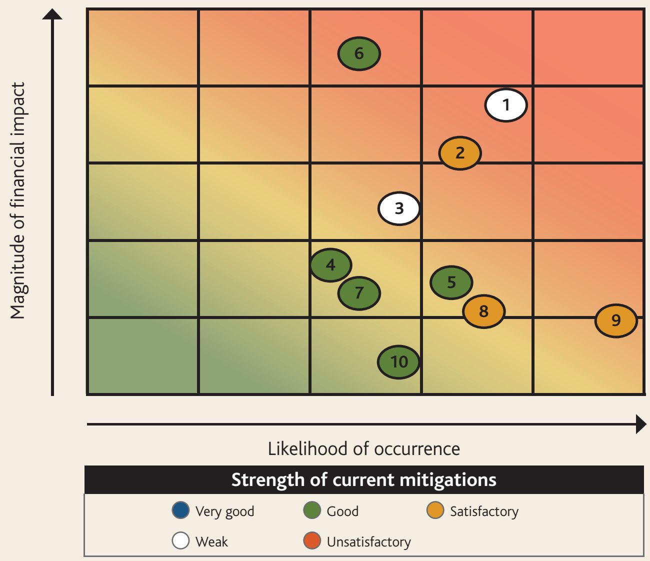
In determining which matters are material for disclosure in our integrated annual report we have considered whether the matter substantively affects, or has the potential to substantively affect, our strategy, our business model, or the forms of capital we utilise and ultimately our ability to create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

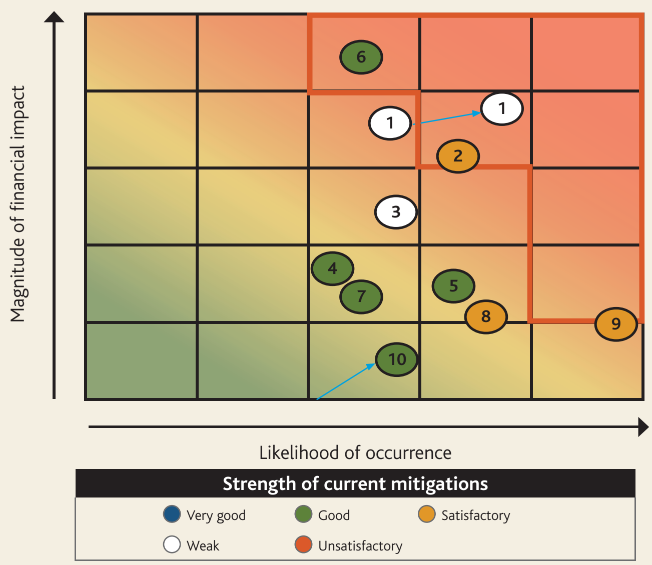
Tsogo Sun group risk landscapes as at March 2014



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

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

Tsogo Sun group risk landscapes movement from March 2013 to March 2014



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

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
Macro-economic environment	✤ Reduced gaming spend ✤ Reduction in travel spend ✤ Growth negatively affected by macro-economic factors ✤ Concentration of operations in South Africa	✤ Lower revenue growth and profitability
Regulatory change and compliance	✤ Additional casino licences or relocation of existing casino licences ✤ Changes in casino licensing conditions ✤ Loss of casino licences ✤ Changes in labour legislation ✤ Not meeting changing BBBEE requirements ✤ Increased complexity of compliance, eg POPI and CPA ✤ Smoking legislation ✤ Advertising restrictions	✤ Lower revenue, higher costs and reduced profitability
Adverse tax environment	✤ Potential increased national and provincial gaming taxes ✤ Increased rates and property taxes ✤ Possible VAT increases	✤ Reduced profitability ✤ Uncertain operating environment resulting in frozen investment spend
Portfolio management	✤ Nodal shifts ✤ Product relevance in target markets ✤ Customers choose other leisure options	✤ Reduced income and profitability ✤ Obsolete hotel stock ✤ Reduced footfall and customers
Capacity issues	✤ Fixed cost nature of the business ✤ Casino capacity constraints ✤ Hotels oversupply in certain markets	✤ Lower revenue growth and profitability
Missed opportunities	✤ New gaming opportunities ✤ Hotels opportunities, local and offshore ✤ Investments in expansion not yielding expected returns ✤ Ineffective integration of acquired businesses	✤ Lower revenue growth and profitability ✤ Missed revenue opportunities ✤ Wasted investment
Human resources	✤ Employment equity challenges at senior levels ✤ Lifestyle diseases, including HIV/Aids, 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 and reputational impacts
Unreliable and costly utilities	✤ Unreliable water supplies ✤ Unreliable electrical supply ✤ Rise in electricity and water costs	✤ Disruption to operations and reduced profitability
Crime and security	✤ Casino and hotel robberies ✤ Follow home robberies ✤ Fraud by employees ✤ Fraud from external sources	✤ Lower revenue and profitability ✤ Reputational risk
Cyber, IT and information management	✤ Hacking, Payment Card Industry Data Security Standards and hacktevism ✤ POPI legislation ✤ Sub-optimal online transacting	✤ Reputational risk ✤ Fines and penalties ✤ Reduced income and profitability

Risk responses	Associated strategic priorities
✤ 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 gambling boards ✤ Submit comments to law makers through formal comment structures ✤ Robust compliance procedures ✤ Engage law makers through employer and industry bodies ✤ Litigate where required	✤ Sustainability – Deliver to our stakeholders ✤ Sustainability – Regulatory compliance
✤ Lobby government through CASA ✤ Educate legislators regarding gaming impact through direct lobbying ✤ 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
✤ 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
✤ Review organisational structures ✤ Further focus on cost reduction ✤ Interaction with gambling boards and city officials ✤ Renewed focus on reward programmes	✤ Growth – Organic growth
✤ Proper and robust evaluation of all new opportunities ✤ Non-financial due diligence of opportunities ✤ Review of plans and opportunities	✤ Sustainability – Financial strength and durability ✤ 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
✤ Demand-side management programmes to reduce consumption ✤ Water handling/storage capacity for emergency supply ✤ Self-reliance on generators for emergency electricity supply	✤ Sustainability – Product relevance to customer experience ✤ Growth – Organic growth
✤ Physical security and surveillance procedures ✤ Coordination with the South African Police Service ✤ Crime intelligence ✤ Internal control frameworks ✤ Internal audit procedures	✤ Sustainability – Regulatory compliance
✤ IT security ✤ Payment card industry standard compliance ✤ Appointment of Information Officer ✤ Review of online transaction opportunities ✤ Increased IT auditing and assurance	✤ Sustainability – Regulatory compliance ✤ Growth – Organic growth

Our key relationships

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 ensuring 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.

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*

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 47 Organic growth 57 Inorganic growth 60
✤ 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, eg 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 39 Regulatory compliance 52 Human resources 53
✤ 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 48
✤ 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 39
✤ Communication from executives ✤ 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 53
✤ 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 39

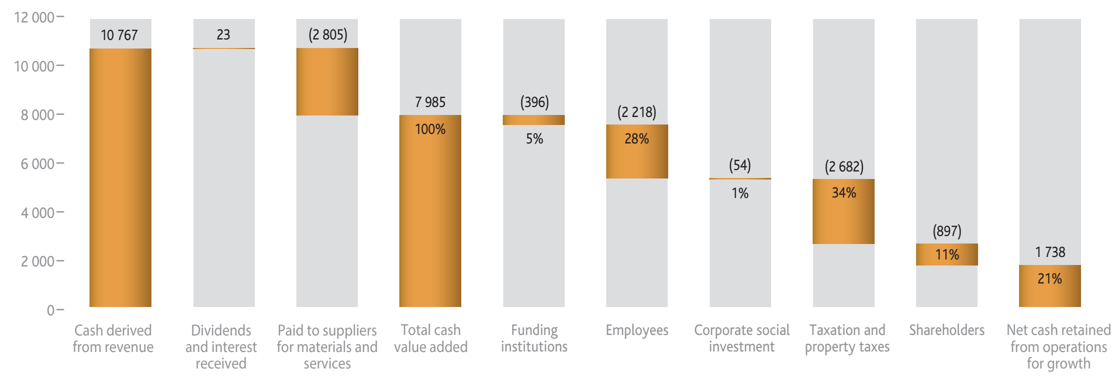
Our key relationships continued

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.

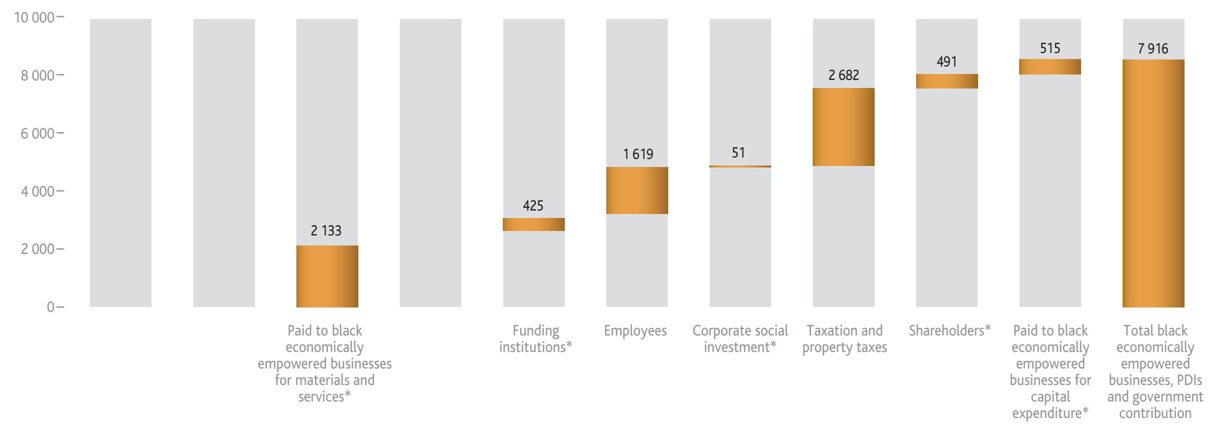
A substantial portion of the value added wealth generated by the group is spent with/distributed to black economically empowered businesses, PDIs and government. The value added by the group and the contribution to black economically empowered businesses, PDIs and government is as follows:

Value added for the year ended 31 March 2014 (Rm)



2013 (Rm)	9 910	49	(2 155)	7 804 100%	(445) 6%	(2 203) 28%	(190)[1] 2%	(2 605) 33%	(744) 10%	1 617 21%

Value added to black economically empowered businesses, PDIs and government for the year ended 31 March 2014 (Rm)



2013 (Rm)	1 534	597	1 436	185[1]	2 605	379	243	6 979

* *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 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 has pursued significant attractive investment opportunities both during and subsequent to the financial year
- The orderly disposal of SABMiller's investment and the share buy-back will concentrate HCI's ownership in the group and broaden the shareholder base
- Exciting product initiatives include the relaunch of the reward programmes, the introduction of free Wi-Fi at all of our hotel properties and the launch of our new restaurant brands Vigour & Verve and Grill Jichana
- The launch of a single group employee engagement programme is important in creating a proper work environment
- A recovery in consumer and business confidence remains the largest growth opportunity for the group

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
- 10% of Suncoast (R400 million)
- 75.5% of Southern Sun Ikoyi (R695 million)

F2015
- 10% increase in interest in Cullinan and acquisition of hotel assets (R762 million)
- 25% of RedefineBDL (R145 million)
- 40% of SunWest and Worcester casinos (R2 185 million)
- Buy-back of 12% of Tsogo Sun ordinary shares (R2 800 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. The group continues to make good progress in each of these areas.

Financial strength and durability

The 2014 financial year delivered a satisfactory operating performance with adjusted headline earnings growing by 18% and closing net debt:Ebitdar of 1.1 times at 31 March 2014, despite the significant investment activities undertaken during the year. This is, however, set to change. While the group retained the financial resources to withstand unexpected shocks from the macro-economic environment and still pursue attractive opportunities to invest capital in our core businesses, as detailed below we have put this advantage to use in the first half of the 2015 financial year.

The debt:Ebitdar ratio is expected to increase as we implement the acquisitions and as we roll out our expansion activities, but is not expected to present any form of undue pressure to the business. The group has renegotiated R5.7 billion in additional facilities which, together with cash resources, should allow sufficient headroom in both facilities and covenants to cater for all the acquisition activity and unforeseen circumstances.

Chief Executive Officer's review continued

Deliver to our stakeholders

During the 2014 financial year the group continued to enjoy a stable and supportive shareholder base. Post-year end SABMiller announced that it was considering options for disposing of its investment in Tsogo Sun which ultimately resulted in a combination of a disposal to local and international institutional shareholders and a buy-back of just over 12% of the company's shares. We are now held principally through HCI at 47.6% and by institutions that manage the retirement and savings funds of countless individuals.

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, HCI has 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.

With approximately 20 000 people directly and indirectly employed and over R2 billion in direct taxes per annum, it is clear that the benefits of the group's activities are enjoyed through a large and diverse stakeholder base. I refer you to the value added statement in the key relationships section on page 26 and the community section on page 39 for further information.

Product relevance to customer experience

Some two years after our rebranding, Tsogo Sun continues to build on its success and its journey towards being an established household name, in both the corporate and consumer markets in South Africa. The essence of the group's products remain 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 current focus of expanding and refreshing our casino properties assists in ensuring that they remain relevant in the market in which they operate. During the 2014 financial year we completed the R206 million expansion and renovation of the Emnotweni Casino in Nelspruit and commenced works on the R560 million redesign and expansion of the Silverstar Casino and the R630 million redevelopment of the Gold Reef City Casino and Theme Park.

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 have been launched in the 2014 financial year including the introduction of free guest Wi-Fi in all our hotel properties and the consolidation, redesign and relaunch of our various reward programmes in the gaming and hotel divisions.

We have refocused our food and beverage operations to ensure our delivery is relevant and appealing to our customers and supportive of the gaming and rooms operations. The launch of two new in-house brands Vigour & Verve and Grill Jichana was a key focus of the department in the period and we anticipate rolling out a number of these outlets at our various destinations.

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 will continue to defend our commercial rights while maintaining a cordial and cooperative relationship with various levels of government.

We remain in dispute with the Mpumalanga Gambling Board over their intention to impose the achievement of a level 2 BBBEE 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 to such an imposition as a condition of its gaming licences.

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 launch of a single group employee engagement programme during the year, together with the Tsogo Sun 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.

Staff turnover, which has reduced substantially over the last decade, remains within acceptable levels. The remuneration report on page 71 to page 75 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.

As anticipated our free cash flow declined marginally by 6% from R1.9 billion to R1.8 billion for the year ended March 2014 mainly due to increased maintenance capital expenditure. The coming year may see a decline in free cash flow as we incur additional interest on our development and acquisition spend and complete some major maintenance capital expenditure projects offset by the anticipated growth in cash generated. We are, however, comfortable that these investments will yield acceptable returns in the future.

Organic growth

The macro-economic environment remains subdued and this is not expected to change radically in the short to medium term. The past year has shown limited recovery in both the casino and hotel markets. Overall gaming win growth of 4.5% was impacted by poor slots performance. Overall owned occupancies at 63.6% declined by some 1.1pp, due to a lack of transient business and are still well below normal long-term levels of around 68%. A focus on rate opportunities, annual price increases and the acquisition of Southern Sun Ikoyi saw average room rates increase by 15% and consequently Revpar grew by 13% to R570.

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. We maintain this position and continue to build on this asset base where possible.

The group's financial results for the 2014 financial year reflect an income growth of 9%, translating to a growth in Ebitdar of 8%, assisted by the acquisitions implemented in the prior and current 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, new developments and acquisitions. The group invested capital in significant projects during the year as follows:

- acquired an additional 10% effective interest in the Suncoast Casino with the resultant shareholding being 100%;
- completed the R206 million expansion of the Emnotweni Casino;
- commenced construction of the US$30 million expansion of Southern Sun Maputo which was completed during August 2014;
- completed the acquisition of a 75.5% stake in Ikoyi Hotels Limited in Lagos, Nigeria in June 2013 for US$70 million; and
- commenced construction on the R560 million expansion and redevelopment of the Silverstar Casino and the R630 million refurbishment and expansion of the Gold Reef City Casino and Theme Park.

The group closed a number of acquisitions subsequent to year end as follows:

- acquired an additional 10% interest in Cullinan and Cullinan acquired various hotel assets with the net investment by the group of R762 million;
- acquired a 25% interest in RedefineBDL Hotel Group Limited for R145 million;
- acquired 40% equity interest in each of SunWest International Proprietary Limited and Worcester Casino Proprietary Limited for an aggregate R2 185 million subject to the approvals of the provincial Gambling and the Competition Authorities; and
- repurchased 133.6 million Tsogo Sun ordinary shares for R2.8 billion.

The group continues to pursue additional opportunities with the most significant being as follows:

- a R1.5 billion to R1.8 billion expansion of the Suncoast Casino comprising additional casino space including 900 machines and 16 tables and a new privé, destination retail and additional restaurants, multifunction venue, multi-storey parkade and resort swimming pools. The expansion was approved by the KwaZulu-Natal Gambling Board on 11 March 2014, and all City Council and MEC approvals were received by 19 August 2014;
- the Mpumalanga Gambling Board has withdrawn a request for proposal for the fourth licence in the province for the second time and the group will be pursuing a legal challenge in this regard; and
- 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.

South Africa and the rest of the African continent 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

29 August 2014

Chief Financial Officer's review

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 and unutilised net facilities. The financial position should be read in conjunction with the inorganic growth section on page 60 as the transactions concluded post-year end will result in a step change in our gearing levels.

The results for the year ended 31 March 2014 were satisfactory in a tough economic environment.

RB Huddy
Chief Financial Officer

Income R10.8 billion	9%
Adjusted earnings R1.9 billion	18%
Adjusted HEPS 176.5 cents	18%
Free cash flow R1.8 billion	(6%)
Net debt R4.4 billion	
Net debt:Ebitdar 1.1 times	
Ebitdar R4.2 billion	8%
Ebitdar margin 39.1%	(0.1pp)
Dividends in respect of the year 89.0 cents per share	19%
Investment activities R1.6 billion	
Unutilised net facilities R3.4 billion	

Overview

This summarised report should be read in conjunction with the summarised consolidated financial statements on page 76 to page 83 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 2014.

Commentary on the organic growth during the year is included in the segmental operational performance on page 57 to page 59.

Commentary on inorganic growth is included on page 60 and page 61.

Commentary on net interest-bearing debt and interest rate and currency risk management is included in the financial strength and durability section on page 47.

Chief Financial Officer's report continued

Income statement comparison for the year ended

	31 March 2014 Rm	31 March 2013 Rm	% change on 2013
Income	**10 767**	9 910	9
Gaming win	**6 819**	6 525	5
Revenue			
Rooms	**2 221**	1 914	16
Food and beverage	**1 063**	869	22
Other	**664**	602	10
Ebitdar	**4 214**	3 886[(1)]	8
Gaming	**3 281**	3 138	5
Hotels – South Africa	**737**	615	20
– Offshore	**153**	93	65
Foreign exchange gains	**33**	37	*
Corporate	**10**	5	*
Ebitdar margin	**39.1%**	39.2%	(0.1pp)
Long-term incentives	**(150)**	(234)	36
Property rentals	**(221)**	(193)	(15)
Amortisation and depreciation	**(648)**	(608)	(7)
Exceptional items	**(73)**	(19)	*
Finance costs (net)	**(373)**	(385)	3
Associates and joint ventures	**–**	6	*
Income tax	**(776)**	(701)	(11)
Non-controlling interests	**(96)**	(125)	23
Attributable earnings	**1 877**	1 627	15
Adjustments	**61**	20	*
Adjusted earnings	**1 938**	1 647	18
Weighted number of shares in issue (m)	**1 098**	1 097	–
Adjusted HEPS (cents)	**176.5**	150.1	18

* *Variance not meaningful*

(1) *Restated for R2 million changes in accounting policies – refer to note 2 on page 77 of the summarised consolidated financial statements*

Trading performance

Trading during the financial year was satisfactory in a tough economic environment. 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 growth strategy.

Total income for the year of R10.8 billion ended 9% (organic growth 6%) above the prior year with a 5% growth in gaming win assisted by a 16% growth in hotel rooms revenue and a 22% growth in food and beverage revenue.

Operating expenses including gaming levies and VAT and employee costs but excluding exceptional items and long-term incentives increased by 9% (organic growth 6%) on the prior year mainly due to non-organic growth in the business and increased offshore overheads as a result of the weakening of the Rand against both the US Dollar and the Euro offset by savings initiatives.

Ebitdar at R4.2 billion for the year reflected an 8% (organic growth 6%) increase on the prior year. The overall group Ebitdar margin of 39.1% is 0.1pp down on the prior year.

Long-term incentives

The long-term incentive expense at R150 million is R84 million below the prior year and reflects the effect of the increased long-term incentive liability (including dividend adjustments) due to the Tsogo Sun share price used to value the liability increasing to R27.00 at 31 March 2014. Refer to the remuneration report on page 71 to page 75 for further detail.

Rentals, amortisation and depreciation

Property rentals at R221 million are 15% up on the prior year mainly due to contractual increases and straight-line lease provision adjustments. Amortisation and depreciation at R648 million is 7% up on the prior year due mainly to the capital spend during the year and the acquisition of Southern Sun Ikoyi.

Exceptional items and adjustments

Exceptional losses for the year of R73 million relate mainly to property, plant and equipment and loan impairments, fair value adjustment to the value of a previously held interest in an associate and transaction and retrenchment costs on the restructure of various departments in the business offset by a lease termination recovery. Exceptional losses for the prior year 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 on termination of the Dubai hotel management contracts.

Net finance costs

Net finance costs of R373 million are 3% below the prior year due to lower average SA debt balances and reduced preference share interest than the prior year offset by reduced average SA cash balances and increased offshore debt at lower interest rates.

Share of profits of associates and joint ventures

The group's share of associate and joint venture profits reflected a R6 million decrease due to the acquisition of a cinema business during the year which was equity accounted in the prior year and adverse trading at Maia, Seychelles.

Taxation

The effective tax rate for the year at 28.2% is affected by non-deductible expenditure such as casino building depreciation offset by the tax holiday at Southern Sun Ikoyi and non-taxable foreign exchange gains. The comparative effective tax rate of 28.6% is due to the non-deductible expenditure referred to above in addition to preference share dividends.

Non-controlling interests

Profit attributable to non-controlling interests of R96 million is 23% below the prior year mainly due to the acquisition of the 10% of Suncoast offset by the Southern Sun Ikoyi non-controlling interests.

Earnings

Group adjusted headline earnings for the year ended 31 March 2014 at R1.9 billion are 18% 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 18% to 176.5 cents per share.

Cash flow

	31 March 2014 Rm	31 March 2013 Rm	% change on 2013
Cash generated from operations	**3 764**	3 806	(1)
Dividends received	**3**	3	
Net interest paid	**(376)**	(399)	
Income tax paid	**(756)**	(842)	
Operating equipment	**(41)**	(57)	
Maintenance capital expenditure	**(769)**	(579)	
Free cash flow	**1 825**	1 932	(6)
Dividends paid	**(897)**	(744)	
Investment activities	**(1 643)**	(639)	
Other	**53**	55	
(Increase)/decrease in net interest-bearing debt	**(662)**	604	

Cash generated from operations for the year reduced 1% on the prior year at R3.8 billion impacted by an increase in the settlement of long-term incentives. Free cash for the year decreased by 6% to R1.8 billion due mainly to increased maintenance capital expenditure including gaming system changes and major hotel refurbishments. Cash flows utilised for investment activities of R1.6 billion consisted of the acquisitions and investments described under the inorganic growth section on page 60.

Dividends

A final gross cash dividend of 60.0 cents per share in respect of the company's 2014 year end was declared and the dividend was paid on 17 June 2014. There were no STC credits. The number of ordinary shares in issue was 1 098 158 501 (excluding treasury shares). The dividend was subject to a local dividend withholding tax rate of 15% which resulted in a net dividend of 51.0 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 2014 financial year amounted to 89.0 cents per share which is 19% up on the 75.0 cents per share declared in respect of the 2013 financial year and which equates to 50% of fully diluted adjusted HEPS.

Subsequent events

There are no matters or circumstances arising since 31 March 2014, not otherwise dealt with in the financial statements, that would materially affect the operations or results of the group.

Looking ahead

Trading is expected to remain under pressure due to the macro-economic environment and weak consumer sentiment. Post-year end, the group entered into a share buy-back and a number of acquisitions detailed in the inorganic growth section on page 60 which will significantly increase the group's gearing as detailed in the financial strength and durability section on page 47.

RB Huddy
Chief Financial Officer

29 August 2014

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 adequately 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

	2014	2013
Black ownership	**56%**	53%
Value added contribution to black economically empowered businesses, PDIs and government	**R7.9 billion**	R7.0 billion
BBBEE level	**Level 2**	Level 2
CSI outcomes	**Tsogo Sun Sports Academy supports 19 500 SA youths and Arts Academy supports 488 learners**	Tsogo Sun Sports Academy supports 1 570 SA youths and Arts Academy supports 480 learners

2014 performance

Shareholders

As mentioned in the group overview on page 10 the nature of the HCI shareholding is of particular importance as it provides the bulk of the 55.99% 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, we are able to deliver effective social initiatives that seek to create shared value with the broader society. SunCares comprises three specific areas of focus, being community development, enterprise development and the natural environment.

Community development

During the year ended 31 March 2014, the group's combined social investment in community development amounted to R54 million. Of this, verified spend on BBBEE socio-economic development amounted to R51 million which is the equivalent of 2.6% of net profit after tax and represents 1.6% more than the DTI's target.

While our casinos and hotels provide substantial support towards a wide range of projects and initiatives designed to uplift people in their local communities, Tsogo Sun's national community development takes place through the Tsogo Sun Sports, Arts and Learning Academies, which collectively reach 35 967 learners who participate in our full-year programmes.

Academy	Schools	Teachers	Learners	Adults
Tsogo Sun Sports Academy	115	957	19 537	148
– Rugby	42	451	1 333	87
– Soccer	35	50	885	61
– Athletics	1	1	600	–
– Chess (Tsogo Sun Moves for Life)	37	455	16 719	–
Tsogo Sun Arts Academy	13	37	488	1
Tsogo Sun Learning Academy	224	460	15 942	1 152
Total	**352**	**1 454**	**35 967**	**1 301**

Tsogo Sun Sports Academy

We share the Department of Education's vision which is also that of the Department of Sport, being to nurture school environments that promote healthy living and responsible attitudes to foster the development of successful young South Africans. In line with this, the Tsogo Sun Sports Academy uses sport as a medium to deliver life skills, leadership and healthcare training, as well as to reinforce the importance of education to young learners, with the ultimate goal of nurturing children's wellbeing.

During the period, the Tsogo Sun Sports Academy continued to deliver on previous projects including soccer, rugby and athletics. During 2013, the Tsogo Sun Moves For Life national chess programme was introduced into the foundation phase at schools across South Africa. The programme presently reaches 16 719 learners and 455 educators across 37 schools, with the objective of improving maths, science and literacy skills through the medium of chess.

Our Sports Academy currently supports 1 618 South African children and youth between the ages of 7 and 17 in soccer, rugby and athletics. In addition, training and accreditation is also provided to the coaches, trainers, mentors and referees in these programmes.

SunCares

✤ Tsogo Sun Sports Academy – soccer

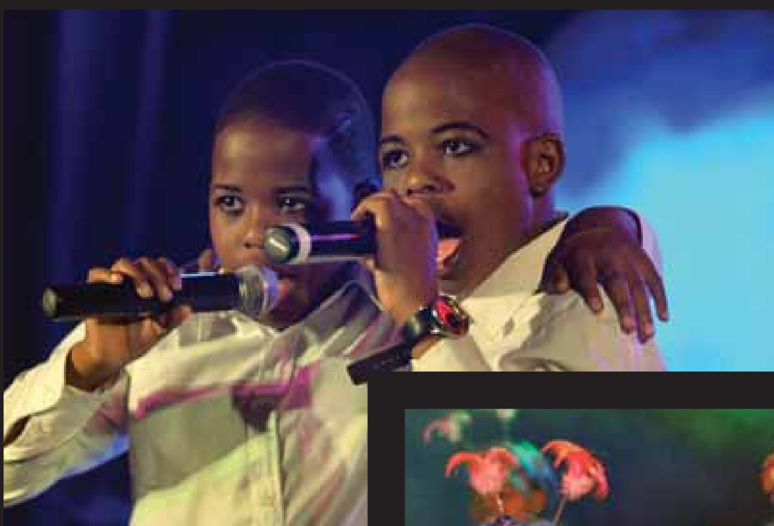
✤ Miss Earth South Africa finalist – environmental education

✤ Book-a-Guesthouse winner: Carol Sanderson and guesthouse of the year finalists at the 8th entrepreneurs' conference

✤ Tsogo Sun Sports Academy – soccer

SUNCARES

✤ Tsogo Sun Moves For Life – chess



✤ Tsogo Sun Arts Academy

✤ Tsogo Sun Arts Academy

Sustainable strategy in action continued

Deliver to our stakeholders continued

To achieve this, Tsogo Sun has partnered with relevant local government departments, sporting industry bodies, associated school sports bodies and schools in local communities.

Tsogo Sun Arts Academy

Our Arts Academy develops the artistic talent of learners from underprivileged backgrounds to provide them essential life skills development. The programme supports the educational framework through the provision of extracurricular 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.

Making use of the Teatro at Montecasino and the Gold Reef City Lyric Theatre as platforms to develop and showcase young local talent, the Tsogo Sun Arts Academy supports children from seven schools in Diepsloot, five schools in Mayfair and one school in Nelspruit. A total of 488 learners are being supported by Tsogo Sun's Montecasino, Gold Reef City and Emnotweni casinos. The programmes offer training in all disciplines within the arts, including theatre, drama, singing, musical instruments, poetry, creative arts and literature.

Tsogo Sun Learning Academy

The Tsogo Sun Learning Academy provides peer-driven leadership programmes, visits to the Apartheid Museum, various types of bursaries and learnerships and venues at our properties for events hosted by schools.

The Olwazini Discovery Science Centre in Pietermaritzburg is Golden Horse Casino's onsite science and computer centre. The science centre attracts more than 15 000 learners per annum from 200 schools and the computer centre facilitates computer literacy courses for over 1 000 learners and adults per year.

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 2014 is R132 million or 6.7% of net profit after tax, which is 3.7pp 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, in certain instances 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 Book-a-Guesthouse

Tsogo Sun's national enterprise development takes place through Tsogo Sun Book-a-Guesthouse, 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.

The guesthouses range between two and 30 rooms. A total of 35 (41%) of the entrepreneurs have graduated to the Alumni phase and have undergone training to become mentors to the new entrepreneurs that enter the programme. Of the 50 entrepreneurs in the active development phases of the programme, 10 are in year two, 11 are in year three and 29 new entrepreneurs were enrolled in September 2013. A total of 22 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. A total of 71 entrepreneurs have successfully completed the UCT Guesthouse Management Course funded by the programme, with 27 having done so during the last year. Tsogo Sun held the 8th annual Book-a-Guesthouse entrepreneurs' conference at the Riverside Sun Resort, which was attended by 150 delegates, and represented the largest gathering of black female guesthouse owners in the hospitality industry in South Africa.

In addition to the programme's established partnerships with South African Tourism and regional tourism agencies, during the year we partnered with the Micro Enterprise Development Organisation in order to increase the entrepreneur and business development offerings to our beneficiaries. We also formalised our partnership with the South African Chefs Association to equip the guesthouse owners with the skills and tools necessary to optimally manage food service in their establishments. Another new partnership that was established this year was with Micros SA who is providing property management systems, training and support to the guesthouse owners which enables them to effectively manage their occupancies and revenue. The final phase will see the provision of an online booking system being introduced to enable guests to make direct online reservations with each guesthouse through the programme's website (bookaguesthouse.co.za).

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 56% broad-based black empowerment ownership, measured against the DTI's 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	**2014**	2013
Ownership	23	**23.00**	23.00
Management control	10	**6.68**	4.44
Employment equity	15	**10.86**	10.91
Skills development	15	**14.20**	13.45
Preferential procurement	20	**18.76**	18.38
Enterprise development	15	**15.00**	15.00
Socio-economic development	5	**5.00**	5.00
Overall	100+3	**93.50**	90.18
Rating level		**2**	2

The group's overall BBBEE result has increased by 3.32 points to 93.50 in the latest rating. This is primarily as a result of an increase in representation under the management control element of the scorecard, as well as an increase in our investment in the development of our black disabled employees reflected under the element of skills development, which is discussed in the employee development section on page 53. 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 39 to page 43. Employment equity is discussed in the human resources section on page 53, the score for which remained largely consistent with the prior year. Preferential procurement once again reflected an improvement and is discussed in the suppliers section on page 44.

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.

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:

- underaged 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.

With a total of 328 tenants across Tsogo Sun's various properties, tenanting is one of the group's core focus areas to ensure that our consumers have access to the best restaurant and entertainment-related outlets. There are 211 outsourced outlets operated by Tsogo Sun's tenanting partners at our casino properties and 55 tenants at our hotel properties. In addition to the retail tenanting, the group also owns 28 000 m^2 of office space, with 62 tenants, which it partially self-occupies and rents the balance to third parties.

Our group's real estate department manages this important 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 required experiences at appropriate prices.

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

Sustainable strategy in action continued

Deliver to our stakeholders continued

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 R3.2 billion during the year. The group's BBBEE score for preferential procurement is 18.76 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 during the selection process.

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 for whom, post-year end following the Cullinan transaction, Tsogo Sun manages five hotel properties and with whom Tsogo Sun jointly owns an additional eight hotel properties and leases 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 was in place for the past four 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.

All of our properties have achieved a minimum Heritage silver standard, with 74% achieving a gold standard and 6% achieving a platinum standard during the latest audit cycle. Over the past four years average scores have improved from 59% to 74% compliance with the Heritage standards.

Energy

Energy usage at our properties comprises primarily the consumption of electricity. Electricity consumption at the group's owned properties decreased during the year by 6% to 255 million kWh (2013: restated to 273 million kWh including owned properties outside South Africa) mainly due to the installation of energy-efficient equipment, consumption measurement and behavioural change initiatives at the units. The majority of the physical energy reduction solutions have been implemented including replacement of lighting with energy-efficient bulbs, boilers replaced with heat pumps and installation of meters and consumption monitoring. The focus has now moved to behavioural initiatives including switching off items not in use, shifting use of non- critical equipment out of peak demand periods, load shedding floors when not in use, reduction of lights left on in rooms when unoccupied, ensuring chillers for air-conditioning systems run efficiently and utilising timers for exterior lighting and water feature pumps.

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 group's owned properties decreased during the year by 3% to 2.8 million kilolitres (2013: restated to 2.9 million kilolitres including owned properties outside South Africa) due to ongoing conservation and reduction measures at all properties.

LPG

LPG is primarily used for cooking with limited space heating and water heating at three properties. Consumption of LPG increased by 2% to 1.2 million litres (2013: 1.1 million litres) mainly as a result of conversion of kitchen equipment from electrical supply.

Diesel

Diesel is utilised for back-up electrical generation. Consumption of diesel increased by 107% to 685 kilolitres (2013: 332 kilolitres) mainly as a result of the acquisition of Southern Sun Ikoyi in Lagos, Nigeria. The increase excluding the acquisition was 3%.

Waste management

Recycling initiatives are in place at all properties although the efforts differ depending on the infrastructure available to support recycling. Efforts are being made to standardise recycling systems and volume monitoring methods across our 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.

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.

Looking ahead

Shareholders

Post-year end, SABMiller announced that it was conducting a strategic review of its investment in Tsogo Sun which culminated in the disposal of all of its ordinary shares in Tsogo Sun through:

- a fully marketed secondary placing of 301.7 million ordinary shares to selected South African and international institutional investors; and
- a specific repurchase of 133.6 million ordinary shares by Tsogo Sun.

Following the placing and the repurchase, the shareholding of Tsogo Sun as at 29 August 2014 changed to HCI holding 47.6% with the free float increasing to 52.4%.

Community development

The Tsogo Sun community development programmes continue to grow both in reach, as well as in the level of development that they provide and monitoring and evaluation have become increasingly critical to enable us to measure our impact. While we currently monitor the participation, attendance and involvement of learners, educators and community stakeholders, during the year ahead impact studies will be undertaken to establish how we are positively influencing the lives of the people we support, and where we need to apply more attention to achieve our intended results.

In the coming year emphasis will be placed on the provision of life skills. This will include the implementation of wellbeing measurements and the introduction of age appropriate financial literacy workshops for the learners and their parents, and the educators supported through our programmes.

During the coming year, existing programmes will be extended to additional areas in South Africa. The Arts Academy will grow to include supporting communities in East London near our Hemingways Casino, while the Sports Academy plans to bring development through soccer to the Diepsloot community near Montecasino, as well as to expand the rugby programme to create a hub of development in the Western Cape with support from our local properties such as The Caledon Casino, Spa and Hotel, Mykonos Casino and the different Tsogo Sun hotels in the region.

Enterprise development

Further to a study undertaken by the group in 2013 to assess the feasibility of broadening the reach of its existing skills-based enterprise development programme (Tsogo Sun Book-a-Guesthouse) to include SMMEs operating in a wider range of industries, the coming year will see the expansion of this offering, which will become the

Sustainable strategy in action continued

Deliver to our stakeholders continued

Tsogo Sun Supplier and Enterprise Development Programme: Tsogo Sun Entrepreneurs.

Essentially the new programme will consist of a structured development plan based on a three-year skills-based competency model that will support various clusters of entrepreneurs. The basic curriculum will consist of business foundation skills with tailored offerings built in to suit the requirements of each cluster.

For the year ahead, the initial clusters will include the Tsogo Sun Book-a-Guesthouse entrepreneurs, participating Sun1 entrepreneurs, housekeeping and laundry SMMEs, existing qualifying suppliers and micro-enterprises that display the potential to become suppliers to the group.

Transformation

The Department of Trade and Industry ('DTI') issued the revised BBBEE Codes of Good Practice ('Revised Codes') on 11 October 2013, with a transitional period of 12 months before mandatory implementation. The DTI subsequently issued an extension of six months to the transitional period which ends on 30 April 2015. The stated intentions of the Revised Codes are to enhance the execution of BBBEE in a meaningful and sustainable manner and to facilitate and accelerate the implementation of BBBEE.

In summary, the implications of the Revised Codes include the following:

- Scorecard categories have been refined to five key elements with which all companies must comply;
- The creation of 'priority' elements: Ownership, skills development and enterprise and supplier development ('ESD');
- Large enterprises are required to comply with all three priority elements with failure to meet the thresholds in these elements (40%) resulting in the achieved level being discounted by one level;
- The restructure of the ownership element now determines that companies can either use the 'exclusion of mandated investment principle' or the 'modified flow through principle';
- The value-adding supplier recognition falls away. It is replaced with the term: Empowering supplier, the attainment of which requires verification of (a) local procurement; (b) job creation; (c) local manufacturing; and (d) skills transfer to black exempted micro-enterprises ('EMEs') and qualifying small enterprises ('QSEs'). Empowering supplier status is required for a BBBEE certificate to have any value;
- Management control (including employment equity) and skills development points are awarded subject to alignment with regional workforce economically active population ('EAP') statistics published by the Department of Labour ('DOL'); and
- The target for preferential procurement spend on QSEs and EMEs has increased from 15% in total to 15% on EMEs and 15% on QSEs, while procurement from black-owned companies has increased from 12% to 40% of total procurement spend.

These conditions result in a challenging environment as all vendors' BBBEE results will be significantly impaired – impacting the group's ability to achieve results in line with its previous performance, being a Level 2 BBBEE contributor for three consecutive years. The impact of the Revised Codes has been assessed and the company is working towards adjusting certain processes related specifically to procurement, supplier and enterprise development and various aspects under the management control/employment equity and skills development elements, to align itself with the new requirements.

Suppliers

In the coming year, the company will continue to focus on managing a growing portion of its procurement centrally to allow for enhanced consistency in standards and pricing and closer relationships with our suppliers. In addition, processes will be aligned, as far as is practical, to meet the requirements of the revised BBBEE Codes of Good Practice. The procurement function will work closely with the supplier and enterprise development function within the group to synchronise the two strategies, identify qualifying suppliers and potential suppliers for development, and achieve positive results.

Environment

The environmental programme that has been in place for the past four 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 environmental programme will be incorporated during the next year into the in-house Organisational Resilience Management Standard audit process and will be verified by the German Quality body, DQS-UL Group.

Financial strength and durability

The group believes that the relative resilience of its financial performance throughout the global economic downturn can be attributed in part to the general stability of its gaming income. Demand for the type of gaming-related services the group offers is sensitive to decreases in discretionary consumer spending but, because of its relatively high disposable income levels, the group's core customer base has largely maintained its spending on gaming activities through the adverse macro-economic conditions of recent years. In addition, the group's gaming business is largely unaffected by seasonality. The group believes that these factors are a significant strength of its business that alleviates the volatility usually inherent in operating in emerging markets.

Macro-economic conditions will vary in cycles. This is particularly relevant in the hotel industry, which is regularly in a state of under or over supply. In order to be able to withstand the impacts of these cycles, the group aims to ensure that debt is used prudently, with careful monitoring of the net debt to Ebitdar ratio.

In addition, the group ensures availability of sufficient credit facilities with long-term maturities, providing additional liquidity in the event of deterioration in economic conditions.

Key performance indicators

	2014	2013
Net debt to Ebitdar	**1.1 times**	0.9 times
Unutilised net facilities (including available cash on hand)	**R3.4 billion**	R4.1 billion
Weighted average number of months to expiry of debt facilities (excluding permanent revolving credit facilities)	**39 months**	50 months

2014 performance

Net interest-bearing debt

Interest-bearing debt net of cash as at 31 March 2014 totalled R4.4 billion, which is R859 million higher than the 31 March 2013 balance of R3.6 billion, with R897 million paid in dividends to company and non-controlling shareholders and investment activities of R2.4 billion during the year ended 31 March 2014.

For more detail on the group's borrowings and cash position refer to notes 29 and 32 on pages 49 and 51 of the annual financial statements.

Net debt to Ebitdar as at 31 March 2014 was 1.1 times with unutilised net facilities (including available cash on hand) of R3.4 billion. The weighted average number of months to expiry of the debt facilities (excluding 364-day revolving credit facilities) was 39 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 2014, 67% of net debt was hedged through fixed interest rate swaps and other fixed rate instruments.

Debt at year end is either Rand or US Dollar denominated, dependent on the nature of the cash flows in the underlying operations, with offshore cash held approximately 70% in US Dollar, 20% in Euro and 5% in Naira with limited other local currency deposits.

Looking ahead

Post-year end, the group entered into a share buy-back and a number of acquisitions detailed in the inorganic growth section on page 60 which are expected to significantly increase the group's gearing to around 2.5 times net debt to Ebitdar which is considered to be well within manageable levels. An additional R5.7 billion in term loans were negotiated and the tenures on the majority of existing facilities were extended to June 2020 and June 2021. The facility pricing with the group's existing consortium of banks remains competitive and thus there is no immediate requirement to access the debt capital markets.

Further future dated interest rate swaps will be concluded due to the extension of the tenure of the group's facilities and due to the increased requirement for the level of debt. In the event of a significant spike in interest rates the group would be protected until March 2021 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 clientèle 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;
- 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; and
- branding which is critical to the way in which the group is viewed by its current and prospective customers.

Key performance indicators

	2014	2013
Gaming		
Reward club membership contribution to gaming revenue	**71%**	63%
Slot machine average age	**5.3 years**	5.0 years
Guest satisfaction – gaming	**75%**	n/a
Hotels		
Reward club membership contribution to hotel revenue	**28%**	26%
Guest satisfaction – hotels	**87%**	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	**R769 million**	R579 million

2014 performance

Product relevance

In order for the group to deliver the hospitality, gaming, dining and entertainment experiences that our customers desire, 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. Consumer expectations range from technology preferences to the look and feel of the physical product, the location of buildings, concepts for restaurants and bar offerings, types of entertainment and travel patterns.

The group seeks to respond dynamically to changing trends, refreshing casino and hotel offerings to reflect contemporary tastes and embracing new technologies that will improve customer experience. For example, free capped Wi-Fi has been introduced at all hotel properties. It is important our casinos provide an aspirational setting in which customers can feel encouraged to wager. Therefore, we have committed to investing significantly in the regular maintenance and refurbishment of our properties in order to keep the experiences attractive and relevant to our customers. Slot machines are replaced on an approximate seven-year cycle and the current average age of slot machines is five years four months. 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. We believe that our properties offer a superior experience to those of our peers and of other leisure activities. In order to preserve our market position and to attract existing and new customers to our gaming and hotel operations, we intend to continue our disciplined programme of investment to continually refresh the offerings and décor of our facilities. There are no material deviations from the relevant brand standards.

Product development

Development of the casino and hotel real estate is a critical component of the group's business and its plans for organic growth. On average over the past five years, in excess of R800 million has been invested annually in the expansion, refurbishment and maintenance of the group's existing casinos and hotels, excluding the acquisition of new properties. 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 property management systems, 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.

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.

Tsogo Sun master brand

In 2012, Tsogo Sun gaming and Southern Sun, the previous umbrella brand for the group's hotel division, were incorporated into the Tsogo Sun brand, unifying the group under one name and the 'Sunburst' logo. This major rebranding exercise was intended to assist external stakeholders to better understand the variety of products that the group offers and the group believes it has achieved strong recognition within both the corporate and consumer markets in South Africa. The rebranding was also designed to encourage the group's employees in both the gaming and hotel divisions to work together more effectively and to ensure consistency of culture across the Gold Reef legacy casinos and the rest of the gaming business.

The group's marketing emphasises:

- the diversity of our products, from hotels to gaming, theatre, cinemas, dining and conferencing;
- our delivery of exceptional service at excellent value;
- our depth of experience and African heritage; and
- the suitability of our hotels and entertainment complexes for both leisure and business.

The group's retail marketing spend is directed towards its hotel offerings (mainly billboards, radio and print), although initiatives are also launched around the Tsogo Sun master brand, including television campaigns. Marketing spend in the casino business is largely focused on prize promotions, such as cars and cash. By having a centralised marketing department and plan, marketing spend at individual units can be redirected, and in some cases rationalised, to focus on marketing initiatives that are beneficial across the entirety of the group's portfolio. In recent years this has enabled efficiencies to be made in the group's marketing efforts, reducing cost and improving brand alignment. A consistent brand management strategy is essential in ensuring that the group's corporate identity is not compromised and that product brands continue to be closely aligned with the master brand.

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, and guest retention is one of our primary priorities. In an effort to ensure that our guests are satisfied, after they have had an experience at one of our properties, we provide them with channels for communication that enable them to engage us so that we can collect information about our performance and proactively respond to their feedback.

Our business promises great guest experiences and consistency is a key driver in delivering on this promise. Consistency of brand delivery is made possible by each brand operating according to a set of brand operating standards. These standards are audited annually at hotels and on an ad hoc basis at casinos. The audits are complemented by data obtained from feedback received from approximately 10 000 guests per month across the business via the eGuestSurv post-stay survey, as well as from third-party sites such as TripAdviser.

The guest satisfaction for Tsogo Sun hotels averaged at 87% this year compared to 86% last year. The improvement of our guest satisfaction at Tsogo Sun hotels is a result of enhanced awareness of our guests' needs and our ability to respond to them efficiently and effectively. With the success of the system in our hotels, the eGuestSurv survey was made available to customers at our casinos this year, and having completed an annual cycle using the system, received an average of 75% guest satisfaction.

Sustainable strategy in action continued

Product relevance to customer experience continued

Customer reward programmes

During the year, Tsogo Sun introduced a new rewards programme at our hotels and casinos to better align the benefits with customer expectations and to ensure consistency across the group. The reward programme is designed to encourage relationships of mutual value with customers by giving benefits and rewards to cardholders and provides the group with detailed information about trends across its customer base which enables the group to improve our offering in response to changing consumer behaviour and to meet the demands of top-tier active reward club members more effectively. The programme replaced the different reward programmes that previously existed within our group: Frequent Guest in hotels; and Club Festival and Strike it Rich in casinos. While our gaming management systems do not allow for full portability of rewards and benefits, the programmes were restructured to ensure consistency across the group with regards to card status levels, rewards and benefits. The rewards programme was launched in the casinos over a period between April 2013 and November 2013. The hotel rewards programme was launched in February 2014.

The reward programme provides the group with detailed information about trends across its customer base and the activities of individual clients. This enables the group to improve its offering in response to changing consumer behaviour and to meet the demands of top-tier active reward club members more effectively.

Key components of the programme include:

- the programme has three status levels – gold (entry level), platinum (mid-level) and black (top level);
- the higher the status level, the higher the value of the base benefits offered;
- the status level for hotel cardholders is determined by revenue rather than nights stayed and cardholders are offered rewards based on their spend at our properties and the frequency of their visits;
- cardholders earn points for playing slots and tables and hotel cardholders earn SunRands for qualifying revenue in hotels;
- all cardholders receive accommodation discounts (5% at selected service hotels and 10% at full service hotels);
- there are no restrictions for the redemption of SunRands and no minimum amount or day of the week restrictions;
- hotel cardholders can redeem SunRands for food and beverage, even when they are not staying in the hotel;
- hotel cardholders qualify for 1G free Wi-Fi per day;
- all cardholders qualify for restaurant discounts between 7.5% and 20%, depending on their status level; and
- all cardholders qualify for entertainment discounts at Tsogo Sun entertainment venues.

Tsogo Sun gaming – rewards programme segmental analysis

Tsogo Sun gaming had 395 998 active gaming cardholders during the year. The contribution to total gaming revenue for the year from active members of the reward programme is as follows:

Segment	**2014 % active customers**	**2014 contribution %**	2013 % active customers	2013 contribution %
Platinum F'13/black F'14[1]	**7**	**45**	9	42
Gold F'13/platinum F'14[2]	**11**	**14**	22	15
Red F'13/gold F'14[3]	**82**	**12**	69	6
	100	**71**	100	63

For the period prior to the launch of the new programme:
[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*

The increase in contribution to total gaming revenue from members of the reward programme is mainly due to the conversion of Montecasino from the ticket-in-ticket-out ('TITO') system to carded play during the year and on increased reliance on privé play relative to the main floor.

Tsogo Sun hotels – rewards programme segmental analysis

Tsogo Sun hotels had 63 160 active reward programme members during the financial year 2014. The contribution to total hotel revenue for the year from active members of the reward programme is as follows:

Segment	**2014 % active customers**	**2014 contribution %***	2013 % active customers	2013 contribution %*
President F'13/black F'14[(1)]	**4**	**7**	3	4
Director and executive preferred F'13/platinum F'14[(2)]	**13**	**9**	45	14
Executive F'13/gold F'14[(3)]	**83**	**12**	52	8
	100	**28**	100	26

** Systemwide*
For the period prior to the launch of the new programme
(1) *Includes Frequent Guest president*
(2) *Includes Frequent Guest director and executive preferred*
(3) *Includes Frequent Guest executive*

Customer safety

Tsogo Sun recognises that the health, safety and wellbeing of our guests, patrons, customers and employees 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, casino 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

With the launch of the company's new rewards programme being complete, the focus for the next year will be on using the programme to influence behaviour and ultimately hotel and casino revenue. Using SunRands in hotels and FreePlay in casinos, as well as a variety of entertainment and dining offers, customers will continue to be encouraged to increase their spend and frequency of visits to our hotels and casinos.

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

	2014	2013
Gaming regulation breaches	**Nil**	1
Fines imposed for other regulatory breaches	**Nil**	Nil
Fines imposed for breaches of law	**Nil**	Nil

2014 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 is updated with all material changes to legislation and regulations twice a year and the board is updated quarterly.

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, an anonymous tip-off system, 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. Compliance with the terms of a licence is monitored by the relevant provincial gambling board on an ongoing basis and certain provinces may conduct quarterly, bi-annual and annual inspections.

During the year, the regulatory universe was defined to identify all laws that are applicable to the group. A total of 103 of the national acts were identified as potentially being applicable to the business. The applicable acts and all relevant provincial regulations were then prioritised to assess the inherent and residual risks. The most significant areas of regulation were identified as:

- Basic Conditions of Employment Act, Labour Relations Act and Employment Equity Act;
- Broad-Based Black Economic Empowerment Act and Codes of Good Practice;
- Competition Act;
- Consumer Protection Act;
- Financial Intelligence Centre Act;
- Foodstuffs, Cosmetics and Disinfectants Act and Meat Safety Act;
- Liquor Act, Liquor Products Act and liquor licences and regulations;
- National Gambling Act and the provincial legislation and regulations;
- Occupational Health and Safety Act;
- Protection of Personal Information Bill; and
- Tobacco Products Control Act.

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.

Looking ahead

Following the definition of the regulatory universe during the year, a formal compliance framework will be documented for material areas of regulation to ensure that all relevant legislation and regulations 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 risks 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

	2014	2013
Employment equity score	**10.9/15**	10.9/15
Training spend as a % of payroll	**4.1%**	5.8%
Staff resignations	**8.7%**	9.9%

2014 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.

Job creation and employee stability

The group contributes approximately 13 000 direct jobs and approximately 20 000 combined direct and indirect jobs (including contract staff employed by third-party service providers) within the communities in which our operations are situated in South Africa.

Staff resignations at 8.7% remain low for the hospitality industry and are testimony to the favourable employee engagement and values-based leadership process within the group.

Employee development

Although training spend for the year at R101 million, which is at 4.1% of payroll, has decreased from the prior year, spend on training disabled employees has increased, as has the number of learnerships undertaken by the group and the provision of executive and management development programmes. The group spent R77 million on training and development initiatives provided to its black staff during the year, which is 3.1% of payroll in accordance with the DTI's BBBEE targets.

All training and development activities within the organisation have been 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.

During the year Tsogo Sun became an accredited training provider for both gaming and hospitality qualifications and the Academy's recent focus has been on integrating training to maximise resources and expertise across the group. Following business needs analyses and talent searches, specific interventions have been identified, developed and implemented to build the skills, knowledge and ability of employees. These include formal qualifications, business school programmes, and customised and in-house courses. Annual celebrations of learning across the business have seen more than 500 employees receive certificates. Learnerships, work integrated learning and unemployed graduate programmes have also supported government initiatives.

Employee engagement

Tsogo Sun has implemented a single engagement programme, reflecting the values, culture and behaviours common to our integrated hotels and gaming business. More than 2 500 employees across the broader group were 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. In October 2013, the group's new organisational values were introduced – called livingTSOGO.

The livingTSOGO values:

Teamwork
Service
Opportunity
Growth
Ownership

Sustainable strategy in action continued

Human resources continued

livingTSOGO is simple and straightforward – from the concept of attaching values to our company name to the values themselves. The values have been well received by the organisation with employees participating enthusiastically in the different components designed to bring them to life.

The components (some of which are presently being implemented across the group) include: the introduction of touch screen technology at all company properties enabling employees to 'touch' every aspect of livingTSOGO; livingTSOGO World which is the group's new induction programme; and livingTSOGO Moments which is the recognition and reward programme.

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 44 380 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 0.77, 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 the approximately 7 000 contract staff employed by third-party service providers and 1 320 staff employed outside South Africa:

	South African male				South African female				Foreign nationals		
Employees	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	Total
Permanent	**3 174**	**505**	**385**	**651**	**3 212**	**375**	**472**	**619**	**64**	**35**	**9 492**
Executives	4	3	–	34	2	–	2	1	3	1	50
Management	383	180	92	389	296	105	86	322	29	17	1 899
Supervisors and skilled	1 244	184	158	165	1 141	174	199	232	19	14	3 530
Other employees	1 543	138	135	63	1 773	96	185	64	13	3	4 013
Operational support	**1 364**	**62**	**66**	**46**	**1 713**	**65**	**79**	**64**	**11**	**10**	**3 480**
Management	–	2	1	9	–	–	1	4	1	–	18
Supervisors and skilled	597	48	26	25	762	48	44	47	5	5	1 607
Other employees	767	12	39	12	951	17	34	13	5	5	1 855
Total 2014	**4 538**	**567**	**451**	**697**	**4 925**	**440**	**551**	**683**	**75**	**45**	**12 972**
Total 2013	**4 401**	**445**	**560**	**695**	**4 658**	**540**	**415**	**649**	**87**	**49**	**12 499**

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 increased year-on-year primarily due to new food and beverage outlets opened during the year. Female employees increased marginally to 51.2% (2013: 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 31.8%, at middle management level it is 60.1% and at junior management level it is 84.5%. The representation of black employees throughout the group is currently 87.7%, which is slightly below the updated economically active population ('EAP') percentage of 88.9%.

The main challenges in employment equity remain in the areas of executive, senior management and black disabled employees. The Tsogo Sun Academy assists in facilitating and fast-tracking the development of our employees' skills enabling our development pipeline.

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 2 912 of our employees are union members. There has been a 5% reduction in union membership from the 3 076 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

After a successful launch of the Tsogo Sun Academy in the 2014 financial year, the focus for the coming year will be on further embedding an integrated approach to learning and development within the broader group, aligning all Academy activities with the growth strategy of the organisation. A specific focus will be placed on talent identification and development, in order to provide the necessary management skills into the future, as well as a 'back to basics' approach for front line staff, concentrating on providing superior guest experiences at every opportunity. This strategy will be delivered by means of a more coordinated training effort in the field, focusing on unlocking and delivering best practice.

The central Tsogo Sun Academy will be extended to provide a state-of-the-art simulation facility, providing standardised skills training and assessment, together with the establishment of satellite Academy facilities around the country and the use of virtual platforms for training. The overall focus for the coming year and beyond is to build a learning culture that will assist in delivering the long-term sustainability of the business.

Employee engagement

The company is presently implementing livingTSOGO Moments and livingTSOGO Measurements (employee engagement survey) which form part of the organisational values system. These are designed to further embed the new organisational values within the business.

The 2014 group-wide employee engagement survey will be distributed across the group to establish the impact and efficiency of livingTSOGO, as well as to provide employees with an opportunity to share their views on a variety of work-related topics. It is anonymous and confidential and is being facilitated by an external global survey consultancy.

In respect of the employee rewards programme, livingTSOGO Moments, the group began piloting its roll-out in May 2014, with the intention of full implementation towards the end of 2014.

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, supported by adequate financial capital to pursue growth opportunities and underpinned by quality relationships with key stakeholders. 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 flow over time is 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 primary 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.

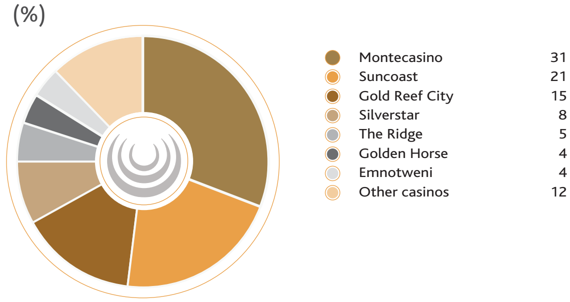
Operational overheads must be reviewed and measured for efficiency and to ensure each Rand spent is either in support of the objective of sustainability or growth.

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

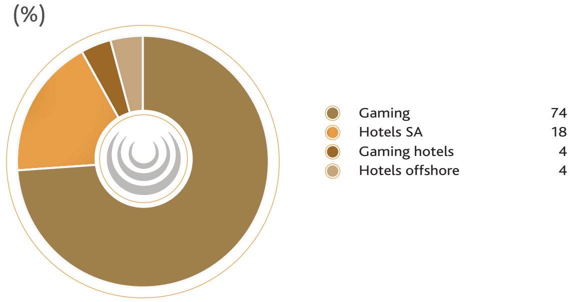
Key performance indicators

	2014	2013
Organic income growth	**6%**	8%
Organic Ebitdar growth	**6%**	9%
Free cash flow	**R1.8 billion**	R1.9 billion
Maintenance capital expenditure	**R769 million**	R579 million
Adjusted HEPS growth	**18%**	24%

Gaming F'14 Ebitdar by property (%)



Group F'14 Ebitdar by source (%)



2014 performance

Segmental operating performance

	Income		Ebitdar		Ebitdar margin	
Year ended 31 March	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm	**2014 %**	2013 %
Montecasino	**2 415**	2 266	**1 088**	1 026	**45.1**	45.3
Suncoast	**1 517**	1 440	**717**	692	**47.2**	48.1
Gold Reef City	**1 298**	1 218	**514**	479	**39.6**	39.3
Silverstar	**648**	602	**263**	237	**40.6**	39.4
The Ridge	**400**	387	**186**	187	**46.5**	48.3
Hemingways	**336**	303	**138**	125	**41.1**	41.3
Emnotweni	**328**	319	**144**	147	**44.0**	46.1
Golden Horse	**318**	303	**146**	150	**46.1**	49.5
Garden Route	**179**	173	**78**	76	**43.7**	43.9
Goldfields	**142**	136	**57**	60	**40.3**	44.1
Blackrock	**139**	135	**54**	53	**38.8**	39.3
The Caledon	**135**	128	**35**	32	**25.7**	25.0
Mykonos	**132**	134	**57**	59	**43.1**	44.0
Other gaming operations	**123**	104	**(196)**	(185)		
Total gaming operations	**8 110**	7 648	**3 281**	3 138	**40.5**	41.0
South African hotels division[(1)(2)]	**2 153**	1 937	**737**	613	**34.2**	31.6
Offshore hotels division	**550**	361	**186**	130	**33.8**	36.0
Pre-foreign exchange gains			***153***	*93*	***27.8***	*25.8*
Foreign exchange gains			***33***	*37*		
Corporate	**(46)**	(36)	**10**	5		
Group	**10 767**	9 910	**4 214**	3 886	**39.1**	39.2

All casino units are reported pre-internal gaming management fees

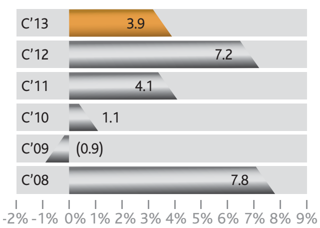
(1) *Includes R48 million (2013: R39 million) intergroup management fees*

(2) *Restated for R2 million changes in accounting policies – refer note 2 on page 77 of the summarised consolidated financial statements*

Growth strategy in action continued

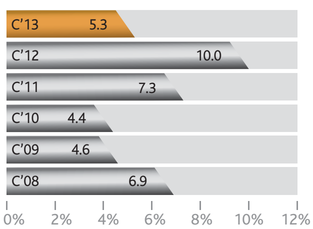
Organic growth continued

Gauteng



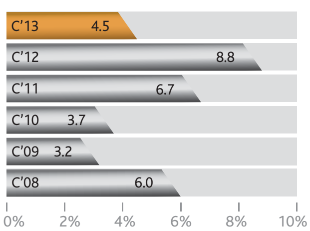
Gaming win growth*

KwaZulu-Natal



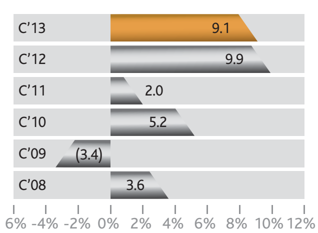
Gaming win growth*

Mpumalanga



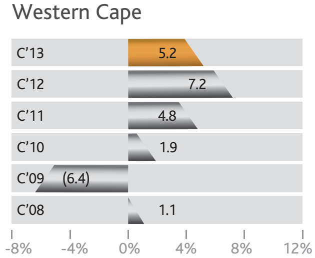
Gaming win growth*

Eastern Cape



Gaming win growth*

Western Cape



Gaming win growth*

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

Tsogo Sun gaming

Gaming win for the year grew by 5% on the prior year with growth in slots win at 2% and tables win growth at 14%.

	31 March 2014 Rm	31 March 2013 Rm	% change on 2013
Gaming win	**6 819**	6 525	5
Tables	**1 542**	1 349	14
Slots	**5 277**	5 176	2
Hold % – tables	**22.0**	21.3	0.7pp
Win % – slots	**5.2**	5.3	(0.1pp)

Gauteng recorded provincial growth in gaming win of 3.4% for the year. Gaming win growth of 4.8% was achieved at Montecasino, 7.4% at Gold Reef City and 7.1% at Silverstar.

KwaZulu-Natal provincial gaming win grew by 3.5% for the year. Gaming win growth of 4.4% was achieved at Suncoast Casino and Entertainment World and 2.6% at Blackrock Casino with Golden Horse Casino 2.1% down on the prior year.

Mpumalanga reported growth in provincial gaming win of 2.8% for the year. Gaming win growth of 2.4% was achieved at The Ridge Casino in Emalahleni with Emnotweni Casino in Nelspruit 0.2% down on the prior year impacted by the expansion and redevelopment during the year.

The Eastern Cape provincial gaming win grew by 5.6% for the year. Hemingways reported growth in gaming win of 4.8%.

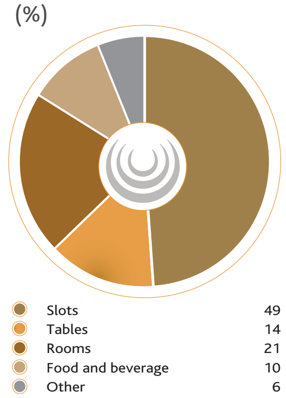
The Western Cape reported growth in provincial gaming win of 4.8% for the year. The Caledon Casino, Hotel and Spa and Garden Route Casino in Mossel Bay reported growth of 4.3% and 1.4% respectively while gaming win at Mykonos Casino in Langebaan reduced by 1.8%.

The Goldfields Casino in Welkom in the Free State experienced difficult conditions with growth in gaming win of 1.3% 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 expense of R196 million, R11 million adverse to the prior year.

Overall revenue for the gaming division increased 6% on the prior year to R8.1 billion. Ebitdar improved 5% to R3.3 billion at a margin of 40.5%, 0.5pp below the prior year partially due to opening additional profitable lower margin businesses.

Group revenue by nature (%)



Tsogo Sun hotels

The hotel industry in South Africa continues to experience a recovery from the dual impact of depressed demand and oversupply. Overall industry occupancies have improved to 62.0% (2013: 60.9%) for the year. 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 revenue per available room growth of 10% on the prior year due mainly to an increase in average room rates by 11% to R900, with occupancies below the prior year at 63.9% (2013: 64.1%) impacted by the non-repeat of the BRICS conference in Durban and with no Easter public holidays in the 2014 financial year. Overall revenue for the South African hotels division increased 11% on the prior year to R2.2 billion assisted by the inclusion of 54 on Bath and Southern Sun Hyde Park offset by the closure of Garden Court Sandton. Ebitdar improved 20% to R737 million at a margin of 34.2% (2013: 31.6%).

The offshore division of hotels achieved total revenue of R550 million representing a 52% improvement on the prior year, driven by the acquisition of Southern Sun Ikoyi, effective from 29 June 2013, and the weakening of the Rand against both the US Dollar and the Euro. Ebitdar (pre-foreign exchange gains) improved 65% to R153 million. The Rand weakness resulted in a R33 million (2013: R37 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 2014	31 March 2013
Occupancy (%)	**63.6**	64.7
Average room rate (R)	**897**	782
Revpar (R)	**570**	506
Rooms available ('000)	**3 892**	3 780
Rooms sold ('000)	**2 476**	2 445
Rooms revenue (Rm)	**2 221**	1 914

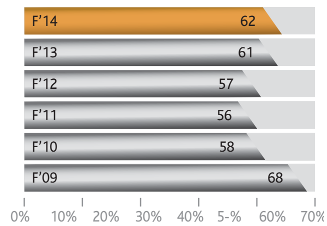
The increase in average room rate is positively impacted by the inclusion of Southern Sun Ikoyi from 29 June 2013 and the effect of the Rand weakness on the offshore portfolio.

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 improve.

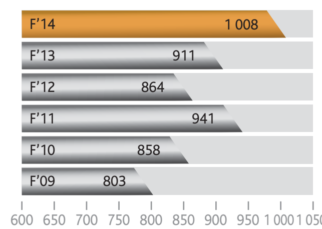
The continued improvement in trading performance across the group's operations during the year remains encouraging. However, the sustainability of this growth is uncertain due to the weaker second half trading, ongoing macro-economic pressure and weak consumer sentiment.

SA occupancy



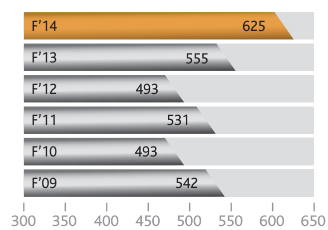
Systemwide*

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

	2014	2013
Investment activity expenditure	**R1 643 million**	R639 million

2014 performance

Tsogo Sun has continued to allocate capital in terms of its stated growth strategy and accordingly has invested R2.4 billion during the year as follows:

- acquired an additional 8.7% effective interest in Tsogo Sun KwaZulu-Natal Proprietary Limited in May 2013 at a cost of R363 million and the remaining 1.3% effective interest in November 2013 for R37 million with the resultant shareholding in Suncoast being 100%;
- completed the R400 million redevelopment of the Hemingways Casino in East London;
- spent R154 million during the year on the R206 million expansion of the Emnotweni Casino, which included the construction of an expanded casino floor, additional gaming positions, additional covered parking, a conference and eventing area and restaurants. The project was completed during May 2014;
- commenced construction of the US$30 million expansion of Southern Sun Maputo including the addition of 111 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 hotel closed with effect from 1 April 2014 and the project was completed during August 2014;
- completed the acquisition of a 75.5% stake in Ikoyi Hotels Limited in Lagos, Nigeria on 29 June 2013 for US$50.6 million and the refinancing of US$19.7 million debt in the business. The property was previously managed by the group on behalf of the third-party owners;
- acquired shares in various properties during the year for an aggregate R73 million;
- acquired additional effective interests from non-controlling interests and in associates in various cinemas and hotels during the year for an aggregate R41 million;
- completed the expansion project at Blackrock Casino including an additional 50 slot machines and three tables and an expansion of the Garden Court Blackrock hotel by an additional 40 rooms;
- commenced construction on the R560 million expansion and redevelopment of the Silverstar Casino which includes additional dining options, an outdoor events area, cinemas, ten-pin bowling alley, laser tag games, an expanded and enhanced casino floor and parking. R160 million was spent during the year and the project is scheduled for completion by September 2014;
- commenced the R630 million refurbishment and expansion of the Gold Reef City Casino and Theme Park which will include 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 and an expansion of the Apartheid Museum. R22 million was spent during the year on the project; and
- in addition to these acquisitions and expansion projects, the group also invested R769 million on maintenance capex group-wide, including gaming system replacements and major hotel refurbishments, ensuring our assets remain best in class.

Investment activity expenditure

	31 March 2014 Rm	31 March 2013 Rm
Hemingways expansion	**50**	231
Suncoast redevelopment	**8**	14
Emnotweni expansion	**154**	18
Silverstar redevelopment	**160**	62
Blackrock expansion	**33**	–
Mpumalanga 4th licence bid	**5**	16
Gold Reef City redevelopment	**22**	40
Southern Sun Maputo expansion	**111**	–
Montecasino expansion	**–**	70
Other	**13**	17
Expansion capex	**556**	468
Suncoast minorities	**406**	–
Cinemas	**20**	–
Monte Circle and Signature square land	**45**	–
Southern Sun Ikoyi equity(1)	**505**	–
Southern Sun Hyde Park	**67**	65
Garden Route Hotel	**6**	25
54 on Bath	**–**	22
Millennium contingency settlement	**–**	58
Other	**14**	–
Acquisitions and minorities	**1 063**	170
Loans and investments	**24**	1
Investment activity expenditure	**1 643**	639

(1) *The total investment in Southern Sun Ikoyi is R702 million including take on debt of R197 million included acquired with acquisitions in the increase in net interest-bearing debt in the cash flow*

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 is not allocated 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.

The Mpumalanga Gambling Board withdrew the previous request for proposal ('RFP') for the fourth licence in the province and restarted the project with a new RFP. The group submitted a revised bid and have been subsequently advised that the board has again withdrawn the RFP. The group will be pursuing a legal challenge in this regard.

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, although the increase in provincial taxes in the Western Cape has made this a less attractive opportunity than before.

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 group has closed a number of acquisitions subsequent to year end as follows:

- As announced on SENS on 3 April 2014, SSHI, a group subsidiary, concluded agreements with Liberty for a 10% increase in the group's equity interest in Cullinan to 60% and the acquisition by Cullinan of various hotel assets from SSHI and Liberty. The net investment by the group is R762 million and the effective date of the transaction was 30 April 2014.
- The group acquired a 25% interest in RedefineBDL Hotel Group Limited for R145 million, a leading independent hotel management company in the United Kingdom with approximately 60 hotels under management, with effect from 1 May 2014. This acquisition provides the company with access to additional management expertise, exposure to new markets and the potential for opportunities to deploy capital in attractive investments in the European market in the future.
- As announced on SENS on 13 May 2014, the group has entered into a transaction with Sun International Limited and Grand Parade Investments Limited for the acquisition of a 40% equity interest in each of SunWest International Proprietary Limited and Worcester Casino Proprietary Limited for an aggregate R2 185 million. The acquisition is subject to the fulfilment of conditions precedent which include the approvals of the provincial Gambling and the Competition Authorities.

Post-year end, on 15 April 2014, SABMiller announced that it was conducting a strategic review of its investment in Tsogo Sun which culminated in the disposal of all of its ordinary shares in Tsogo Sun on 28 July 2014 through:

- a fully marketed secondary placing of 301.7 million ordinary shares to selected South African and international institutional investors; and
- a specific repurchase of 133.6 million ordinary shares by Tsogo Sun for R2.8 billion.

Following the placing and the repurchase, the shareholding of Tsogo Sun as at 29 August 2014 changed to HCI holding 47.6% with the free float increasing to 52.4%.

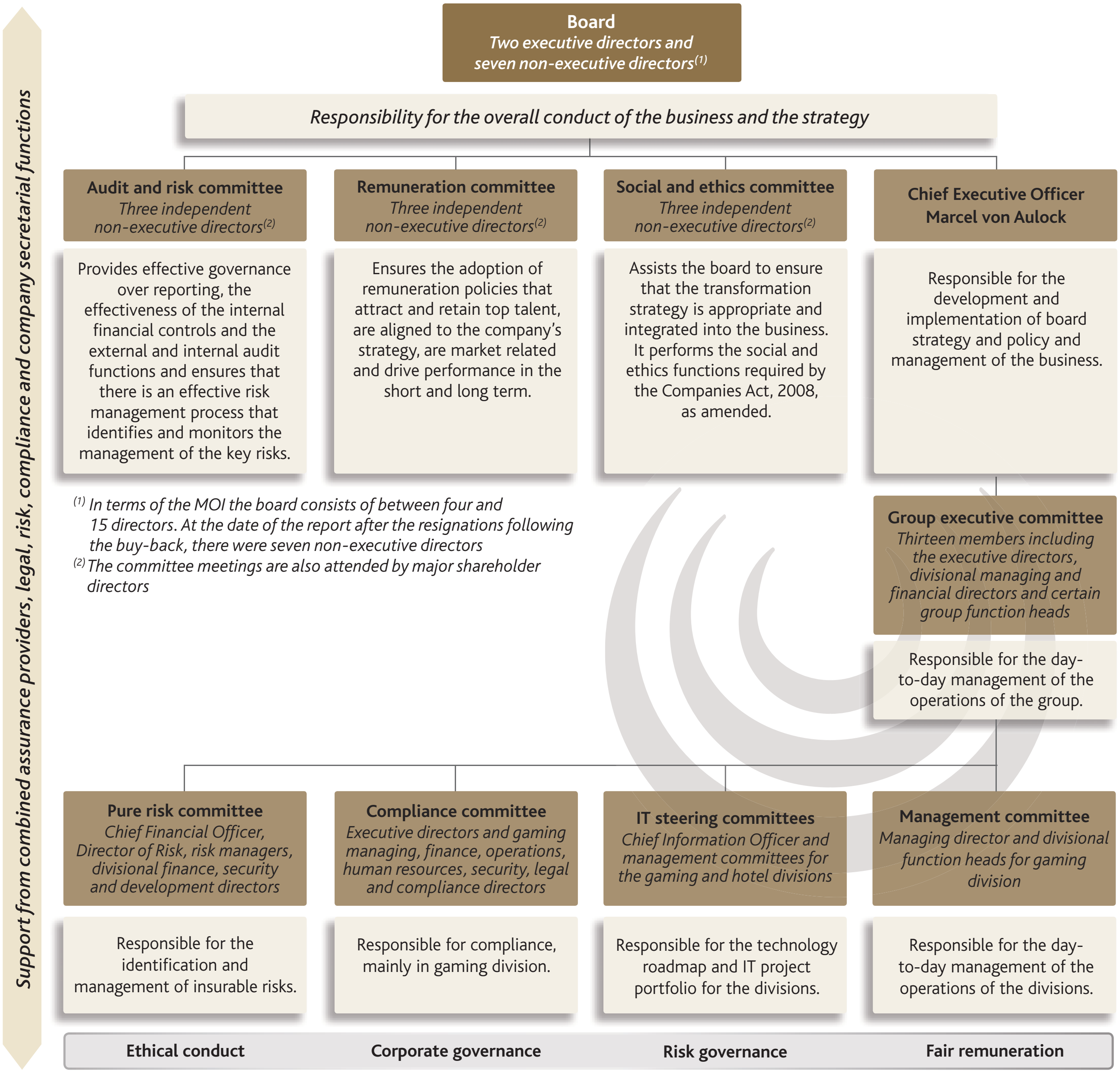
The group opened the 353-room Southern Sun Abu Dhabi under management contract in the United Arab Emirates on 30 April 2014.

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 gambling boards, city councils, provincial authorities and national departments.

GOVERNANCE AND REMUNERATION

Corporate governance

Our governance framework



(1) In terms of the MOI the board consists of between four and 15 directors. At the date of the report after the resignations following the buy-back, there were seven non-executive directors

(2) The committee meetings are also attended by major shareholder directors

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: 40

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: 45

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: 64

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.

MA GOLDING

BA(Hons)
Non-executive Director
Age: 54

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 KWV Holdings.

VE MPHANDE

Elec Eng (Dip)
Non-executive Director
Age: 56

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.

Y SHAIK

BA(Law), BProc
Non-executive Director, member of the social and ethics committee and Chairman of the remuneration committee
Age: 56

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 as lead independent non-executive director of HCI in 2010 and as Executive Chairman in April 2014.

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: 51

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.

BA MABUZA

BA MBA
Independent Non-executive Director, member of the audit and risk committee
Age: 50

Busi Mabuza has held various positions in the financial services and energy sectors and is currently a non-executive director at Airports Company South Africa, Central Energy Fund Proprietary Limited, Development Bank of Southern Africa, Industrial Development Corporation and Nehawu Investment Holdings.

JG NGCOBO

Independent Non-executive Director, member of the audit and risk committee, the social and ethics committee and remuneration committee
Age: 63

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.

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

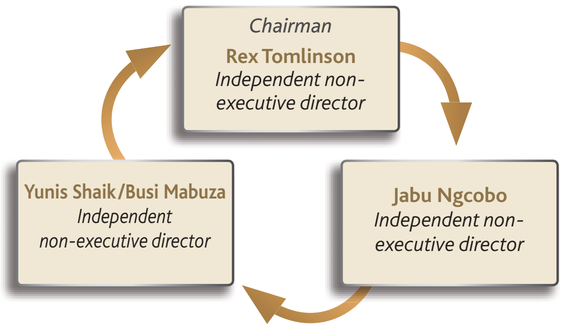
The composition of the board and of the audit and risk, remuneration and the social and ethics committees were determined primarily by the terms of the relationship between the majority shareholders. Post-year end, following the disposal of SABMiller of its shareholding, J Davidson, JS Wilson, MI Wyman and JA Mabuza resigned. An additional independent non-executive director, BA Mabuza, has been appointed post-year end due to the appointment of Y Shaik as an executive director of HCI. 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 four 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	4/4				✔
Rob Huddy	4/4				✔
Non-executive directors					
Chairman					
John Copelyn	4/4		1/2		✔
Deputy Chairman					
Jabu Mabuza	2/4				
Lead independent					
Rex Tomlinson	4/4	3/3	2/2	2/2	✔
Independent					
Jabu Ngcobo	4/4	3/3	2/2	2/2	
Yunis Shaik	4/4	2/3	2/2	1/2	
Non-independent					
John Davidson	1/1		1/1		
Marcel Golding	4/4				
Graham Mackay	0/3		0/1		
Elias Mphande	4/4				
Jamie Wilson	4/4				
Malcolm Wyman	4/4				

In addition, the divisional Managing Directors and the Group Human Resources Director 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.

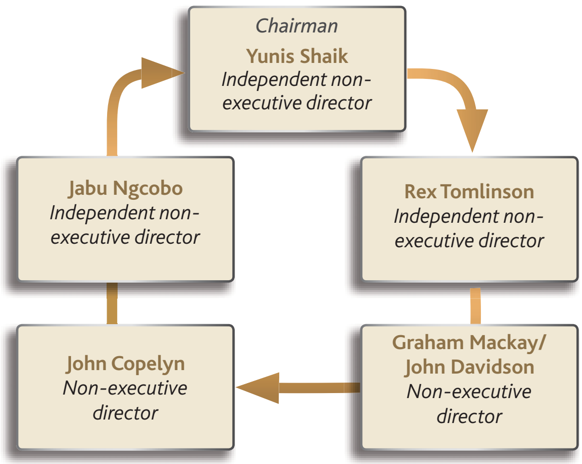
The committee met three times during the year. The Chief Executive Officer, the Chief Financial Officer, the group's Director of Risk, the Chief Information Officer and directors from the majority shareholders attend the meetings as permanent invitees, along with external audit and the outsourced internal audit. Other directors and members of management attend as required. Post-year end Yunis Shaik was replaced on the committee by Busi Mabuza as he is no longer considered independent.

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 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 integrated annual report;
- approval of the external audit and internal audit plans;
- evaluation of the independence and effectiveness of, and 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 group's whistle-blowing systems; and
- assessment of the expertise and experience of the Chief Financial Officer.

Refer to the report of the audit and risk committees on page 3 of the consolidated financial statements for the year ended 31 March 2014.

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 composition of the committee will be reconsidered prior to the next meeting as Yunis Shaik is no longer considered independent.

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

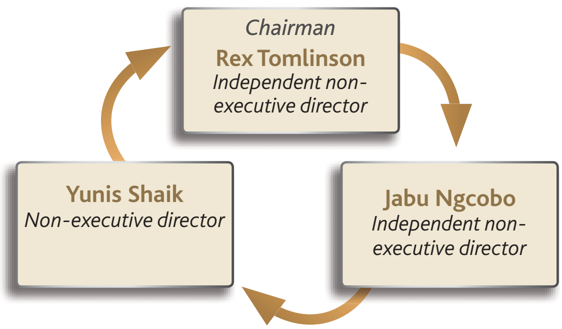
- monitoring and providing guidance in matters relating to organisational culture, structures and processes that support the development and retention of people, and the optimisation of their potential;
- ensuring that the priorities of employment equity and skills retention form part of the business plans of the group – enforcing, monitoring and auditing development and progress;
- determining the group'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 71 to page 75.

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 twice during the year. The Chief Executive Officer, the Chief Financial Officer, the group's Director of Risk, the group's Human Resources Director and directors from the majority shareholders 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:

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

The matters considered during the year are included in the deliver to our stakeholders section on page 39 to page 46, the product relevance to customer experience section on page 48 to page 51, the regulatory compliance section on page 52 and the human resources section on page 53 to page 55. The main area of concern discussed by the committee during the year was on the potential impact of the revisions to the BBBEE codes on the current achievements and potentially on casino licences. Refer to the transformation section on page 46 for more information. There were no other significant matters of concern raised during the year.

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.

King III application

The King III gap analysis, to review the company's application of the various principles of King III, was updated 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 has been defined and a compliance framework is 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.
- 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 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 non-executive directors being independent.
✤ Directors should be appointed through a formal process.	Directors are appointed by the 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 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 members of the GEC at 31 March 2014 were:

Marcel von Aulock
Chief Executive Officer

Jacques Booysen
Managing Director gaming

Jaco Boshoff
Financial Director hotels

Noeleen Bruton
Marketing Director

Vusi Dlamini
Group Human Resources Director

Laurelle Fick
Corporate Finance and Treasury Manager

Rob Huddy
Chief Financial Officer

Zibusiso Kganyago
Development Director gaming

Greg Lunga
Financial Director gaming

Kevin Page
Director of Development

Henry Parrymore
Chief Information Officer

Graham Tyrrell
Group Legal Director and Company Secretary

Richard Weilers
Chief Operating Officer and Managing Director hotels offshore

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

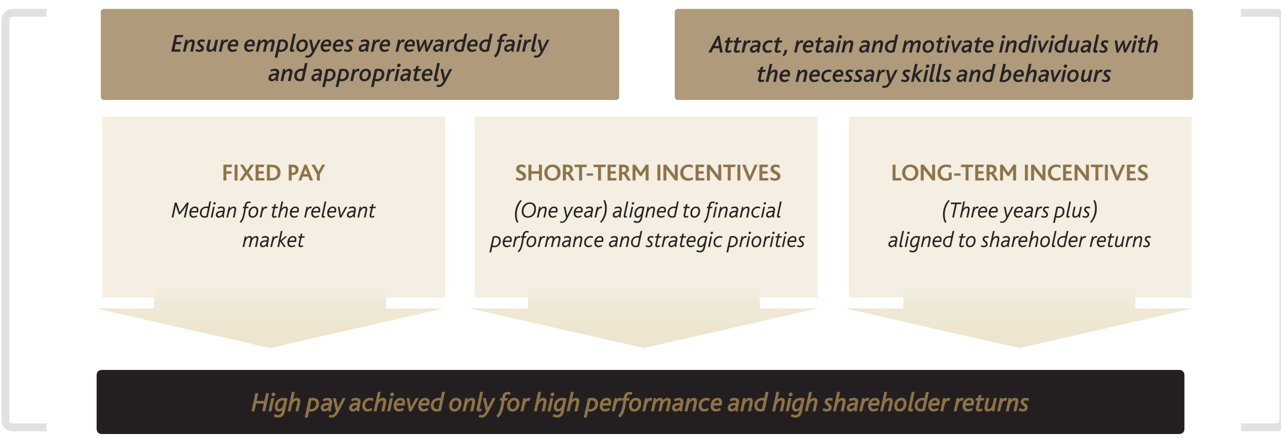
Remuneration philosophy and policy

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 either cash settled, resulting in income statement volatility but no dilutionary impact to shareholders, or, in the case of nominated senior executives, structured as an interest-free facility for the purpose of acquiring shares in the company where the value for the executives arising from the facility will come out of the shares acquired in the market and there will not be a cash cost to the group, as per the existing share appreciation scheme, nor a 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 have been 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 4 668 principal members (9 952 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="3">Long-term incentives</th></tr>
<tr><th>Annual bonus plan</th><th colspan="3">Executive facility and 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="3">Long-term 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>Senior executives</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 rowspan="2">Post-year end, from 12 August 2014, a R200 million facility will be made available to senior executives for the sole purpose of acquiring shares in the company

The board has determined the allocation of the facility as follows:
MN von Aulock R86 million
J Booysen R47 million
RB Huddy R27 million
FV Dlamini R20 million
GD Tyrrell R20 million

The facility is interest-free and has no fixed repayment date but must be repaid if the shares are sold or if the executive leaves the employ of the company. The executives are subject to fringe benefits tax on the facility

The executives are not eligible for any new allocations under the existing share appreciation scheme until the loan is repaid in full. Allocations of appreciation units made prior to the provision of the facility will remain unaffected

Value for the executives arising from the facility will come out of the shares acquired in the market and there will not be a cash cost to the group as per the existing share appreciation scheme</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 were settled during February 2014 and the liability as at 31 March 2014 is reflected on page 74. Refer to note 26.2 on page 45 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 to note 26.1 on page 45 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

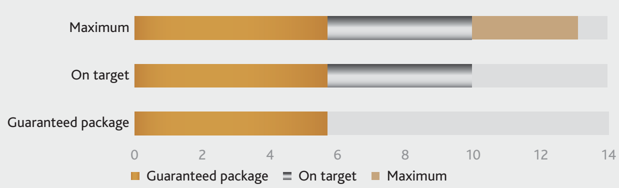
	Appreciation units granted and still outstanding		Strike price[1]	Appreciation units vested and still outstanding			Liability	Liability
Grant date	**2014**	2013	R	**2014**	2013	Expiry date	**2014 Rm**	2013 Rm
1 April 2006	**–**	1 180 631	13.49	**–**	1 180 631	31 March 2014	**–**	53
1 April 2007	**307 452**	362 709	19.87	**307 452**	362 709	31 March 2015	**10**	8
1 April 2008	**–**	963 982	21.10	**–**	963 982	31 March 2014	**–**	17
1 April 2009	**922 643**	1 239 512	15.10	**922 643**	1 239 512	31 March 2015	**46**	48
1 April 2010	**1 545 064**	1 946 257	15.08	**1 545 064**	1 946 257	31 March 2016	**77**	76
1 April 2011	**4 731 076**	5 627 490	15.06	**4 731 076**	–	31 March 2017	**67**	41
1 October 2011	**1 890 337**	1 890 337	18.78	**–**	–	30 September 2017	**15**	7
1 April 2012	**7 726 516**	8 400 352	17.66	**–**	–	31 March 2018	**56**	22
1 October 2012	**263 825**	263 825	19.71	**–**	–	30 September 2018	**1**	–
1 April 2013	**8 401 905**	–	24.56	**–**	–	31 March 2019	**9**	–
1 October 2013	**221 480**	–	25.51	**–**	–	30 September 2019	**–**	–
Liability at 31 March							**281**	272
Gold Reef schemes (performance units and bonus units)							**12**	24
Total long-term incentive liabilities as at 31 March							**293**	296
Share price utilised to value the liability at 31 March							**R27.00**	R24.75

[1] *Grants prior to merger (24 February 2011) converted based on swap ratio of 3.553 Gold Reef shares for each TSH share*

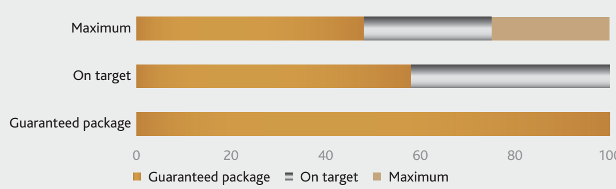
Composition of total remuneration package – executive directors

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.

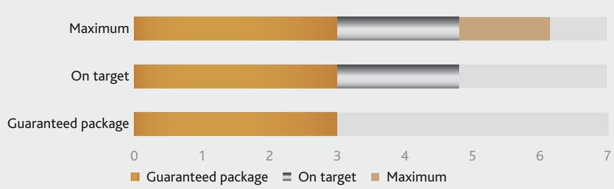
Chief Executive Officer – value of package in Rand (million)



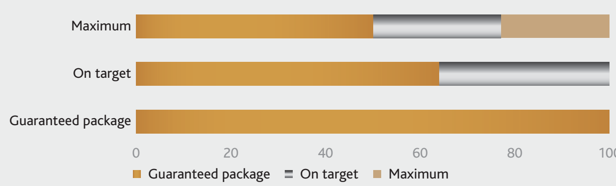
Chief Executive Officer – composition of package in Rand (%)



Chief Financial Officer – value of package in Rand (million)



Chief Financial Officer – composition of package in Rand (%)



The scenario charts assume:

- Guaranteed package – fixed pay and benefits for the year ended 31 March 2014
- 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.

Director and senior management remuneration

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)	2014 Total (R'000)
Paid by subsidiaries					
MN von Aulock	**4 798**	**1 033**	**5 313**	**3 048**	**14 192**
RB Huddy	**2 500**	**574**	**2 175**	**329**	**5 578**
	7 298	**1 607**	**7 488**	**3 377**	**19 770**

	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

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 2013 R'000	Proposed 2014 R'000
Chairman of the board	800	**855**
Chairman of the audit and risk and social and ethics committees	460	**490**
Chairman of the remuneration committee	350	**375**
Non-executive director and member of a board committee	290	**310**
Non-executive director	230	**245**

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

Fees and services	Directors' fees (R'000)	Other benefits (R'000)	2014 Total (R'000)	Directors' fees (R'000)	Other benefits (R'000)	2013 Total (R'000)
Paid by subsidiaries						
JA Copelyn	**762**	**–**	**762**	712	–	712
JA Mabuza	**–**	**21 526**[(5)]	**21 526**	–	8 500	8 500
MJA Golding	**219**	**–**	**219**	204	–	204
JM Khan[(1)]	**–**	**–**	**–**	204	–	204
EAG Mackay[(2)]	**275**	**–**	**275**	255	–	255
JS Wilson[(3)]	**111**	**–**	**111**	–	–	–
VE Mphande	**219**	**–**	**219**	204	–	204
A van der Veen[(4)]	**–**	**–**	**–**	204	–	204
MI Wyman	**219**	**–**	**219**	204	–	204
RG Tomlinson	**438**	**–**	**438**	407	–	407
JG Ngcobo	**275**	**–**	**275**	255	–	255
Y Shaik	**331**	**–**	**331**	306	–	306
	2 849	**21 526**	**24 375**	2 955	8 500	11 455

(1) *Resigned 31 March 2013*
(2) *Deceased 18 December 2013*
(3) *Appointed 2 April 2013*
(4) *Resigned 8 November 2012*
(5) *Including the exercise of existing long-term incentive allocations. Refer to employment agreements on page 74*

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the summarised consolidated financial statements

1 Basis of preparation

The summarised consolidated annual financial statements for the year ended 31 March 2014 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 Listings 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 other than as mentioned below. The summarised consolidated annual financial statements should be read in conjunction with the audited annual financial statements for the year ended 31 March 2014, which were approved by the board on 12 June 2014 and are available online or can be requested directly from the 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 2014, dated 12 June 2014, is available for inspection at the registered office of the company and is included in the audited annual financial statements available online.

2 Changes in accounting policies

An amendment to IAS 19 *Employee Benefits* requires service costs and net interest to be allocated to profit or loss, while all remeasurements are to be allocated to other comprehensive income. Previously the group allocated the adjustment to profit or loss by applying the corridor method allowed in IAS 19 which has subsequently been withdrawn. The 31 March 2013 comparative numbers in the income statement, statement of other comprehensive income and cash flow statement, and 31 March 2012 comparative numbers in the balance sheet and statement of changes in equity have accordingly been restated.

Previously IAS 16 *Property, Plant and Equipment* permitted spare parts and servicing equipment to be classified as inventory and the group previously classified all of its operating equipment as inventory. The impact of the amendment to IAS 16 required the group to perform an assessment on all operating equipment used by the casino and hotel operations to determine which items are used for more than one period and met the definition of property, plant and equipment.

The above mentioned changes in accounting policies have been applied retrospectively and have reduced earnings per share by 0.2 cents from 148.5 cents per share to 148.3 cents per share for the year ended 31 March 2013. Other than the above mentioned changes in accounting policies, the accounting policies have been consistently applied with those of the annual financial statements for the year ended 31 March 2013, as described in those annual financial statements.

The monetary effects have been disclosed as footnotes to the summarised statements.

3 Segment information

In terms of IFRS 8 *Operating Segments* the chief operating decision-maker has been identified as the group's Chief Executive Officer ('CEO') and the group executive committee ('GEC') (previously the group's board of directors). The group's CEO and the GEC review 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 CEO and GEC which are used to make strategic decisions.

The group's CEO and GEC consider the business from both a business type and geographical basis, being hotels and gaming. All gaming segments and the South African hotels division conduct business in South Africa, with the offshore hotels division operating 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.

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 reportable segments derive their revenue and income from hotel and gaming operations.

Notes to the summarised consolidated financial statements

continued

3 Segment information continued

The group's CEO and GEC assess the performance of the operating segments based on Ebitdar. The measure excludes the effects of long-term incentives and the effects of non-recurring expenditure. The measure also excludes all headline 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.

Other than as mentioned above, there has been no change in the basis of segmentation or in the basis of measurement of segment profit or loss from the last annual financial statements.

4 Capital commitments

As at 31 March 2014 the board had committed a total of R4.5 billion for maintenance and expansion capital items at its gaming and hotel properties of which R2.4 billion is anticipated to be spent during the financial year ending 31 March 2015.

5 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 page 61 and note 51 on page 63 of the group annual financial statements for details of events occurring after the balance sheet date relating to:

- the acquisition of businesses by Cullinan;
- the acquisition of fixed assets by Cullinan;
- the acquisition of an additional equity interest in Cullinan by SSHI;
- the acquisition of a 25% interest in RedefineBDL Group Limited;
- the acquisition of a 40% interest in both SunWest International Proprietary Limited and Worcester Casino Proprietary Limited;
- the opening of the 353-roomed Southern Sun Abu Dhabi under management contract in the United Arab Emirates; and
- the share buy-back.

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

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Summarised consolidated income statement

for the year ended 31 March

	Change %	2014 Rm	2013 Restated[1] Rm
Net gaming win	5	**6 819**	6 525
Rooms revenue	16	**2 221**	1 914
Food and beverage revenue	22	**1 063**	869
Other revenue		**664**	602
Income	9	**10 767**	9 910
Gaming levies and Value Added Tax		**(1 411)**	(1 341)
Property and equipment rentals		**(291)**	(258)
Amortisation and depreciation		**(648)**	(608)
Employee costs		**(2 604)**	(2 512)[2]
Other operating expenses		**(2 691)**	(2 359)
Operating profit	10	**3 122**	2 832
Interest income		**21**	45
Finance costs		**(394)**	(430)
Share of profit of associates and joint ventures		**–**	6
Profit before income tax		**2 749**	2 453
Income tax expense		**(776)**	(701)
Profit for the year		**1 973**	1 752
Profit attributable to:			
Equity holders of the company		**1 877**	1 627
Non-controlling interests		**96**	125
		1 973	1 752
Number of shares in issue (million)		**1 098**	1 098
Weighted average number of shares in issue (million)		**1 098**	1 097
Basic and diluted earnings per share (cents)	15	**170.9**	148.3[1]

[1] *Restated for changes in accounting policies – refer note 2*
[2] *Employee costs in the 2013 income statement was previously reported as R2 510 million*

Summarised consolidated statement of comprehensive income

for the year ended 31 March

	2014 Rm	2013 Restated[1] Rm
Profit for the year	**1 973**	1 752
Other comprehensive income for the year, net of tax		
Items that may be reclassified subsequently to profit or loss:	**178**	47
Cash flow hedges	**128**	(33)
Currency translation adjustments	**86**	71
Income tax relating to items that may subsequently be reclassified	**(36)**	9
Items that may not be reclassified subsequently to profit or loss:	**4**	1
Actuarial gains on post-employment benefit liability	**5**	1
Income tax relating to items that may not subsequently be reclassified	**(1)**	–
Total comprehensive income for the year	**2 155**	1 800
Total comprehensive income attributable to:		
Equity holders of the company	**2 059**	1 675
Non-controlling interests	**96**	125
	2 155	1 800

[1] *Restated for changes in accounting policies – refer note 2*

Supplementary information

for the year ended 31 March

	Change %	2014 Rm	2013 Restated[2] 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		**1 877**	1 627
Loss/(gain) on disposal of property, plant and equipment		**2**	(1)
Impairment of property, plant and equipment		**14**	9
Fair value loss on revaluation of previously held interest in associate		**6**	–
Impairment of goodwill		**–**	16
Headline earnings	15	**1 899**	1 651
Other exceptional items		**39**	(4)
Adjusted headline earnings	18	**1 938**	1 647
Number of shares in issue (million)		**1 098**	1 098
Weighted average number of shares in issue (million)		**1 098**	1 097
Basic and diluted HEPS (cents)	15	**173.0**	150.5
Basic and diluted adjusted HEPS (cents)	18	**176.5**	150.1
Reconciliation of operating profit to Ebitdar[3]			
Group Ebitdar pre-exceptional items is made up as follows:			
Operating profit		**3 122**	2 832
Add:			
Property rentals		**221**	193
Amortisation and depreciation		**648**	608
Long-term incentive expense		**150**	234
		4 141	3 867
Add: Exceptional losses		**73**	19
Loss/(gain) on disposal of property, plant and equipment		**3**	(1)
Settlement fee received net of expenses on termination of tenant leases		**(21)**	–
Settlement fee received on termination of management contract		**–**	(33)
Impairment of financial instruments, net of recoveries		**2**	4
Pre-opening expenses		**–**	6
Transaction costs		**9**	6
Impairment of property, plant and equipment		**16**	9
Restructuring costs		**58**	12
Impairment of goodwill		**–**	16
Fair value loss on revaluation of previously held interest in associate		**6**	–
Ebitdar	8	**4 214**	3 886

[1] *Net of tax and non-controlling interests*
[2] *Restated for changes in accounting policies – refer note 2*
[3] *The measure excludes the effects of long-term incentives, non-recurring expenditure, headline adjustments including impairments and fair value adjustments on non-current assets and liabilities and other exceptional items*

Summarised consolidated cash flow statement

for the year ended 31 March

	2014 Rm	2013 Restated[1] Rm
Cash flows from operating activities		
Profit before interest and income tax	**3 122**	2 832
Non-cash movements	**1 139**	1 154[2]
Increase in working capital	**(497)**	(180)[2]
Cash generated from operations	**3 764**	3 806
Interest received	**20**	46
Finance costs paid	**(396)**	(445)
	3 388	3 407
Income tax paid	**(756)**	(842)
Dividends paid to shareholders	**(878)**	(702)
Dividends paid to non-controlling interests	**(19)**	(42)
Dividends received	**3**	3
Net cash generated from operations	**1 738**	1 824
Cash flows from investment activities		
Purchase of property, plant and equipment	**(1 337)**	(960)[2]
Proceeds from disposals of property, plant and equipment	**11**	6
Purchase of intangible assets	**(37)**	(47)
Purchase of investment property	**(45)**	(7)
Acquisition of subsidiaries, net of cash acquired	**(507)**	–
Acquisition of business	**(67)**	(20)
Acquisition of associate	**(6)**	–
Advance payment on acquisition of casino licence	**–**	(116)
Advance payment for business acquisition	**–**	(65)
Other loans and investments repaid	**(18)**	1
Net cash utilised for investment activities	**(2 006)**	(1 208)
Cash flows from financing activities		
Borrowings raised	**2 407**	782
Borrowings repaid	**(797)**	(2 079)
Acquisition of non-controlling interests	**(419)**	–
Settlement of contingent consideration for Millennium acquisition	**–**	(58)
Loan repayments to non-controlling interests	**–**	(3)
Decrease in amounts due by share scheme participants	**6**	3
Net cash generated from/(utilised in) financing activities	**1 197**	(1 355)
Net increase/(decrease) in cash and cash equivalents	**929**	(739)
Cash and cash equivalents at beginning of year	**750**	1 443
Foreign currency translation	**36**	46
Cash and cash equivalents at end of year	**1 715**	750

[1] *Restated for changes in accounting policies – refer note 2*

[2] *Non-cash movements, increase in working capital and purchase of property, plant and equipment in the 2013 cash flow were previously reported as R1 131 million, R216 million and R903 million respectively*

Summarised consolidated balance sheet

as at

	31 March 2014 Rm	31 March 2013 Restated[1] Rm	1 April 2012 Restated[1] Rm
ASSETS			
Non-current assets			
Property, plant and equipment	**10 939**	9 123[2]	8 670
Investment property	**102**	7	–
Goodwill and other intangible assets	**6 467**	6 330	6 342
Investments in associates and joint ventures	**149**	171	170
Non-current receivables	**64**	49	54
Derivative financial instruments	**67**	–	–
Deferred income tax assets	**120**	179	114
Amounts due by share scheme participants	**27**	30	19
	17 935	15 889	15 369
Current assets			
Inventories	**103**	85[2]	74
Trade and other receivables	**524**	633	407
Current income tax assets	**137**	73	82
Cash and cash equivalents	**1 715**	750	1 443
	2 479	1 541	2 006
Total assets	**20 414**	17 430	17 375
EQUITY			
Capital and reserves attributable to equity holders of the company			
Ordinary share capital and premium	**4 771**	4 768	4 754
Share-based payment reserve	**3**	3	3
Surplus arising on change in control in joint venture	**130**	130	130
Other reserves	**(114)**	(583)	(230)
Retained earnings	**5 000**	3 997	3 071
Total shareholders' equity	**9 790**	8 315	7 728
Non-controlling interests	**732**	807	727
Total equity	**10 522**	9 122	8 455
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings	**5 062**	3 386	4 245
Derivative financial instruments	**–**	45	9
Deferred income tax liabilities	**1 603**	1 449	1 520
Provisions and other liabilities	**493**	503[3]	438
	7 158	5 383	6 212
Current liabilities			
Interest-bearing borrowings	**1 092**	944	1 382
Derivative financial instruments	**19**	37	38
Trade and other payables	**1 044**	984	958
Provisions and other liabilities	**525**	921	269
Current income tax liabilities	**54**	39	61
	2 734	2 925	2 708
Total liabilities	**9 892**	8 308	8 920
Total equity and liabilities	**20 414**	17 430	17 375

(1) *Restated for changes in accounting policies – refer note 2*
(2) *The amount of property, plant and equipment and inventory was previously reported in 2013 balance sheet as R9 004 million and R204 million respectively*
(3) *The amount of the post-retirement benefit for 2013 was previously reported as R23 million and has been restated to R13 million, included in provisions and other liabilities*

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 31 March 2012 as previously reported	**7 720**	727	**8 447**
Recognition of net interest and service costs as well as remeasurements of actuarial gains and losses due to amendments to IAS 19 *Employee Benefits*	**8**	–	**8**
Balance at 31 March 2012 (restated)[1]	**7 728**	727	**8 455**
Total comprehensive income	**1 675**	125	**1 800**
Profit for the year	**1 627**	125	**1 752**
Other comprehensive income	**48**	–	**48**
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 (restated)[1]	**8 315**	807	**9 122**
Total comprehensive income	**2 059**	96	**2 155**
Profit for the year	**1 877**	96	**1 973**
Other comprehensive income	**182**	–	**182**
Shares issued to share scheme participants	**4**	–	**4**
Share options lapsed	**(1)**	–	**(1)**
Non-controlling interests arising on business combinations	**–**	163	**163**
Transactions with non-controlling interests	**291**	(315)	**(24)**
Ordinary dividends	**(878)**	(19)	**(897)**
Balance at 31 March 2014	**9 790**	**732**	**10 522**

[1] *Restated for changes in accounting policies – refer note 2*

Segmental analysis

for the year ended 31 March 2014

	Income[1]		Ebitdar[2]		Ebitdar margin		Amortisation and depreciation	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Restated[3] Rm	**2014 %**	2013 Restated[3] %	**2014 Rm**	2013 Rm
Montecasino	**2 415**	2 266	**1 088**	1 026	**45.1**	45.3	**95**	83
Suncoast	**1 517**	1 440	**717**	692	**47.2**	48.1	**104**	102
Gold Reef City	**1 298**	1 218	**514**	479	**39.6**	39.3	**65**	74
Silverstar	**648**	602	**263**	237	**40.6**	39.4	**39**	49
The Ridge	**400**	387	**186**	187	**46.5**	48.3	**25**	26
Hemingways	**336**	303	**138**	125	**41.1**	41.3	**45**	22
Emnotweni	**328**	319	**144**	147	**44.0**	46.1	**15**	14
Golden Horse	**318**	303	**146**	150	**46.1**	49.5	**34**	30
Garden Route	**179**	173	**78**	76	**43.7**	43.9	**14**	13
Goldfields	**142**	136	**57**	60	**40.3**	44.1	**9**	9
Blackrock	**139**	135	**54**	53	**38.8**	39.3	**9**	7
The Caledon	**135**	128	**35**	32	**25.7**	25.0	**6**	6
Mykonos	**132**	134	**57**	59	**43.1**	44.0	**6**	7
Other gaming operations	**123**	104	**(196)**	(185)			**9**	11
Total gaming operations	**8 110**	7 648	**3 281**	3 138	**40.5**	41.0	**475**	453
South African hotels division[4]	**2 153**	1 937	**737**	613	**34.2**	31.6	**151**	139
Offshore hotels division	**550**	361	**186**	130	**33.8**	36.0	**18**	14
Pre-foreign exchange gains			***153***	*93*	***27.8***	*25.8*		
Foreign exchange gains			***33***	*37*				
Corporate	**(46)**	(36)	**10**	5			**4**	2
Group	**10 767**	9 910	**4 214**	3 886	**39.1**	39.2	**648**	608

[1] *All revenue and income from gaming and hotel operations is derived from external customers. No one customer contributes more than 10% to the group's total revenue*
[2] *All casino units are reported pre-internal gaming management fees*
[3] *Restated for changes in accounting policies – refer note 2*
[4] *Includes R48 million (2013: R39 million) intergroup management fees*

SHAREHOLDER INFORMATION AND ADMINISTRATION

Analysis of shareholdings

as at 31 March 2014

	Number of shareholders	%	Number of shares[2]	%
Portfolio size				
Range				
1 – 1 000	929	37.81	400 272	0.03
1 001 – 5 000	707	28.77	1 848 742	0.16
5 001 – 10 000	193	7.86	1 426 451	0.12
10 001 – 50 000	273	11.11	6 767 421	0.57
50 001 – 100 000	112	4.56	8 193 849	0.69
100 001 – and more	243	9.89	1 164 129 253	98.43
	2 457	100.00	1 182 765 988	100.00
Shareholder spread				
Public	2 449	99.68	209 689 698	17.73
Individuals	1 654	67.32	55 666 718	4.71
Banks and insurance companies	69	2.81	20 411 567	1.73
Pension funds and medical aid societies	141	5.74	25 542 261	2.16
Collective investment schemes and mutual funds	184	7.49	73 359 710	6.20
Other corporate bodies	401	16.32	34 709 442	2.93
Non-public	8	0.32	973 076 290	82.27
Directors[1]	2	0.08	207 775	0.02
Subsidiary companies*	3	0.12	83 632 695	7.07
Gold Reef Share Scheme*	1	0.04	974 792	0.08
10% of issued capital or more	2	0.08	888 261 028	75.10
	2 457	100.00	1 182 765 988	100.00
Major shareholders owning 1% or more				
Tsogo Investment Holding Company Proprietary Limited			453 013 124	38.30
SABSA Holdings Limited[2]			435 247 904	36.80
Tsogo Sun Gaming Proprietary Limited*			42 876 046	3.63
Tsogo Sun Expansion No 1 Proprietary Limited*			26 329 047	2.23
Maxim Krok			15 587 632	1.32
Aldiss Investments Proprietary Limited*			14 427 602	1.22

**Treasury shares*

There are 84 607 487 treasury shares.

[1] *At 31 March 2014, 167 775 (2013: 167 775) shares were held directly by JA Copelyn, Non-Executive Director and Chairman and 40 000 (2013: nil) by JA Mabuza, Non-Executive Director and Deputy Chairman. No other director held shares in the company or any of its subsidiaries. Post-year end, on 12 August 2014, MN von Aulock acquired 3 339 805 shares directly and RB Huddy acquired 1 048 543 shares directly. There have been no other changes to directors' shareholdings between the balance sheet date and the date of this report.*

[2] *Post-year end SABMiller announced that it was conducting a strategic review of its investment in Tsogo Sun which culminated in the disposal of all of its ordinary shares in Tsogo Sun through:*

- *a fully marketed secondary placing of 301.7 million ordinary shares to selected South African and international institutional investors; and*
- *a specific repurchase and cancellation of 133.6 million ordinary shares by Tsogo Sun.*

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
Cullinan	The Cullinan Hotel Proprietary Limited
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
Liberty	Liberty Group Limited
PDIs	Previously disadvantaged individuals
POPI	Protection of Personal Information Act
PP	Percentage points
Revpar	Revenue per available room
SABMiller	SABMiller plc
SABSA	SABSA Holdings Limited
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
SSHI	Southern Sun Hotel Interests Proprietary Limited
TBCSA	Tourism Business Council of South Africa
the group	Tsogo Sun Holdings Limited and its subsidiaries, associates and joint ventures
TIH	Tsogo Investment Holding Company Proprietary Limited
TSH	Tsogo Sun Hotels, Gaming and Entertainment Proprietary Limited (previously Tsogo Sun Holdings Proprietary Limited)
Tsogo Sun or the company	Tsogo Sun Holdings Limited
VAT	Value Added Tax

Corporate information

Company Secretary and registered office

GD Tyrrell[1]
Palazzo Towers East
Montecasino Boulevard
Fourways, 2055
(Private Bag X200, Bryanston, 2021)

Sponsor

Deutsche Securities (SA) Proprietary Limited
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(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 replaced 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	15 October 2014
Next financial year end	31 March 2015

Reports

Announcements	
Interim results for six months to September	November 2014
Preliminary announcement of annual results	May 2015
Annual financial statements published	September 2015

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 Annual General Meeting ('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 Wednesday, 15 October 2014 at 10:00 for the purpose of considering the following business to be transacted and, if deemed fit, passing with or without amendment, the ordinary and special resolutions set out hereunder, and considering any other matters raised by shareholders at the AGM:

1 Adoption of annual financial statements and reports

Ordinary resolution 1

"Resolved as an ordinary resolution to receive and adopt the annual financial statements of the company and the group for the financial year ended 31 March 2014, together with the reports of the directors and the independent auditors thereon contained in the integrated annual report of the company and the group, for the financial year ended 31 March 2014 and tabled at the meeting at which this resolution was proposed, and further to receive the reports of the audit and risk committee, the social and ethics committee and the remuneration committee, contained in the integrated annual report of the company and the group, for the financial year ended 31 March 2014 and tabled at the meeting at which this resolution was proposed."

2 Appointment of auditors

Ordinary resolution 2

"Resolved as an ordinary resolution that PricewaterhouseCoopers Inc. be and are hereby appointed as independent auditors of the company until the conclusion of the next Annual General Meeting of the company."

3 Appointment and re-election of directors

3.1 Ordinary resolution 3.1

"Resolved as an ordinary resolution that the appointment of Ms BA Mabuza, as a director of the company with effect from 3 June 2014, be and is hereby confirmed in terms of the Listings Requirements of the JSE Limited and she is hereby elected as a director of the company."

A summarised *curriculum vitae* in respect of Ms BA Mabuza is contained on page 65 of the integrated annual report of the company, and the group, for the financial year ended 31 March 2014, of which this notice of AGM forms part ('integrated annual report').

Mr J Davidson replaced Mr EAG MacKay as a director of the company with effect from 17 January 2014. Mr Davidson resigned as a director of the company, effective 28 August 2014.

3.2 Ordinary resolutions 3.2.1 and 3.2.2

"Resolved as ordinary resolutions:

3.2.1 to re-elect as a director of the company, Mr JA Copelyn, who retires by rotation in terms of the company's memorandum of incorporation, but, being eligible, has offered himself for re-election as a director of the company; and

3.2.2 to re-elect as a director of the company, Mr RG Tomlinson, who retires by rotation in terms of the company's memorandum of incorporation, but, being eligible, has offered himself for re-election as a director of the company."

Summarised *curricula vitae* in respect of Messrs JA Copelyn and RG Tomlinson are contained on page 64 and page 65 of the integrated annual report.

4 Appointment to audit and risk committee

Ordinary resolutions 4.1, 4.2 and 4.3

"Resolved as ordinary resolutions that:

4.1 Mr JG Ngcobo be and is hereby appointed as a member of the company's audit and risk committee;

4.2 subject to the passing of ordinary resolution 3.2.3, Mr RG Tomlinson be and is hereby appointed as a member of the company's audit and risk committee; and

4.3 subject to the passing of ordinary resolution 3.1, Ms BA Mabuza be and is hereby appointed as a member of the company's audit and risk committee."

5 Non-binding advisory resolution approving the company's remuneration policy

Ordinary resolution 5

"Resolved as an ordinary resolution, by way of a non-binding advisory vote, that the company's remuneration policy, which has been presented to shareholders on page 71 to page 75 of the integrated annual report of the company and the group, for the financial year ended 31 March 2014 and tabled at the meeting at which this resolution was proposed, be and is hereby approved in terms of the King Report on Corporate Governance for South Africa 2009."

6 Non-executive directors' fees

Special resolution 1

"Resolved as a special resolution that the fees payable to non-executive directors for their services as directors of the company and/or as members of the board subcommittees, in respect of the period from 1 October 2014 until the next annual general meeting of the company, as proposed in the remuneration report on page 75 of the integrated annual report of the company and the group, for the financial year ended 31 March 2014 and tabled at the meeting at which this resolution was proposed, be and is hereby 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.

7 General authority to repurchase shares

Special resolution 2

"Resolved as a special resolution, that the company and/or any of its subsidiaries, be and are hereby authorised, by way of a general approval in terms of the Listings Requirements of the JSE Limited ('JSE'), 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, No 71 of 2008, as amended or replaced from time to time ('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;

Notice of Annual General Meeting continued

- this general authority shall be valid until the company's next Annual General Meeting, provided that it shall not extend beyond 15 months from the date of passing of this special resolution;
- acquisitions of shares under this general authority to repurchase shares may not, in aggregate in any one financial year, exceed 10% of the company's issued ordinary share capital as at the date of 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 on 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 contemplated in the Companies Act and that, since the solvency and liquidity test was applied, no material change has occurred in the financial position of the group."

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 Limited ('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.

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.

The board of directors confirms that no repurchase will be implemented in terms of this authority, unless the board of directors has passed a resolution authorising the repurchase, resolving that the company and its subsidiary/ies, as the case may be, have satisfied the solvency and liquidity test as contemplated in the Companies Act and since the solvency and liquidity test had been applied, there had been no material changes to the financial position of the group."

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 64, page 65 and page 69 of the integrated annual report;
- major beneficial shareholders – page 10 and page 85 of the integrated annual report;
- the directors with an interest in securities are Messrs JA Copelyn, JA Mabuza, MN von Aulock and RB Huddy – refer to page 85 of the integrated annual report; and
- share capital of the company – note 15 on page 75 of the annual financial statements of the company for the financial year ended 31 March 2014.

The directors, whose names appear on page 64 and page 65 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;
- 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, that all reasonable enquiries to ascertain such facts have been made and that this notice of AGM 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 up to the date of this notice of AGM.

8 Financial assistance to related or inter-related companies or corporations

Special resolution 3

"Resolved as a special resolution that, to the extent required in terms of, and subject to the provisions of section 45 of the Companies Act, No 71 of 2008, as amended or replaced from time to time, 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, subject to the requirements of the Listings Requirements of the JSE. The company will accordingly be authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

Notice of Annual General Meeting continued

9 Issue of shares or options and grant of financial assistance in terms of the company's share-based incentive schemes

Special resolution 4

"Resolved as a special resolution that, to the extent required in terms of, and subject to the provisions of sections 41, 42, 44 and 45 of the Companies Act, No 71 of 2008, as amended or replaced from time to time, the requirements (if applicable) of the company's memorandum of incorporation and the Listings Requirements of the JSE Limited:

- 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 issue of shares or options and 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 and/or in accordance with the provisions of any other share-based incentive scheme established by the company.

RECORD DATES

The directors of the company 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, 5 September 2014; and
- participate in and vote at the AGM is Friday, 10 October 2014. The last day to trade in order to be registered in the company's register of shareholders to be able to participate in and vote at the AGM will, therefore, be Friday, 3 October 2014.

VOTING

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

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

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

In terms of section 48(2)(b)(ii) of the Companies Act, No 71 of 2008, as amended or replaced from time to time ('Companies Act'), subsidiaries of the company which hold shares in the company shall not be entitled to exercise voting rights on any resolutions proposed by the company in respect of such shares.

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

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

PROXIES

Shareholders holding certificated shares and shareholders holding dematerialised shares registered in such shareholders' own name and who are registered as such on Friday, 10 October 2014 are 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 shareholders' stead. A proxy need not be a shareholder of the company. The completion and lodging of a form of proxy will not preclude a shareholder from attending, participating in, speaking and voting at the AGM to the exclusion of the proxy/ies so appointed.

The attached form of proxy should be completed and returned to the transfer secretaries of the company, Link Market Services South Africa Proprietary Limited at their address below, in accordance with the instructions contained therein so as to be received by the transfer secretaries, by no later than 10:00 on Tuesday, 14 October 2014.

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.

AVAILABILITY OF DOCUMENTS

Copies of the integrated annual report containing the reports of the directors, the independent auditors, the audit and risk committee, the social and ethics committee and the remuneration committee referred to in ordinary resolution number 1, as well as the consolidated financial statements of the company and the group for the years ended 31 March 2014, 31 March 2013 and 31 March 2012, may be obtained from the registered office of the company, Palazzo Towers East, Montecasino Boulevard, Fourways, 2055, during normal business hours from Thursday, 11 September 2014 up to and including Wednesday, 15 October 2014, or from the company's website, www.tsogosun.com.

Notice of Annual General Meeting continued

ELECTRONIC COMMUNICATION

Should any shareholder (or a representative or proxy for a shareholder) wish to participate in the AGM by way of electronic participation, that shareholder should make an application in writing (including details as to how the shareholder or its representative (including its proxy) can be contacted) to so participate, to the transfer secretaries, at their address below, to be received by the transfer secretaries at least seven business days prior to the AGM (ie by Monday, 6 October 2014) in order for the transfer secretaries to arrange for the shareholder (or its representative or proxy) to provide satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act and for the transfer secretaries to provide the shareholder (or its representative or proxy) with details as to how to access the AGM by means of electronic participation. Shareholders participating electronically will not be able to vote electronically and must follow the standard voting arrangements indicated above. The company reserves the right not to provide for electronic participation at the AGM in the event that it determines that it is not practical to do so, or an insufficient number of shareholders (or their representatives or proxies) request to so participate.

By order of the board

Graham David Tyrrell
Company Secretary

29 August 2014

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 Wednesday, 15 October 2014 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 if they wish to attend the Annual General Meeting in person and must request their CSDP or broker to issue them with the necessary letters of representation authorising them to attend in person, alternatively, they must provide their CSDP or broker with their voting instructions should they not wish to attend the Annual General Meeting in person. Such dematerialised shareholders must not return this form of proxy to the transfer secretaries.

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 at and participate in the Annual General Meeting and any adjournment or postponement thereof, on my/our behalf , and to vote for and/or against the ordinary and special resolutions to be proposed at such Annual General Meeting, or any postponement or adjournment thereof, and/or to abstain from voting thereon, in respect of the ordinary shares in the company registered in my/our name/s.

Please indicate with an 'X' the instructions to your proxy in the spaces provided below (see notes 3 and 4 overleaf). 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 (see notes 3 and 4 overleaf)		
	For	**Against**	**Abstain**
Ordinary resolution number 1 – Adoption of annual financial statements and reports			
Ordinary resolution number 2 – Appointment of auditors			
Ordinary resolution number 3.1 – Election of Ms BA Mabuza as a director			
Ordinary resolution number 3.2.1 – Re-election of Mr JA Copelyn as a director			
Ordinary resolution number 3.2.2 – Re-election of Mr RG Tomlinson as a director			
Ordinary resolution number 4.1 – Appointment of Mr JG Ngcobo to the audit and risk committee			
Ordinary resolution number 4.2 – Appointment of Mr RG Tomlinson to the audit and risk committee			
Ordinary resolution number 4.3 – Appointment of Ms BA Mabuza to the audit and risk committee			
Ordinary resolution number 5 – Non-binding advisory resolution approving the company's remuneration policy			
Special resolution number 1 – Approval of the fees proposed for non-executive directors			
Special resolution number 2 – General authority to repurchase shares			
Special resolution number 3 – Approval of provision of financial assistance to related or inter-related companies or corporations			
Special resolution number 4 – Approval of the issue of shares or options and the 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.

Signed at this day of 2014

Signature(s)

Assisted by (where applicable)

Please read the notes overleaf.

Notes to form of proxy

1. The form of proxy must only be used by shareholders of the company 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 in the company and do not have 'own-name' registration, must inform their CSDP or broker if they wish to attend the Annual General Meeting in person and must request their CSDP or broker to issue them with the necessary letters of representation authorising them to attend in person, alternatively, they must provide their CSDP or broker with their voting instructions should they not wish to attend the Annual General Meeting in person. Such dematerialised shareholders must not return this form of proxy to the transfer secretaries.
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 to 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 relating to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned in respect of such resolution.
4. A shareholder or the proxy is not obliged to cast all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
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:
    - 11.1 any one holder may sign this form of proxy; and
    - 11.2 the vote(s) of the senior shareholder (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's 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 Tuesday, 14 October 2014 (or 24 hours before the date of any adjourned or postponed Annual General Meeting which date, if necessary, will be notified on the Securities 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 by a shareholder of a proxy or proxies:
    - 14.1 is suspended at any time and to the extent that such shareholder chooses to act directly and in person in the exercise of any rights as a shareholder; and
    - 14.2 is revocable in which case a shareholder may revoke the proxy appointment by:
        - 14.2.1 cancelling it in writing or making a later inconsistent appointment of a proxy; and
        - 14.2.2 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:
    - 15.1 the shareholder; or
    - 15.2 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.

www.tsogosun.com