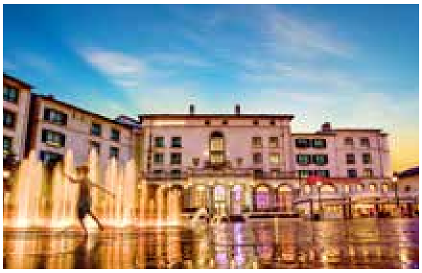
TSOGO SUN

Integrated Annual Report 2016

Contents






About this report

Reporting approach

We are pleased to present our integrated annual report to our stakeholders. This report is primarily written for our shareholders but it is also helpful to our other stakeholders interested in our ability to ensure a sustainable business into the future. This report provides a consolidated review of our financial, economic, social and environmental performance on matters material to our strategy and our ability to create and sustain value.

The financial and other information has been prepared in accordance with the requirements of IFRS, the South African Companies Act 2008, the JSE Listings Requirements, King III and the international <IR> framework as applicable.

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 contents of this document addresses material issues for all our subsidiaries, associates and joint ventures and covers the period from 1 April 2015 to 31 March 2016 except where material transactions have occurred post-year end. The process we utilised in determining and applying materiality is included on page 21 of the report. Non-financial disclosures, except for environmental disclosures, focus on the South African operations, which generate 94% of our income. The scope and boundaries of environmental disclosures are defined on page 43.

Icons for further digital information within the report:

- Further reading relevant within this report.
- Find more detailed information on our website relating to Tsogo Sun and our integrated annual report.
- Scan the QR code to download the integrated annual report to your smartphone, tablet or e-reader.
- Scan the QR code to download the annual financial statements to your smartphone, tablet or e-reader.

Social platforms to 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
- View Tsogo Sun images on Instagram https://instagram.com/tsogosun

Financial statements

We have provided summarised financial statements in the integrated annual report. 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 at companysecretary@tsogosun.com.

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 sub-committee of the audit and risk committee 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 in accordance with the international <IR> framework, and therefore approve the report for release. We welcome any feedback at investors@tsogosun.com.

John Copelyn
Chairman

Marcel von Aulock
Chief Executive Officer

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.

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.

Tsogo Sun's portfolio proudly comprises 93 hotels with more than 15 200 hotel rooms across all sectors of the market, from luxury to budget with operations in South Africa, Nigeria, Kenya, Tanzania, Zambia, Mozambique, 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 280 conference and banqueting facilities, including the Sandton Convention Centre.

Our group structure

TSOGO SUN

TSOGO SUN GAMING

100%

TSOGO SUN HOTELS

100%

47.6%

Hosken

Hosken Consolidated Investments Limited

Public

52.4%

Our owners

Our key shareholder at 31 March 2016 was Hosken Consolidated Investments Limited, a JSE listed investment holding company (through TIH) holding 47.6% of the shares, excluding treasury shares. A detailed analysis of shareholdings as at 31 March 2016 is included on page 87.

The HCI shareholding is of particular importance to the sustainability of the group as it provides the bulk of the 62% broad-based empowered ownership at group level, significantly simplifying our group structure as local empowerment is not required at individual property level, except where specifically required by provincial legislation.

Although the nature of our shareholding impacts the way we are managed due to the majority of the board being appointed by the major shareholder, the governance environment is robust and actively encouraged. Refer to the corporate governance section on pages 63 to 70.

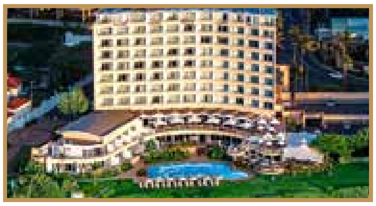
Group overview continued

TSOGO SUN THROUGH THE YEARS

1969

1969

South African Breweries Limited ('SAB Limited') and hotel magnate, Sol Kerzner, partnered to create Southern Sun Hotels ('Southern Sun'), the largest hotel group in the southern hemisphere at the time. 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.



1983

Sun International Limited was split out of Southern Sun as a separate gaming business and Southern Sun remained focused on hotels.

2000 – 2002

Montecasino opened during 2000, Hemingways Casino opened during 2001 and the Suncoast Casino and Entertainment World followed in 2002. During 2002, SABMiller (via SABSA Holdings Limited) and 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%. Hosken Consolidated Investments Limited ('HCI') first acquired a 10% interest in TIH during 2002 and has subsequently obtained a 99% ownership of TIH.

2009

The group acquired two casino properties owned by Century Casinos Inc., namely Blackrock Casino and The Caledon Casino.

2010

An additional 30% of the shares in the Suncoast Casino were acquired from non-controlling interests increasing the group's holding to 73.5%.

2011

The group merged with Gold Reef 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. An additional 16.5% of the shares in the Suncoast Casino were acquired from non-controlling interests, increasing the group's holding to 90%.

2012

The group acquired Accor SA's holding in the Formula1 hotels and in the following year rebranded the hotels to SUN1. The Tsogo Sun group was rebranded, bringing the two casino businesses and the hotel business under one common identity.

2013

The final 10% of the shares in the Suncoast Casino were acquired from non-controlling interests, bringing the group's holding to 100%. The group acquired 75.5% of Ikoyi Hotels Limited which owns the Southern Sun Ikoyi Hotel in Lagos, Nigeria.

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.

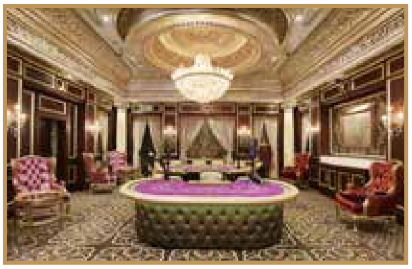
1991
Southern Sun was delisted from the JSE and became a wholly owned subsidiary of SAB Limited. Southern Sun entered into a joint venture with Accor SA, the French hotel group, to develop the Formula1 and Formula Inn range of hotels in South Africa and the first of 23 hotels opened the next year.

1995
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')) and the consortium was successful in obtaining five casino licences.

1997 – 1998
The group opened the Emnotweni Casino which in 1997 was the first casino within the new regulated environment in post-Apartheid South Africa. In the following year the group opened The Ridge Casino.

1999
Southern Sun acquired a 50% interest in a consortium with Liberty Group Limited ('Liberty') called The Cullinan Hotel Proprietary Limited ('Cullinan') which owned three hotels.

2014
The group acquired an additional 10% interest in Cullinan and Cullinan acquired various hotel assets from Liberty and Southern Sun bringing the number of hotel properties in Cullinan to eight. The group acquired a 25% interest in Redefine BDL Hotel Group Limited, a leading hotel management company in the United Kingdom. The expansion of Silverstar Casino was completed. SABMiller disposed of its stake in the group and Tsogo Sun Holdings Limited bought back 12% of its ordinary shares.



2015
The group acquired 55% of the Hospitality Property Fund B-linked units in anticipation of acquiring a controlling stake in the fund. The expansion of the Gold Reef City Casino was completed.

2016
The group acquired a 20% interest in the Grandwest and Worcester casinos.

2016

Strategy and performance highlights

SUSTAINABILITY

Deliver to our beneficiaries

The nature of the shareholders and those to whom economic benefits flow are an important protection

Level 2
BBBEE contributor

Black ownership
62%

R8.9 billion
value added to black economic empowered businesses and government

43 945
learners supported through Tsogo Sun Academies

Financial strength and durability

An appropriate capital structure is important to ensure the business survives through economic cycles

Net debt to Ebitdar
2.0 times

Unutilised net facilities
R4.8 billion

49-month weighted average expiry of debt facilities

57%
of net debt hedged

Product relevance to customer experience

To remain relevant a variety of quality experiences must be provided at appropriate price points

15 200
hotel rooms across all market segments

14
gaming and entertainment destinations

75%
of gaming revenue from reward club members

33%
of hotel revenue from reward club members

77%
gaming guest satisfaction

87%
hotels guest satisfaction

How we create long-term sustainable value

The key pillars of our sustainability include meeting the reasonable requirements of our beneficiaries, financial strength and durability, maintaining product relevance to customer experience, regulatory compliance and having adequate skilled human resources. A business has to stay in business to be able to take advantage of the commercial opportunities that are presented to it.

The value of a business is the present value of the future cash flows that can be generated by the assets and other capitals utilised by the business. Growth in cash flows over time are generated through the optimal operation of the group's capitals (organic growth) and building the tangible and intangible asset base of the group through developing and acquiring new businesses (inorganic growth).

Regulatory compliance

The retention of gaming licences through a strict compliance culture is critical

No significant gaming regulation breaches

Human resources

Qualified, trained, talented and empowered people are required to deliver the Tsogo Sun experience

12 800
direct employees in South Africa

22 800
combined direct and indirect jobs in South Africa

Training spend
4.5% of payroll

GROWTH

Inorganic

Building the tangible and intangible asset base of the group generates growth in cash flow and thus value

Investment activity expenditure

R1.0 billion

Organic

Optimal operation of the group's capitals generates growth in cash flow and thus value

	2016	2015	% change
Income (Rm)	**12 283**	11 343	8
Ebitdar (Rm)	**4 543**	4 223	8
Ebitdar margin (%)	**37.0**	37.2	(0.2pp)
Adjusted headline earnings per share (cents)	**196.5**	175.0	12
Dividend for the year per share (cents)	**98.0**	89.0	10
Free cash flow (Rm)	**1 953**	1 811	8
Maintenance capital expenditure (Rm)	**945**	749	

Strategic priorities and growth drivers

Strategic priorities

SUSTAINABILITY

Deliver to our beneficiaries

- Current shareholding and Corporate Social Investment and Enterprise Development programmes are effective

Regulatory compliance

- Day-to-day compliance excellent
- High awareness of potential regulatory risks

Financial strength and durability

- Strong cash flow, judicious use of gearing and adequate facilities
- Own most of our assets

Human resources

- Adequate resources and skills
- Engaged workforce

Product relevance to customer experience

- Adequate maintenance capex
- Strong development skills in-house
- Proactive marketing of products and brands

GROWTH

Organic

- Significant focus on getting more out of our existing businesses
- Continued cost focus
- Systems and values

Inorganic

- New projects

Future growth drivers

① Significant upside potential from economic recovery

- Growth in casino win and Revpar as economy improves
- Focus on costs to protect margins

② Casino expansion should drive additional growth

- Silverstar and Gold Reef City completed
- Suncoast to commence in 2016
- Additional licenced positions available at Montecasino and Gold Reef City

③ New casino opportunities

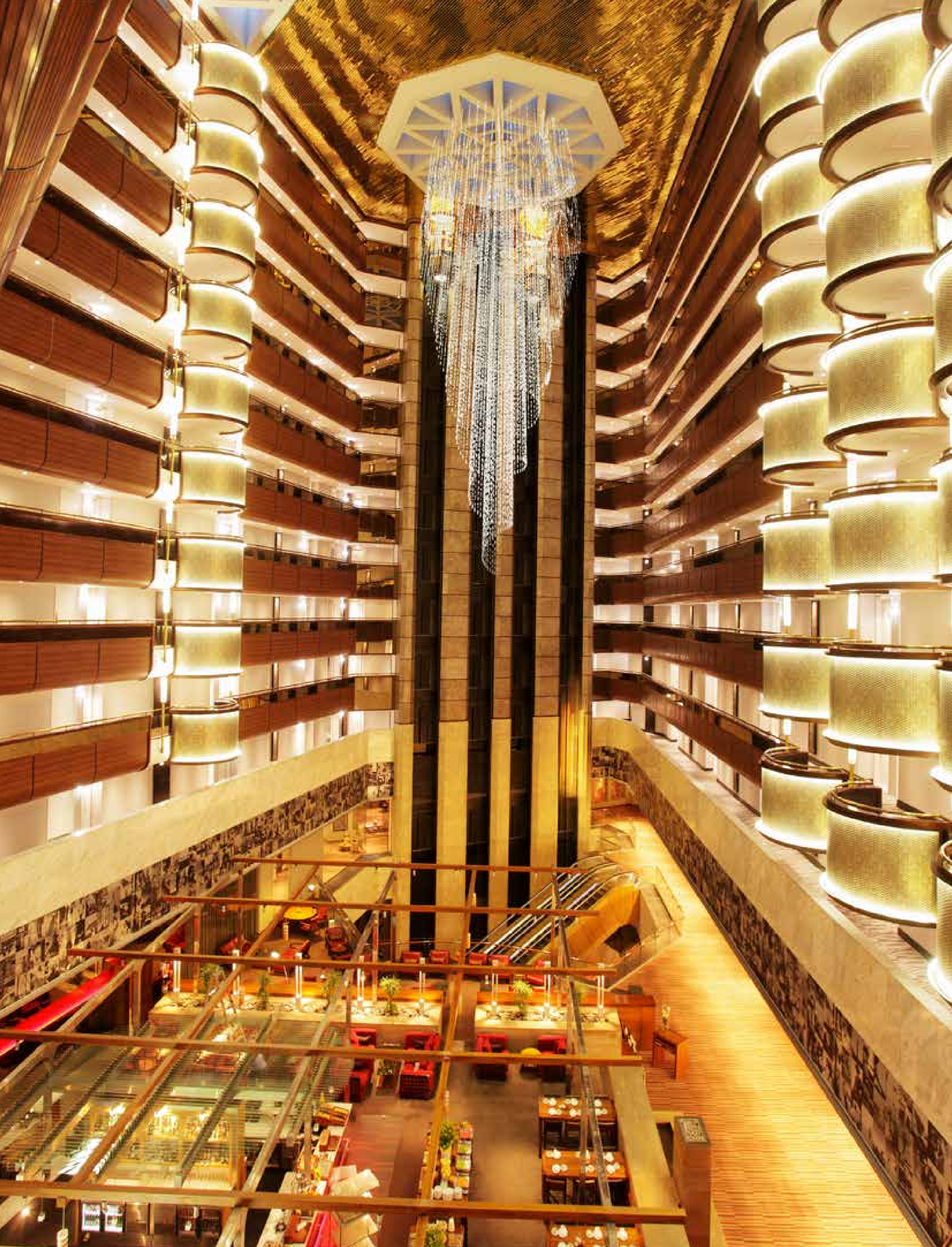
- Western Cape Metropole/Mpumalanga fourth licence

④ Continued investment in SA hotels

- REIT structure aims to unlock business segment for the group

⑤ Expansion in offshore hotels

- Africa and Europe asset acquisition



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
- Internally generated cash flows

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

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

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

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 12

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*
Compliance	*and reporting*

Finance and internal audit

Information technology

Development and facilities management

Human resources, development and training

Marketing and branding

Procurement

Key business processes

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

Gaming / Entertainment Complexes

Licences

Taxes

Regulators 52

Promotions

Customer rewards

Customer experiences

39 **Investors**

44 **Partners**
Tenants
Suppliers

49 **Customers**
Individuals

39 **Community**
Corporate social investment

63 **Governance**

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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.

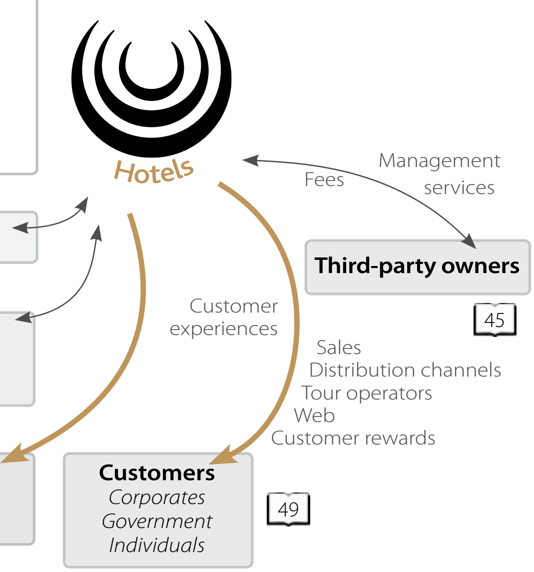
14 HOTEL DIVISION

Core business

Owns, leases and manages hotels

Key market differentiator

Wide geographic distribution of quality budget to luxury hotel properties



Outputs

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

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

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

Environmental and social impacts

- Energy consumption 43
- Water consumption 44
- Waste 44
- Social impact 42

Outcomes linked to strategic priorities

Deliver to our beneficiaries 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 48
- Resources to pursue opportunities
- Prudent gearing levels
- Adequate funding facilities
- Long-term funding maturities

Product relevance to customer experience 49
- Customer satisfaction
- Customer value
- Brand loyalty
- Product distribution

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

18 **Technology** 18 **Consumer preferences** 19 **Societal issues** 19 **Environmental issues**

Business model continued

TSOGO SUN GAMING

Footprint

	Ownership %	Tables (as at 31 March 2016)	Slots (as at 31 March 2016)	Hotel rooms (as at 31 March 2016)	Group revenue contribution %	Group Ebitdar contribution %
Montecasino	100	79	1 873	619	22	26
Suncoast	100	64	1 600	165	14	17
Gold Reef City	100	51	1 728	113	11	12
Silverstar	100	29	1 090	34	6	6
The Ridge	100	18	450	175	3	4
Emnotweni	100	18	425	224	3	3
Golden Horse	100	22	450	96	3	4
Hemingways	65	16	507	108	3	3
Garden Route	100	16	412	43	2	2
Blackrock	98	10	300	80	1	1
The Caledon	100	8	318	95	1	1
Mykonos	70	6	320	–	1	1
Goldfields	100	9	250	–	1	1
Queens	25	6	180	–	*	*
Other gaming operations	100				1	(5)
Total F'16		**352**	**9 903**	**1 752**	**72**	**76**
Total F'15		347	9 791	1 752	73	78

Notes: ** Queens Casino is equity accounted*
Ebitdar is stated pre-management fees
Other gaming operations consist of the Sandton Convention Centre and head office costs

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. Ten of the 14 gaming operations of the group are wholly owned with minority shareholders in Hemingways (35%), Blackrock (2%) and Mykonos (30%), and with Queens Casino being an associate investment of 25%. The Queens Casino licence expires in December 2017 and the group will not participate in the rebid.

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 economic wellbeing of that 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 rewards programme in the gaming division rewards customers with status, benefits and recognition. The rewards programme is important as 75% of gaming revenue is contributed by active reward club members.

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

Fourways

MONTECASINO

Johannesburg

Gold Reef City

Krugersdorp

SILVERSTAR

Free State

Welkom

GOLDFIELDS

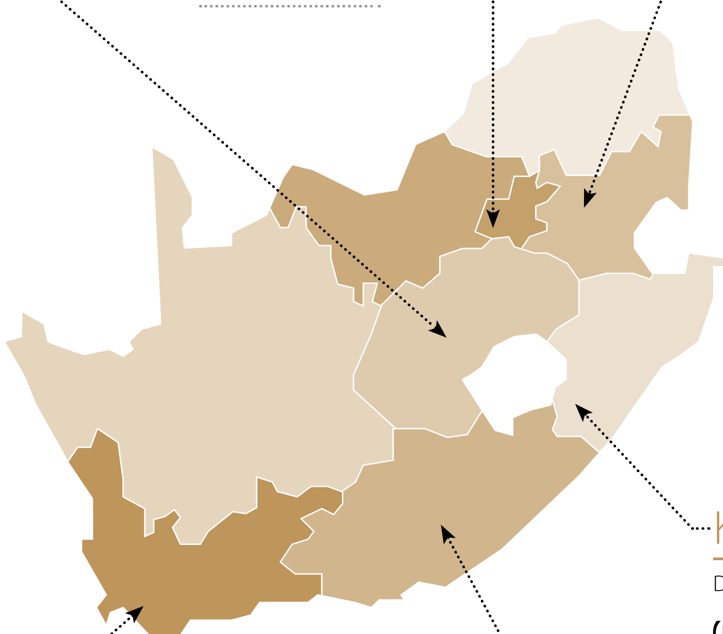
Mpumalanga

Mbombela

EMNOTWENI

eMalahleni

THE RIDGE



KwaZulu-Natal

Durban

SUNCOAST

Pietermaritzburg

GOLDEN HORSE

Newcastle

BLACKROCK

Western Cape

Caledon

The Caledon

Mossel Bay

GARDEN ROUTE

Langebaan

MYKONOS

Eastern Cape

East London

HEMINGWAYS

Queenstown

QUEENS CASINO

Business model continued

TSOGO SUN HOTELS

Footprint

as at 31 March 2016

	Owned/leased		Managed		Total		Group revenue contribution %	Ebitdar contribution %
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms		
Deluxe	3	410	3	703	6	1 113	2	1
Premier	26	5 322	4	854	30	6 176	11	8
Economy	22	3 930	4	847	26	4 777	8	8
Budget	22	1 661	–	–	22	1 661	1	2
South Africa	73	11 323	11	2 404	84	13 727	22	20
Offshore	7	1 052	2	483	9	1 535	6	4
Total F'16	**80**	**12 375**	**13**	**2 887**	**93**	**15 262**	**28**	**24**
Total F'15	79	11 786	13	2 887	92	14 673	27	22

Note: *Excludes Redefine BDL and International Hotel Group portfolios and includes only hotels operated and managed by the group directly*

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 majority 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 security of 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 we 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.

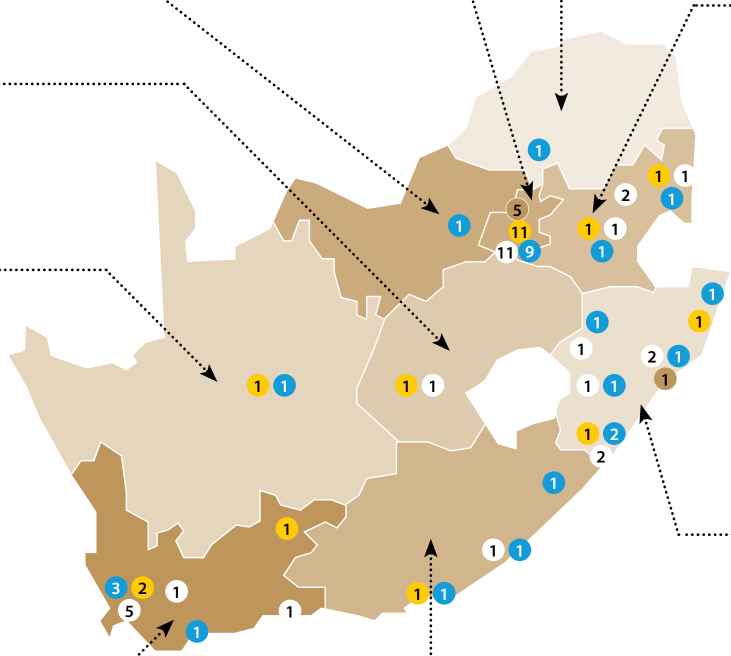
The customer rewards programme in the hotel division is important as 33% of hotel revenue is contributed by active reward club members.

Brands

Luxury	MAIA, BEVERLY HILLS, PALAZZO, SANDTON SUN, SUNCOAST TOWERS, 54 ON BATH, INTERCONTINENTAL
Full service	Southern Sun Hotels, Southern Sun Resorts, CROWNE PLAZA, Holiday Inn
Select service	SUN SQUARE, Garden Court, stayeasy
Budget	SUN1

- 1 **Nigeria** Lagos
- 1 1 **Zambia** Lusaka
- 1 **Mozambique** Maputo

- 1 **Tanzania** Dar-es-Salaam
- 1 **Kenya** Nairobi
- 2 **Seychelles** Mahé and Praslin
- 1 **UAE** Abu Dhabi



Gauteng
- Johannesburg
- Pretoria
- Vereeniging

Limpopo
- Polokwane

North West
- Rustenburg

Mpumalanga
- Mbombela
- eMalahleni
- Hazyview

Free State
- Bloemfontein

Northern Cape
- Kimberley

KwaZulu-Natal
- Durban
- Pietermaritzburg
- Newcastle
- Winterton
- Umhlanga
- Richards Bay
- Ulundi

Western Cape
- Cape Town
- Caledon
- Mossel Bay
- Plettenberg Bay
- Beaufort West

Eastern Cape
- East London
- Mthatha
- Port Elizabeth

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 rulings, practices and policies. 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, the National Gambling Policy, provincial gaming taxes and the recent 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 may not be as severe due to the strict smoking restrictions that are already in place. The DTI published the National Gambling Policy as approved by cabinet in April 2016, which includes the intention to increase the number of casino licences from 40 to 41. The additional licence intended for the North West province was proclaimed in the Government Gazette on 10 June 2016 but remains subject to legal challenge by CASA. The Gauteng provincial government published a revision of the casino tax regime for comment in January 2016 where the current fixed rate of 9% would be replaced with a sliding scale with a maximum marginal rate of 15%. CASA has submitted an objection to the proposed increase due to, among others, its procedural illegality, gross unfairness and excessive nature. The amendments to the BBBEE Codes of Good Practice are important particularly in the context of various gambling boards seeking to impose the achievement of defined levels of empowerment, as measured against the codes, as a licence condition.

Proposed amendments to the National Liquor Act and the Financial Intelligence Centre Act may also impose more onerous and/or impractical obligations on the group. The liquor amendments include restrictions to whom alcohol may be sold, the restriction of trading hours and restrictions regarding where licenced premises may be located, and the imposition of vicarious liability on licensees. The FICA amendments include stricter requirements for concluding single transactions and the introduction of the concept of 'prominent influential persons/public officials'.

The gaming industry in South Africa is highly regulated, both at national and provincial level, and thus, unlike the hotel industry, has high barriers to entry. The National Gambling Act sets the broad framework for the licensing and regulation of gambling in South Africa, and each province has its own legislation relating to casinos, gambling and wagering. The National Gambling Act currently limits the number of casino licences that may be granted to 41 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	Tsogo	Available
Gauteng	7	7	3	–
Eastern Cape	5	4	2	1
Western Cape	5	5[(1)]	3	–
Mpumalanga	4	3	2	1
Limpopo	3	3	–	–
Northern Cape	3	3	–	–
Free State	4	4	1	1[(2)]
North West	5[(3)]	4	–	1
KwaZulu-Natal	5	5	3	–
Total	**41[(3)]**	**38**	**14**	**4**

Notes

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

(2) *One of the existing licences will lapse upon the issue of the one available licence*

(3) *DTI intends to permit the award of an additional licence*

The approval of an additional casino licence in the North West province potentially increases the risk of additional licences in other provinces, although assurances that this is a once-off special situation due to the loss of the Marula licence to the North West province due to the change of provincial boundaries have been given by the Minister of Trade and Industry, Mr Rob Davies.

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

With the exception of the group's Eastern Cape-based licences, casino licences are issued for an indefinite period, subject to payment to the relevant provincial board of the applicable annual licence fees and continued suitability and compliance with licensing conditions.

Economic environment

Disposable income growth, ongoing urbanisation, significant middle-class growth, developed infrastructure and an operating environment conducive to business have historically been long-term structural drivers of growth in South Africa and have increased the consumer base and spending power of the population. Disposable income in South Africa has grown strongly since 2000 and millions of South Africans have entered higher LSM brackets.

Global economic conditions following the financial crisis remain weak although they appear to be improving and sentiment-driven shocks continue to fuel significant volatility. Uncertainty impacts global fund flows to emerging markets which, exacerbated by lower commodity prices and South African-specific political, social and economic issues, 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 reduces economic growth. Business confidence remains at very low levels, particularly due to political uncertainty, low levels of economic growth, constraints in electricity supply, and high levels of household debt. Above-inflationary increases in municipal rates, electricity and water, in addition to the costs of mitigating the supply constraints, have had an impact on both businesses and the consumer, although the low levels of economic growth have somewhat mitigated the electricity supply shortages.

The underlying operations of the group remain highly geared towards the South African consumer (in gaming) and the corporate market (in hotels). The weakening of the Rand mainly impacts the capital cost of gaming machines and the translation of the income statement of the hotels outside South Africa. We do not believe that the contraction in the supply of unsecured lending has impacted growth in the casino gambling industry as it remains entertainment spend from upper/middle-income consumers. The main beneficiary of the easy credit was retail sales, mainly for clothes and furniture in lower-income segments.

The factors noted above mainly impact the group indirectly due to their impact on the consumer, corporate and government markets and have manifested in significant monthly trading volatility. Growth for the past 30 months was relatively weak, except for the last quarter of F'16, where double-digit revenue growth was experienced, although this may be Tsogo Sun specific.

Industry

Gaming

A 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 and levies, the development of gaming and entertainment complexes, hotels and tourism infrastructure, the creation of employment, CSI initiatives and transformation. Gaming taxes and levies vary by province on either fixed or sliding scales and average 21% of gaming win including VAT on gaming win.

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 lagged nominal GDP but 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 R25 billion. Casino gaming accounts for approximately 70% of the gaming market and Tsogo Sun has a revenue share of 46% 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. They operate in different markets, each with its own catchment area. 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 2016	
	Total casino gaming win Rm	Group share of total casino gaming win %
Gauteng	7 422	52
KwaZulu-Natal	3 434	59
Western Cape	2 893	17[1]
Eastern Cape	1 219	25
Mpumalanga	743	82
Free State	499	25
Other	1 886	–
Total	**18 094**	**41**

[1] *The group's effective share of the Western Cape's casino gaming win will increase to 34% following the acquisition of 20% of the SunWest and Worcester casinos*

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

Business model continued

and bingo continue to show double-digit growth as they are rolled out by province but to date appear to have had limited impact on casinos as they are targeted at a different segment of gambler. The proliferation of both licenced outlets and illegal sites could negatively impact the gaming industry through negative perceptions created by widespread access to gambling. What would be of concern to the casino industry is if the roll out was on an uncontrolled basis and resulted in large bingo sites within casino catchment areas and if the maximum bet and maximum payout limits for limited payout machines 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 but demand growth continued to exceed the growth in supply until 2008 with occupancies and average room rates continuing 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 increased supply. Demand has subsequently grown, and with little growth in hotel supply, market occupancies have been recovering since 2011 and are now at 64% for F'16. The fiscal austerity measures implemented by government remain in place and the revised visa requirements for unabridged birth certificates for minors and for the collection of biometric data and in-person applications constrained growth during the year, despite the exceptional value offered to international travellers due to the weakening of the Rand. An inter-ministerial committee announced a commitment to the relaxation of the regulations in October 2015 but implementation of the recommendations remains in progress. The impact on the group is not significant as inbound travel is not a large segment of the group's business. 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 45 481 rooms available as at 31 March 2016. The group's share of the formal market rooms available 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.

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 quality hotels. Trading during the 2015 and 2016 financial years was, however, significantly impacted by the Ebola pandemic, security concerns and a weaker market attributable to the negative impact of falling commodity prices. In the medium term it is expected that many African countries will experience strong economic growth which will drive the demand for, and supply of, new hotels. The markets are small 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.

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 casino management, hotel property management and hotel booking and reservation 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.

Relevant technology trends are as follows:

- online booking volumes of hotel rooms continues to increase although they remain below international norms in South Africa;
- new booking channels such as Airbnb have emerged that make it easier for smaller operators such as guest houses and private establishments to have access to the market;
- free broadband wireless access has become the norm;
- the increased utilisation of mobile devices and business applications makes a mobile-friendly website an imperative;
- mobile applications continue to evolve and will potentially assist in driving revenue and enhancing customer satisfaction;
- customer relationship management is increasingly important in encouraging customer loyalty, particularly due to potential gaming advertising restrictions and the Consumer Protection Act;
- social networking impacts marketing channels and requires transparent and timeous responses and active management;
- potential exists to leverage off social media platforms to drive revenue; and
- the importance of data security is increasing due to external threats, increased connectivity and the need to comply with existing and new legislation.

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, continues to fuel disruption which discourages investment and impacts the high unemployment level and low growth rate in South Africa. The impact on labour disruptions in 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 adverse 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 economic empowered businesses and PDI shareholders and social investment in the communities that are served. The negative impact of casino gaming is also less of a societal issue than the other forms of gaming such as sports betting, limited payout machines, bingo and, in particular, the national lottery due to the ease of access to their sites and lower economic target markets.

Environmental issues

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

Business model continued

OUR CAPITALS

The value of a business is the present value of the future cash flows that can be generated by the assets and other capitals utilised by the business.

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.

We have identified our most important capitals below and our strategy in action section provides more insight into our performance and outlook as well as how our capitals are deployed in our strategy and business model to generate and sustain value in the long term.

Capitals	Utilisation of the capitals	Reference
Financial	Our ability to generate cash flows as well as access to well-priced debt and equity funding determines our ability to fund organic and inorganic growth.	CFO's review 34 Financial strength and durability 48
Social and relationship	Quality relationships with our key stakeholders is vital to the long-term sustainability of Tsogo Sun. Popular misconceptions about the gaming industry within which Tsogo Sun operates can significantly impact the group's reputation and value generation ability. Building trust and credibility with our key stakeholders is key to retaining our social and regulatory licence to operate.	Our key relationships 24 Deliver to our beneficiaries 39 Regulatory compliance 52
Manufactured	Significant focus is placed on the quality of the facilities and experiences offered at each of Tsogo Sun's sites. To remain relevant a variety of quality experiences must be provided at appropriate price points across all market segments. Our integrated gaming and entertainment complexes are primarily located in urban areas and our hotels have a wide geographic distribution which are key to the group's competitive advantage. Significant spend is continuously invested into developing and maintaining our properties to keep them relevant and fresh.	Gaming and hotel footprints 12-15 Product relevance to customer experience 49 Organic and inorganic growth 57
Intellectual	Our Tsogo Sun "sunburst" brand underpins the quality experiences of our customers and our integrated approach across the divisions in leveraging the assets and resources of the group under a unified management structure with a common corporate identity. We are consistently striving to innovate our physical product, technology, accessibility and brand to remain relevant to our customers. Our intellectual capital is largely driven by our people, processes and systems, market intelligence and specialist business partners.	Product relevance to customer experience 49
Human	People are at the core of delivering the Tsogo Sun experience, both front and back of house. A pool of qualified, trained and talented people is required to deliver these experiences, supported by empowered management and relevant support services. Employee development and engagement remain focus areas to ensure we attract and retain the highest calibre of people to drive our strategy.	Human resources 53
Natural	Our utilisation of natural capital is predominantly driven by our requirement for optimally located properties upon which we have instituted property-specific environmental management systems focused mainly on energy, water, waste management and responsible procurement.	Deliver to our beneficiaries 39

Our materiality, material risks and 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.

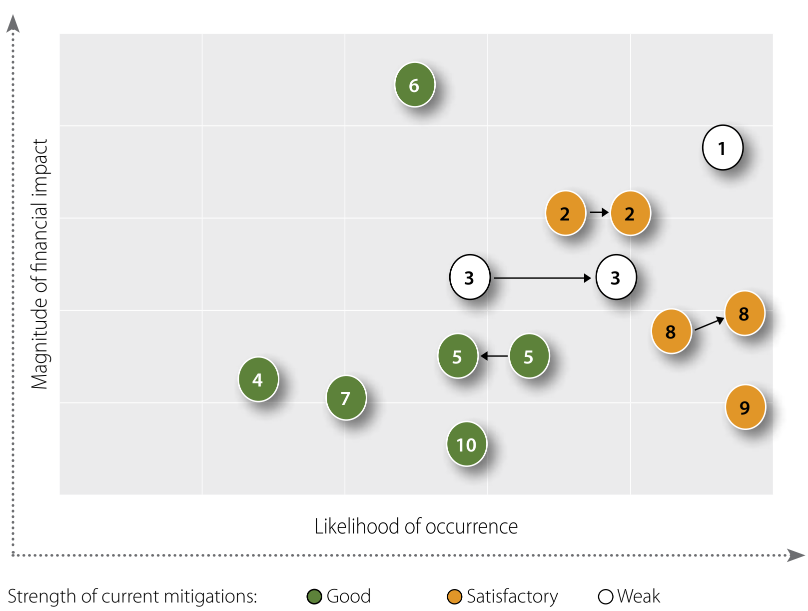
In determining which matters are material for disclosure in our integrated annual report we have considered whether the matter substantively affects, or has the potential to substantively affect, our strategy, our business model or the forms of capital we utilise and ultimately our ability to create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

The assessment of the magnitude of the impact and the likelihood of the occurrence of the group's top risks and opportunities included below 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.

Material risks and opportunities

The risk management process followed in identifying the group's top risks and opportunities is included on page 70. The matrix reflecting the assessment of movement in the magnitude of the impact and the likelihood of the occurrence of the group's top risks and opportunities over the year is noted below. The specific risks and opportunities within each risk landscape (in order of assessed residual risk), their potential impact and the group's risk responses are noted on pages 22 and 23.

Tsogo Sun group risk and opportunity landscapes movement from March 2015 to March 2016



Principal risk and opportunity landscapes

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

Material risks and opportunities

Principal risk landscapes	Specific risks we face	Potential impact
Macro-economic environment	• Growth negatively affected by macro-economic factors • Concentration of operations in South Africa • Increased funding costs due to ratings downgrade • Constrained growth in government travel • Resources cycle in offshore operations	• Lower revenue growth and profitability • Increased funding costs
Regulatory change and compliance	• Additional casino licences or relocation of existing casino licences • Policy uncertainty • Smoking legislation • Changes in casino licensing conditions • Changing BBBEE requirements • Increased complexity of compliance, e.g. POPI, CPA and FICA • Visa regulations • Loss of casino licences	• Lower revenue, higher costs and reduced profitability • Uncertain operating environment resulting in frozen investment spend
Adverse tax environment	• Potential increased national and provincial gaming taxes • Possible VAT increases • Aggressive tax authorities • Increased rates and property taxes	• Reduced profitability • Uncertain operating environment resulting in frozen investment spend • Increased cost of compliance
Portfolio management and product relevance	• Product relevance in target markets • Increase in maximum bet and maximum payout limits at limited payout machine sites • Lack of maintenance leading to obsolete product • Customers choose other leisure options • Technology and social trends	• Reduced income and profitability • Obsolete hotel stock • Reduced footfall and customers and thus gaming win • Disruption to operations and reduced profitability
Capacity issues	• Fixed cost nature of the business • Trading disruption during construction • Casino capacity constraints • Hotels oversupply in certain markets • Online travel agents including Airbnb	• Lower revenue growth and profitability
Missed opportunities	• New gaming opportunities • Investments in expansion not yielding expected returns • Hotels opportunities, local and offshore • Ineffective integration of acquired businesses	• Lower revenue growth and profitability • Missed revenue opportunities • Wasted investment
Human resources	• Employment equity challenges at senior levels • Changes in labour legislation • Unrealistic expectations, social pressure and/or unresolved industrial relations issues leading to violent strikes and unrest • Limited pool of qualified, trained and talented staff • Lifestyle diseases, including HIV/Aids, hypertension and diabetes	• 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 electrical supply • Unreliable water supplies • Rise in electricity and water costs • Increased diesel usage during load shedding	• Disruption to operations and reduced profitability • Machinery breakdown
Crime and security	• Casino and hotel robberies • Major violent incidents • Fraud by employees • Fraud from external sources • Follow home robberies	• Lower revenues, increased cost and lower profitability • Reputational risk
Cyber, IT and information management	• Hacking and hacktivism • Sub-optimal online transacting • Payment Card Industry Data Security Standards • POPI legislation • Loss of information	• 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 and promotions • Reward programmes	• Financial strength and durability 48 • Organic growth 57
• 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 • Comprehensive BBBEE programme	• Deliver to our beneficiaries 39 • Regulatory compliance 52
• Lobby government through CASA • Educate legislators regarding gaming impact through direct lobbying • Lodge of appeals on assessments and property valuations • Robust compliance procedures	• Deliver to our beneficiaries 39 • Regulatory compliance 52 • Organic growth 57
• Overview of markets • Interaction with local authorities • Investment in facilities and maintenance capex to ensure relevance • Market research to timeously spot trends • Partnerships with other leisure suppliers • Social media interaction	• Product relevance to customer experience 49 • Organic growth 57
• Review organisational structures • Further focus on cost reduction • Interaction with gambling boards and city officials • Monitoring returns on new businesses	• Organic growth 57
• Proper and robust evaluation of all new opportunities • Non-financial due diligence of opportunities • Monitoring returns on new businesses	• Organic growth 57 • Inorganic growth 60
• 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 • Labour rate parity	• Human resources 53 • Deliver to our beneficiaries 39
• Demand-side management programmes to reduce consumption • Water handling/storage capacity for emergency supply • Self-reliance on generators for emergency electricity supply • Audits of the status of switchgear	• Product relevance to customer experience 49 • Organic growth 57
• Physical security and surveillance procedures • Coordination with the South African Police Service • Crime intelligence • Internal control frameworks • Internal audit procedures	• Regulatory compliance 52 • Organic growth 57
• IT security • Payment card industry standard compliance • Appointment of Information Officer • Review of online transaction opportunities • Increased IT auditing and assurance • Website rewrite	• Regulatory compliance 52 • Organic growth 57

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, included on page 54, 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 and report content.

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 brand value and driving revenue
Communities	Engagement assists us to focus our efforts on 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, tenants and business partners	Our suppliers, tenants and business partners enable us to deliver consistent customer experiences

How we engage with our stakeholders	Our stakeholders' key interests	Impact on strategic priorities
• JSE news services • Media releases and published results • Integrated annual reports and financial statements • Annual General Meetings • Dedicated analyst and investor presentations • One-on-one meetings • Tsogo Sun website	• 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 48 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, e.g. CASA, Fedhasa, BLSA, etc.	• Taxation revenues • Compliance with legislation • Compliance with licence conditions • Job creation • Investment in public and tourism infrastructure • Investment in disadvantaged communities • Advancing transformation • Social impacts • Reduction in energy and water consumption	Deliver to our beneficiaries 39 Regulatory compliance 52 Human resources 53
• Satisfaction surveys • Rewards 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 • Recognition for loyalty	Product relevance to customer experience 49
• 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 beneficiaries 39
• Communication from executives • Internal communications 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 programme 'livingTsogo'	• 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 and showcases	• Timely payment and favourable terms • Fair treatment • Broad-based black economic empowerment compliance	Deliver to our beneficiaries 39

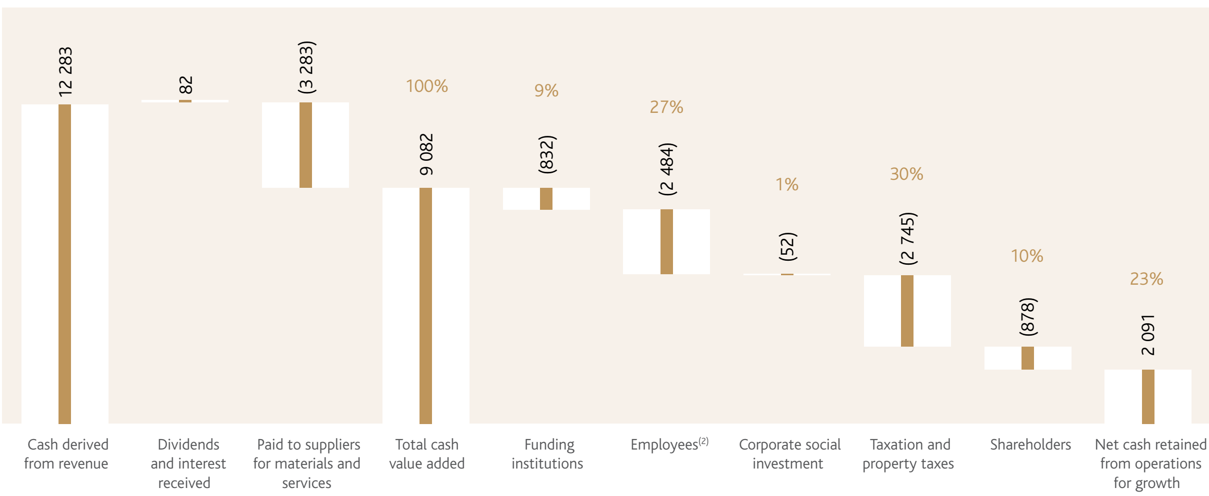
Key relationships continued

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, dividend 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 economic empowered businesses, PDIs and government. The value added by the group and the contribution to black economic empowered businesses, PDIs and government is as follows:

Value added for the year ended 31 March 2016 (Rm)



11 343	81	(3 128)	8 296 100%	(789) 10%	(2 228) 27%	(154)[1] 2%	(2 504) 30%	(947) 11%	1 674 20%	2015

Value added to black economic empowered businesses, PDIs and government for the year ended 31 March 2016 (Rm)

2 279	563	1 565	153[1]	2 504	438	568	8 070	2015

**As per the Department of Trade and Industry tourism sector code*
[1] Including the R100 million paid to the KwaZulu-Natal Gambling Board to be allocated to a charitable or socio-economic infrastructure projects
[2] Net pay to employees' with employees' tax included in taxation


INTERCONTINENTAL
INTERCONTINENTAL

Chairman and Chief Executive Officer's review

Overview

The 2016 financial year delivered a pleasing growth of 12% in adjusted headline earnings per share, with much of this growth being delivered in the second half of the year. In particular, a strong fourth quarter gaming performance at Montecasino and Gold Reef City and a good summer trading period in hotels assisted this achievement.

As discussed in our prior year report, the 2015 financial year included a number of anomalies that were not repeated in the 2016 financial year, including the closure of Southern Sun Maputo for a number of months in the prior year to be refurbished and expanded. Government travel posted an element of recovery during the 2016 financial year after a very strong reduction in the prior year, and while substantially off its historical levels, continues to show some improvement. Importantly, a new pricing framework has been agreed with national treasury which should result in growth in the government segment for the group and offer value to government departments as customers going forward.

A number of the projects that the group has been working on began to deliver value during the 2016 financial year. Both the Silverstar and Gold Reef City redevelopments are now substantially complete and have been well received by the relevant markets. Growth in gaming win at Silverstar has been somewhat disappointing since the relaunch and some changes to the offering are being made to try to improve performance. Gold Reef City has seen a substantial increase in gaming revenue since the redevelopment and the product appears to suit the target market well. In addition, the Gold Reef City Theme Park experienced a record trading year, and the Apartheid Museum is enjoying the benefits of the new exhibition space that was provided as part of the overall project.

The group continued to pursue its growth strategy through the weak economic environment and remains highly cash generative. Trading, particularly in the fourth quarter, reflected good growth on the prior year, although the sustainability of this performance will depend on how the economy performs going forward.

Chairman and Chief Executive Officer's review continued

Major acquisitions

F'10
- 30% of Suncoast (R1.0 billion)
- Century Casinos (R438 million)

F'11
- Gold Reef merger

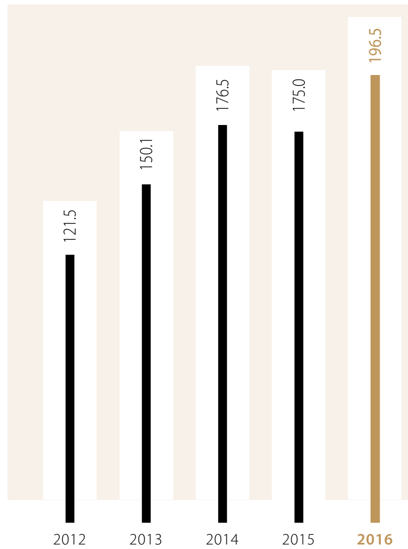
F'12
- 16.5% of Suncoast (R510 million)
- 52.6% of Hotel Formula1 (R300 million)

F'14
- 10% of Suncoast (R400 million)
- 75.5% of Southern Sun Ikoyi (R695 million)

F'15
- 10% increase in interest in Cullinan and acquisition of hotel assets (R762 million)
- 25% of Redefine BDL (R145 million)
- Buy-back of 12% of Tsogo Sun ordinary shares (R2.8 billion)

F'16
- 25% of International Hotel Group Limited (R315 million)
- 55% of HPF B-linked units (R252 million)
- 20% of the Grandwest and Worcester casinos (R1.35 billion) (Post year end)

Adjusted HEPS (cents)



The full effect of the R2.8 billion share buy-back undertaken as part of the SABMiller exit is now in our base, with a fully diluted weighted average number of shares at year end at 957 million, some 5.6% down on last year and 12.8% down over two years.

The dividend of 98 cents per share for the year represents 10% growth on the prior year and a 14% compound growth in dividend since listing in 2011, despite a difficult macro-economic environment. This speaks to the relative resilience of the gaming industry, the recovery of the hotel industry from the lows of the recession and the activities undertaken at Tsogo Sun, both through expansionary investments and operational efficiencies.

As always, regulatory challenges continue to present risks to the group and we remain vigilant to these. These challenges are as varied as changes in BBBEE regulations, gaming, corporate and personal taxes, FICA-related rules and visa regulations, which have significantly impacted tourism to South Africa from the global growth markets of India and China. We continue to engage with government to try and ensure the impacts of proposed policy changes are understood and analysed before they are implemented.

Looking forward, there are three material projects on which the group is focused:

- the conclusion of the acquisition of a controlling stake in the Hospitality Property Fund. This vehicle has been identified as the ideal Real Estate Investment Trust ('REIT') structure in which to house the majority of the group's hotel property assets while simultaneously allowing the acquisition of a further 16 hotel properties managed by a variety of operators. This acquisition will be concluded during the second half of 2016;
- the expansion of the Suncoast Casino in Durban through the addition of 20 000 square metres of retail space and a substantial expansion and refurbishment of the casino. The size of the retail space has been reduced from a previously planned 50 000 square metres to reduce the potential for negative construction-related impacts on the existing casino and to enhance the return on the expansion through the elimination of excessively expensive parking requirements. The total project is now estimated at R2.1 billion, with construction expected to begin during September 2016; and
- the relocation of one of the smaller casinos in the Cape province to the Cape Town Metropole. Consultations have been held with the provincial authorities in this regard and progress in the regulatory process is anticipated during 2016.

Independently of the relocation exercise, Tsogo Sun acquired a 20% stake in the Grandwest and Worcester casinos in the Cape region. The R1.35 billion acquisition (including interest) increases the group's exposure to the Cape provincial gaming spend by some 16pp. The investment is a passive one for the group, as Sun International continues to operate the casinos, but should prove to be a lucrative one, as the Cape Town economy continues to grow.

Strategic priorities

The strategic priorities of the Tsogo Sun group remain sustainability and growth. Given the uncertain macro-economic outlook in South Africa in the short to medium term, sustainability is never far from mind. We have successfully continued to firstly avoid mistakes that can threaten the survival and health of the business and secondly, identify external risks and opportunities and then develop mitigating strategies to minimise or eliminate the impact of the risks on the organisation and strategies to take advantage of the opportunities. Growth is achieved both organically and inorganically and is measured by the increase in the group's free cash flow generated over time.

Sustainability

Sustainability for Tsogo Sun is about the five major pillars of focus for ensuring the long-term survival and prosperity of the group. We continue to focus on and make good progress in each of these areas.

Financial strength and durability

Closing net debt to Ebitdar at 2.0 times remains comfortable and net debt remained stable at R9.2 billion. The group's committed debt facilities total R14.3 billion, some R4.8 billion above the current drawdown (including available cash on hand), and have an average tenure of just over four years. Accordingly, the group is adequately funded for ongoing operations and macro-economic shocks that may occur and can take advantage of significant expansion opportunities.

Debt is expected to increase with the conclusion of the acquisition of a controlling stake in the Hospitality Property Fund, the Grandwest and Worcester minority investments and the expansion of the Suncoast Casino as discussed above, but the ratio of net debt to Ebitdar is not expected to materially exceed 2.5 times.

Deliver to our beneficiaries

Given the perceived social impacts around gaming, 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.

During the 2016 financial year, the group continued to enjoy a stable and supportive shareholder in HCI, with the ultimate largest shareholder through HCI being SACTWU. HCI continues to show a significant amount of support and enthusiasm for the group's growth strategy and this has played a material part in assisting us to close a number of beneficial expansion opportunities.

In the prior year, the group consolidated its CSI and enterprise development activities under the concept of Citizenship. R52 million was spent on CSI initiatives in the key areas of education, sport and environmental awareness, while in supplier and enterprise development the Tsogo Sun Entrepreneurs programme now supports 180 emerging businesses in the tourism sector and other industries throughout the country. As a group we have tried to focus on programmes that make a real difference in the communities we operate in, with the initiatives often coming from staff at the unit level.

The R30 million expansion of the Apartheid Museum as a voluntary addition to the Gold Reef City refurbishment project will help this important institution continue with and expand its activities.

With almost 23 000 people directly and indirectly employed by the group and R2.2 billion in direct taxes paid per annum, it is clear that the benefits of the group's activities are enjoyed through a large and diverse stakeholder base. We 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.

Our 2016 BBBEE rating has been reaffirmed at level 2 under the Revised Codes of Good Practice – tourism sector scorecard. This was the result of a significant effort to 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 going forward as a result of the uncommercial nature in which they have been drafted, particularly with regard to the subminimum demotions and the change in scoring scales and will be impacted by, for example, the outcome of key suppliers' revised ratings in years to come.

The group continues to litigate against attempts by various gambling boards to unilaterally impose the achievement of defined levels of empowerment, as measured against the codes, as an arbitrary 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.

Product relevance to customer experience

Tsogo Sun continues to reinforce its position as 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, entertainment, dining, gaming or hospitality.

After a number of years of intense focus, the majority of the group's properties are substantially refurbished and in excellent condition. The last year alone has seen the refurbishment of the Sandton Sun, Riverside Sun, Sabi River Sun, Garden Court Kings Beach, Garden Court Polokwane, StayEasy Century City, Golden Horse Casino, Mykonos Casino and Gold Reef City Casino.

During the 2016 financial year, the group launched its new website tsogosun.com which has been totally redesigned to ensure search engine optimisation. A special mention goes to the HeBS Digital team from the United States who were instrumental in this project

Chairman and Chief Executive Officer's review continued

and were nominated as an official honouree in the 20th Annual Webby Awards for the Tsogo Sun website. A new booking engine with specific focus on mobile booking was launched during August 2016. With over 60% of hotel bookings being made direct to the properties, the call centre capability and web/mobile- based accessibly of the group are critical strengths and continue to receive dedicated focus.

We again invested in excess of R300 million in the replacement and upgrade of our casino equipment during the 2016 financial year. While this equipment is procured 'off the shelf' we spend significant time working with suppliers, investigating, developing and testing new gaming technologies before deploying them to our operations. As mentioned last year, we have upgraded all our gaming management systems to either IGT Advantage or Gamesmart and these are operating well.

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 regulatory 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, business in general and towards the affairs of the group specifically, we have been, and are still, forced to challenge arbitrary unjustified decisions and laws and regulations that we believe are misguided or will have unintended adverse consequences for the group and its stakeholders. We will continue to defend our commercial rights while maintaining a cordial and cooperative relationship with various levels of government.

Human resources

Tsogo Sun aims to recruit staff with the best skills and attitudes available and provide an enabling and positive work environment. The Tsogo Sun Academy, which controls all aspects of the group's employee training and development programmes, is a significant asset to ensure staff are properly equipped for the work environment with R123 million spent during the 2016 financial year on training. We firmly believe that engagement is often as important to derive the best performance from a workforce as are the levels of remuneration.

We have also focused on nurturing talent at the tertiary education level and have a number of programmes in place to bring students, artisans and apprentices into the group during their training phases. We recognise that as the leading hotel and gaming group we are a source of trained labour to most other companies in the industry, but accept this responsibility as part of our contribution to the growth of our industries in the country and by identifying talent early we hope to retain the pick of the crop for ourselves.

The remuneration report on page 71 to page 76 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 and other capitals utilised by the business. Accordingly, the only true measure of growth for our business over time is its growth in free cash flow.

Our free cash flow increased by 8% to R2.0 billion for the 2016 financial year despite the increase in maintenance capital expenditure including the projects referred to above. The coming year should see growth in free cash flow as we grow cash generated from operations and acquire new businesses.

Organic growth

In gaming, the macro-economic environment remains subdued and consumer sentiment remains poor. This is not expected to materially change in the short to medium term. The gaming win growth of 6% was impacted by a slow performance in both slots and tables in the first nine months of the year, but accelerated in the last quarter. The increase in growth in gaming win has continued into the new financial year, however, it is too early to call it a change in cycle. A feature of the growth is volatility, both within specific casinos from month to month and between various regions. On the positive side, the results clearly indicate the significant potential of the group to generate substantially higher cash flows as revenue accelerates.

In the South African hotel division, overall owned occupancies at 61.9% increased by 0.7pp and are still well below normal long-term levels of around 68%. Overall transient corporate and government business, groups and conventions, local leisure and international visitors have all shown an improvement in the 2016 financial year, particularly in the second half of the year. The group has put substantial effort into refining its revenue management approach to ensure we are charging the right rate for the right room on any given day. These include pushing more contracted business towards a variable 'Best Available Rate' strategy, incorporating a new rate segmentation model and deploying rates management technology where applicable.

It appears as if the local hotel industry is showing overall structural improvement in demand as many operators have been reflecting improved trading results and the improvements have covered all key regions. A word of warning, however, is that hotel trading is notoriously volatile on the upside and downside.

The group's Africa hotels excluding South Africa reflect significantly higher earnings as a result of the closure of Southern Sun Maputo in the prior year not being repeated. However, this has masked an underlying significantly weaker trading environment in many of our African markets. The theme is consistent, as the local economies have been heavily impacted, either directly or indirectly, through the collapse in commodity prices and the consequential collapse in local currencies. Despite this gloomy picture, we remain satisfied with our investments in these destinations and will seek to deploy more capital in this regard where the investment case is compelling.

The group's financial results for the 2016 financial year reflect income and Ebitdar growth of 8% on the prior year assisted by the acquisitions implemented in the prior and current year. Improved operating margins should be achievable if revenue growth continues at current trends.

Tsogo Sun stands to benefit significantly from the high levels of operational gearing in the industries in which it operates 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.

Inorganic growth

Inorganic growth is pursued through a combination of expanding our existing facilities, new developments and acquisitions. The group invested R962 million during the 2016 financial year in acquiring hotel businesses and expanding hotel and casino properties. For detail of the transactions refer to page 60.

The group continues to pursue additional opportunities with the most significant being the Hospitality Property Fund, the Suncoast expansion and the Western Cape relocation discussed above.

In addition, a number of other initiatives continue to be pursued, including:

- the group's non-hotel and gaming-related property portfolio continues to grow as we roll out the second phase of Monte Circle at Montecasino and continue to evaluate various land and property holdings and development opportunities;
- the potential for the fourth casino licence to be issued in Mpumalanga, which is currently tied up in a legal process;
- the 25% investments in Redefine BDL Hotel Management Group and International Hotel Group Limited, totalling some GBP23 million, which has opened a platform for potential further growth in the UK and European hotel market; and
- 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.

As we have said before, 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.

Appreciation

We wish to extend our appreciation to the board, management and the staff of the group for their efforts during the year. In particular, we thank Rex Tomlinson for his contribution to the group as the lead independent director for the past five years. Tsogo Sun remains a group with irreplaceable assets and people.

John Copelyn
Chairman

19 August 2016

Marcel von Aulock
Chief Executive Officer

19 August 2016

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 results for the year ended 31 March 2016 reflected continued pressure on the consumer due to the weak macro-economic environment and poor consumer sentiment, although revenues during the last quarter were significantly up on the prior year.

Rob Huddy
Chief Financial Officer

Income R12.3 billion	↑	8%
Ebitdar R4.5 billion	↑	8%
Ebitdar margin 37.0%	↓	(0.2pp)
Adjusted HEPS 196.5 cents	↑	12%
Dividends in respect of the year 98.0 cents per share	↑	10%
Free cash flow R2.0 billion	↑	8%
Net debt R9.2 billion		
Net debt:Ebitdar 2.0 times		
Investment activities R2.0 billion		
Unutilised net facilities R4.8 billion		

Overview

This report should be read in conjunction with the summarised consolidated financial statements on page 79 to page 85 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 2016.

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

Commentary on inorganic growth is included on pages 60 to 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 48.

Income statement comparison for the year ended

	31 March 2016 Rm	31 March 2015 Rm	% change on 2015
Income	**12 283**	11 343	8
Gaming win	**7 361**	6 976	6
Revenue			
Rooms	**2 784**	2 453	13
Food and beverage	**1 353**	1 203	12
Other	**785**	711	10
Ebitdar	**4 543**	4 223	8
Gaming	**3 429**	3 265	5
Hotels – South Africa	**920**	830	11
– Offshore	**192**	137	40
Foreign exchange losses	**(23)**	(21)	(10)
Corporate	**25**	12	*
Ebitdar margin	**37.0%**	37.2%	(0.2pp)
Long-term incentives	**(46)**	(95)	52
Property rentals	**(219)**	(210)	(4)
Amortisation and depreciation	**(812)**	(733)	(11)
Exceptional items	**(58)**	(143)	59
Finance costs (net)	**(857)**	(681)	(26)
Associates and joint ventures	**29**	25	16
Income tax	**(774)**	(680)	(14)
Non-controlling interests	**(18)**	(34)	47
Attributable earnings	**1 788**	1 672	7
Adjustments	**93**	103	10
Adjusted headline earnings	**1 881**	1 775	6
Weighted number of shares in issue (m)	**957**	1 014	6
Adjusted HEPS (cents)	**196.5**	175.0	12

* *Variance not meaningful*

Trading performance

Trading during the financial year reflected continued pressure on the consumer due to the weak macro-economic environment and poor consumer sentiment, although revenues during the last quarter were significantly up on the prior year. Year-on-year growth was achieved in both casino and hotel revenues and the trading results were positively impacted by various expansionary projects, including the acquisition of hotel businesses from Liberty by Cullinan, the expansion of Silverstar and the closure for refurbishment of Southern Sun Maputo and Garden Court De Waal during the prior year, offset by the closure of the Riverside Sun and Sabi River Sun hotels for refurbishment during the current year.

Total income for the year of R12.3 billion ended 8% above the prior year with a 6% growth in gaming win, assisted by a 13% growth in rooms revenue and a 12% growth in food and beverage revenue.

Operating expenses including gaming levies and VAT and employee costs but excluding property rentals, exceptional items and long-term incentives increased by 9% on the prior year. The increase was mainly due to non-organic growth in the business as a result of acquisitions and expansions, increased marketing, promotional and administered costs (property rates, water and electricity) 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 R4.5 billion for the year was 8% up on the prior year. The overall group Ebitdar margin of 37.0% is 0.2pp down on the prior year.

Long-term incentives

The long-term incentive expense at R46 million is R49 million below the prior year charge and values the liability (including dividend

Chief Financial Officer's review continued

adjustments) by reference to the company's share price which is adjusted for management's best estimate of the appreciation units expected to vest and future performance of the group.

Rentals, amortisation and depreciation

Property rentals at R219 million are 4% up on the prior year mainly due to the inclusion of Holiday Inn Sandton and Crowne Plaza Rosebank rentals effective 1 March 2016, contractual increases and the weakening of the Rand against the US Dollar, offset by the acquisition of the Garden Court Polokwane hotel building.

Amortisation and depreciation at R812 million is 11% up on the prior year due mainly to the capital spend during the current and the prior year and the acquisition of the hotels in Cullinan from Liberty.

Exceptional items and adjustments

Exceptional losses for the year of R58 million comprises the pre-opening costs of R12 million during the period hotels were closed for refurbishment, capital asset disposals and impairments and loan impairments of R26 million, transaction costs of R26 million and restructure costs of R2 million, net of the profit on disposal of an investment property of R8 million. Exceptional losses for the prior year of R143 million comprises the IFRS 2 *Share-based Payment* charge on the executive facility amounting to R118 million, pre-opening costs of R19 million during the period hotels were closed for refurbishment, capital asset disposals and impairments and loan impairments of R17 million, a marketing fee income write off of R16 million (refer associates and joint ventures below) and transaction and restructure costs of R11 million, offset by the gain recognised on the change in other long-term employee benefits of R38 million. Refer to the table on page 82.

Net finance costs

Net finance costs of R857 million are 26% above the prior year due to the increase in debt and reduction in net cash to fund the growth strategy and the share buy-back in the prior year, and a charge in respect of the Cullinan put option of R7 million (2015: R8 million credit).

Share of profits of associates and joint ventures

The share of profit of associates and joint ventures of R29 million improved by R4 million on the prior year mainly due to a full year's earnings from Redefine BDL, offset by the group's share of a joint venture's marketing fee reversal of R20 million in the prior year.

Taxation

The effective tax rate for the year at 30.4% is impacted by the increase in the capital gains tax ('CGT') inclusion rate on deferred tax of R54 million and non-deductible expenditure such as casino building depreciation, offset by foreign exchange losses on the US Dollar denominated loans in the local currencies. The comparative effective tax rate of 28.8% was impacted by non-deductible expenditure such as casino building depreciation, non-deductible foreign exchange losses and the IFRS 2 *Share-based Payment* charge, offset by the tax holiday at Southern Sun Ikoyi.

Non-controlling interests

Profit attributable to non-controlling interests of R18 million is R16 million below the prior year mainly due to the prior year acquisition of 15% of Garden Route Casino, 49% of One Monte and reduced profits at Southern Sun Maputo due to local currency losses on the US Dollar denominated loans and at Cullinan due to an adjustment in the interest rate on shareholders' loans, and the increased deferred tax charge referred to above.

Earnings

Group adjusted headline earnings for the year ended 31 March 2016 at R1.9 billion are 6% above the prior year. The adjustments include the reversal of the post-tax impacts of the exceptional losses noted above in addition to the reversal of the remeasurement of the Cullinan put option in finance costs and the CGT inclusion rate deferred tax adjustment referred to above, net of non-controlling interests. The weighted average number of shares in issue decreased due to the buy-back of 133.6 million ordinary shares on 28 August 2014 and the resultant adjusted headline earnings per share is 12% up on the prior year at 196.5 cents.

Cash flow

	31 March 2016 Rm	31 March 2015 Rm	% change on 2015
Cash generated from operations	**4 376**	3 868	13
Dividends received	**51**	7	
Net interest paid	**(801)**	(715)	
Income tax paid	**(657)**	(537)	
Operating equipment	**(71)**	(63)	
Maintenance capital expenditure	**(945)**	(749)	
Free cash flow	**1 953**	1 811	8
Dividends paid	**(878)**	(947)	
Investment activities	**(962)**	(2 045)	
Share buy-back	**–**	(3 019)	
Other	**56**	25	
Increase in net interest-bearing debt	**169**	(4 175)	
Opening net interest-bearing debt	**(9 211)**	(4 439)	
Acquired with acquisitions	**3**	(508)	
Accrued interest, prepaid borrowing costs and currency moves	**(209)**	(89)	
Closing net interest-bearing debt	**(9 248)**	(9 211)	

Cash generated from operations for the year improved by 13% on the prior year to R4.4 billion. Free cash for the year increased by 8% due to the increased cash generated from operations offset by increased finance costs and taxation payments and increased maintenance capital expenditure, including major hotel and casino refurbishments during the year. Cash flows utilised for investment activities of R1.0 billion consisted mainly of expansion capital expenditure and the acquisitions and investments described under the inorganic growth section on page 60.

Balance sheet derivative financial instruments

During the prior year the group entered into a call option over Liberty's 40% shareholding in Cullinan and Liberty has a corresponding put option, both exercisable at the fair value of the shares. A financial liability for the put option and a corresponding debit to transactions with non-controlling interest was recognised on initial recognition. At the end of each reporting period the liability is remeasured and the increase or decrease recognised in the income statement. The non-current liability, included in derivative financial instruments, has been remeasured to R492 million at 31 March 2016 (2015: R485 million) with the increase of R7 million (2015: R8 million decrease) recognised in finance costs. A discounted cash flow valuation was used to estimate the liability.

Dividends

A final gross cash dividend of 67.0 cents per share in respect of the company's 2016 year end was declared and the dividend was paid on 20 June 2016. The number of ordinary shares in issue was 957 388 870 (excluding treasury shares). The dividend was subject to a local dividend tax rate of 15%, which resulted in a net dividend of 56.95 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 2016 financial year amounted to 98.0 cents per share which is 10% up on the 2015 financial year and which equates to 50% of fully diluted adjusted HEPS.

Subsequent events

There are no matters or circumstances arising since 31 March 2016, not otherwise dealt with in the financial statements, other than the progress noted on the HPF transaction on page 61, that would materially affect the operations or results of the group.

Looking ahead

Given the weak state of the South African economy and many of the commodity-focused countries in which the group operates, trading is expected to remain under pressure. However, the fourth quarter of the financial year was strong in both the gaming and particularly the South African hotel environment. The sustainability of this performance is uncertain and will depend on how these economies perform going forward, including the impact of changes in commodity prices, and the level of policy certainty that the government is able to instil in areas ranging from visa regulations to gaming taxes and administered costs.

The opening of Sun International's casino relocated to Menlyn in Pretoria, scheduled for the first half of 2017, will negatively impact gaming win at Montecasino and Silverstar.

RB Huddy
Chief Financial Officer

19 August 2016

Sustainability strategy in action

The key pillars of our sustainability include meeting the reasonable requirements of our beneficiaries, 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 beneficiaries

The nature of the shareholders of the group is 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 is achieved through meaningful Citizenship programmes and also through direct and indirect equity ownership and employment.

Key performance indicators

	2016	2015
Black ownership	**62%**	79%
Value added contribution to black economic empowered businesses, PDIs and government	**R8.9 billion**	R8.1 billion
BBBEE level	**Level 2**	Level 2
CSI outcomes	**Tsogo Sun Sports, Arts and Learning Academies support 43 945 learners**	Tsogo Sun Sports, Arts and Learning Academies support 39 751 learners
ESD outcomes	**Tsogo Sun Entrepreneurs programme supports 180 beneficiaries**	Tsogo Sun Entrepreneurs programme supports 133 beneficiaries

2016 performance

Shareholders

As mentioned in the group overview on page 3 the nature of the HCI shareholding is of particular importance as it provides the bulk of the 62% broad-based empowered ownership at group level. HCI has provided a stable shareholder base for a number of years that has allowed the group to grow and take advantage of opportunities. The reduction in measured black ownership is as a result of the measurement against the DTI's Revised Codes of Good Practice tourism sector scorecard.

The sale by SABMiller of its shares during the prior year has allowed for a more diverse shareholder base and has significantly increased the shares liquidity.

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. A portion of our profits is spent annually on social investment and, through our Tsogo Sun Citizenship programme, we are able to deliver effective social initiatives that seek to create shared value with the broader society. Tsogo Sun Citizenship comprises three areas, being community development, entrepreneurial development and the natural environment.

Community development

During the year, the group's combined social investment in community development amounted to R52 million. Of this, verified spend on BBBEE socio-economic development amounted to R48 million which is the equivalent of 2.7% of net profit after tax and represents 1.7pp more than the tourism sector code 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 43 945 learners who participate in our full-year programmes.

Sustainability strategy in action continued

Deliver to our beneficiaries continued

Academy	Schools	Teachers	Learners	Adults
Tsogo Sun Sports Academy	157	1 209	28 606	373
– Rugby	30	460	2 064	229
– Soccer	44	112	1 276	57
– Athletics	11	12	1 076	13
– Chess	57	569	23 766	22
– Other sports	15	56	424	52
Tsogo Sun Arts Academy	16	24	540	9
Tsogo Sun Learning Academy	228	286	14 799	980
Total	**401**	**1 519**	**43 945**	**1 362**

Tsogo Sun Sports Academy

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

During the year, the Tsogo Sun Sports Academy continued to deliver on projects including soccer, rugby, athletics, softball, netball, golf and cricket through the support of 4 840 South African children and youths between the ages of 7 and 17. In addition, training and accreditation was provided to the coaches, trainers, mentors and referees in these programmes.

The Tsogo Sun Moves For Life national chess programme has continued to successfully expand within the foundation phase at schools across South Africa. The programme reaches 23 766 learners and 569 educators across 57 schools, with the objective of improving maths, science and literacy skills through the medium of chess. A three-year research study continues with the University of Johannesburg to document the impact of chess in maths education.

Tsogo Sun Arts Academy

Our Arts Academy develops the artistic talent of learners from underprivileged backgrounds to provide them with essential life skills. The programme enables learners to participate in a curriculum that uses the arts as a catalyst to give young people a chance to bring about change in their lives. The programmes vary in their offerings across disciplines within the arts, including theatre, drama, singing, poetry, creative arts and literature and make use of the Teatro at Montecasino, the Gold Reef City Lyric Theatre and arts studio at Hemingways Casino to support 540 learners from 16 schools in Diepsloot, Mayfair and East London.

Tsogo Sun Learning Academy

The Tsogo Sun Learning Academy provides peer-driven leadership programmes, early childhood educator support, school visits to the Apartheid Museum and the Olwazini Discovery Science Centre, various types of bursaries and learnerships and venues at our properties for events hosted by schools. During the year, Tsogo Sun contributed to more than 228 schools across the country, through fundraising assistance and via the group's community academies.

Caring across communities

In addition to Tsogo Sun's national programmes, our casinos and hotels are involved in a wide range of caring initiatives and they provide substantial support towards various projects designed to uplift people in their local communities. Our hotels contribute furniture and equipment to non-profit organisations such as the community chest, local rotary clubs, shelters and children's homes. Our casinos contribute financially to numerous welfare organisations in support of children, the elderly and animals, and the Gold Reef City Theme Park and the Montecasino Bird Gardens provide free entrance to children from orphanages, shelters and primary school learners who otherwise would not have the opportunity to experience these parks.

The group's Tsogo Sun Volunteers programme was successfully introduced during the year, with a focus on active citizenship and significant participation in supporting charitable initiatives by employees.

Enterprise and supplier development

Tsogo Sun is committed to the development of small, medium and micro-enterprises ('SMMEs') as a solution to creating employment and as a contributor towards the growth of the South African economy. We deliver enterprise and supplier development through our national programme, 'Tsogo Sun Entrepreneurs', which comprehensively supports emerging businesses in the tourism sector and other industries throughout the country.

The group's combined spend on enterprise and supplier development for the year is R84 million, R14 million of which was spent on enterprise development beneficiaries and R70 million of which was spent on supplier development beneficiaries, representing a total of 4.7% of net profit after tax, which is 1.5pp above the tourism sector code target.

Tsogo Sun Entrepreneurs provides a practical range of offerings that have proven to contribute to the growth and success of emerging businesses, placing emphasis on skills development and the provision of preferential procurement opportunities to qualifying small enterprises and emerging micro-enterprises that are predominantly black-owned. Applications to participate in the programme are open to all South African businesses with an annual turnover of less than R50 million.

The benefits provided to all beneficiaries of the programme include:

- value-added benefits (endorsement, memberships, marketing, advertising and publicity);
- shared services (extranet, call centre, preferential discounts and business support);
- business tools (risk assessment and recommendations, software systems and equipment);
- an integrated supply chain (supplier showcase exhibitions, market access and networking opportunities); and
- recognition (entrepreneur rewards delivered through the HCI Supplier Club, certification and awards).

Of the 180 beneficiaries supported nationally by the programme, 152 are enrolled in development, which delivers business foundation skills, coaching and mentorship to the business owners and key members of their management teams.

Tsogo Sun Entrepreneurs is endorsed by government and regional tourism agencies, with its key objectives being to support entrepreneurs to develop professionally operated, compliant, sustainable businesses and to facilitate job creation (direct and indirect) by ensuring that small businesses thrive. The development portion of the programme 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 employees in the provinces. As the only programme of its kind in South Africa, 82% of the entrepreneurs developed by Tsogo Sun Entrepreneurs are black South African women.

Seventy four percent of the entrepreneurs have graduated to the Alumni phase and have undergone training to become mentors to the new entrepreneurs that enter the programme and 39 were inducted into the programme during the year. A total of 47 businesses in the Alumni phase have expanded their operations as a result of the programme, and each employs between one and 50 staff and reaches up to 30 people in the value chain. A total of 126 entrepreneurs have successfully completed the UCT Business Management Course funded by the programme, with 39 having done so during the year under review.

The impact on the beneficiaries is being monitored and evaluated, and adjustments will be made to the model where necessary. Presently in phase one of a five-year implementation, the plan is designed to connect to Tsogo Sun's supply chain, creating a pipeline of promising suppliers and enable the group's hotels and casinos to support their local entrepreneurs, in order to address the need for wealth creation and employment in South Africa.

Transformation

Tsogo Sun is a pioneer in transformation and 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, measured against the DTI's Revised Codes of Good Practice – tourism sector scorecard, and complies with the related guidelines. The group's casinos and hotels are in addition individually measured against the same scorecard. The formal verification audits are performed annually by Empowerdex (an accredited economic empowerment rating agency), with the results for the year ended 31 March being as follows:

	Target score on Revised Codes – tourism	**2016**	Previous target score on 2007 codes generic	2015
Ownership	27	**27.0**	23	23.0
Management and control	19	**10.0**	10	7.3
Employment equity	n/a	**n/a**	15	11.0
Skills development	20	**16.0**	15	12.8
Preferential procurement	n/a	**n/a**	20	18.9
Enterprise development	n/a	**n/a**	15	15.0
Enterprise and supplier development	40	**35.3**	n/a	n/a
Socio-economic development	5	**8.0**	5	5.0
Overall	111	**96.3**	103	93.0
Rating level		**2**		2

Sustainability strategy in action continued

Deliver to our beneficiaries continued

The group's 2016 rating is the first undertaken against the Revised Codes of Good Practice tourism sector scorecard and we have responded well to the changes presented by the new framework, receiving level 2 contributor status with a 125% procurement recognition level. The group received 96.3 out of a total available points of 111 and has empowering supplier status. Tsogo Sun's black ownership is verified at 61.8% and black women ownership is 33.4%. Aligning with the Revised Codes of Good Practice saw the group expand existing empowerment programmes and develop new ones and improve systems and processes in response to the code changes in areas such as enterprise and supplier development, preferential procurement and skills development.

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 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 group's senior leadership, including the Chief Executive Officer and Chief Financial Officer.

Responsible gambling

Tsogo Sun acknowledges that gambling can be an issue of concern for some people with a predisposition to addictive behaviour 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 industry bodies such as the TBCSA, the SATB, Fedhasa and 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 334 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. In addition to the retail tenanting, the group also owns 32 000 m^2 of office space, 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 appropriately tenanted, maintained, refurbished, upgraded and renovated on an ongoing basis to ensure that our offerings remain fresh and current. Our philosophy with regard 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 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, as far as is practically and commercially possible, our hotels and casinos procure products from vendors who are located in the areas where they are situated.

Tsogo Sun encourages 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 R4.1 billion during the year. The group's BBBEE score for preferential procurement, which is measured within the Enterprise and Supplier Development element is 18.3 out of 25. Procurement from black women-owned businesses and further opportunities to establish and support enterprise and supplier 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 supplier 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 Tsogo Sun manages five hotel properties and with whom Tsogo Sun jointly owns an additional eight hotel properties and from whom the group leases the Sandton Convention Centre. 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.

The acquisition of a controlling stake in HPF during the next financial year will significantly increase the importance of this group of stakeholders due to the minority interests in that business.

Environment

While our main business activities pose limited risk to the environment due to the service nature of the industry, environmental management practices have been integrated as part of our operations. Tsogo Sun has made the commitment to reduce the impact that the business has on the environment and to encourage guests to embrace greener behaviour for the wellbeing of the environment. The group reports to the Carbon Disclosure Project and Water Disclosure Project as a subsidiary of HCI.

Our efforts to manage our business sustainably serves the interests of our company and the community and in achieving this our stated policy and commitment is 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 property-specific environmental management system has been developed at all of our casinos and hotels aimed specifically at energy, water, waste management and responsible procurement. The system is managed holistically as part of the in-house Organisational Resilience Management Standard audit process and is verified by the German quality body, DQS-UL Group.

Scope and boundaries of emissions measurement

The scope and boundaries of measurement are consistent with the prior year. Scope 1 and scope 2 emissions are reported for all owned businesses located at properties, owned or leased by the group, in South Africa and offshore, excluding emissions relating to tenants. Tenant emissions at owned or leased properties, emissions at properties not owned but managed by the group, emissions from outside laundry services provided to the group and business travel emissions are reported in scope 3. Fugitive emissions, mainly from refrigerants, have not been measured as they are not significant and there are no other emissions that are considered material. Comparatives have been restated to ensure consistent reporting. The restatements are not significant and result mainly from a correction between energy consumed in owned businesses and energy consumed by tenants and the inclusion of LPG consumption omitted by business units in the prior year.

Emissions measurement

Total emissions (tCO_2e)	**2016**	2015 Restated	2015 Reported	% change on 2015 Restated
Scope 1	**5 735**	5 715	5 443	–
Petrol and diesel (owned company vehicles)	**572**	482	476	19
Diesel consumed (owned businesses)	**2 677**	2 455	2 419	9
LPG and natural gas usage (owned businesses)	**2 486**	2 778	2 548	(10)
Scope 2	**216 416**	212 337	209 937	2
Energy consumed (owned businesses)	**216 416**	212 337	209 937	2
Scope 3	**80 272**	81 804	83 452	(2)
Energy consumed (tenants)	**24 268**	24 162	25 810	1
Energy consumed (managed properties)	**25 104**	25 729	25 729	(2)
Laundry services (outsourced)	**28 650**	29 454	29 454	(3)
Business travel	**2 250**	2 459	2 459	(8)
Total emissions (tCO_2e)	**302 623**	299 856	298 832	1

Sustainability strategy in action continued

Deliver to our beneficiaries continued

Ninety seven percent of scope 1 and 2 emissions arise through the consumption of electricity and thus demand-side management of electrical consumption remains the area of focus for the group in reducing emissions. Ninety eight percent of the scope 3 emissions arising from tenants at group properties and at properties managed by the group also arise from the consumption of electricity.

Electricity

Scope 2 emissions from electricity consumption at the group's owned properties increased during the year by 2% to 216 416 tCO_2e mainly due to the casino complex expansions at Gold Reef City and Silverstar and a 5% increase in hotel rooms sold offset by savings from ongoing energy-saving initiatives and, at some properties, reduced electricity consumption due to load shedding. The installation of energy-efficient equipment continues where practical, although much has been done since 2006, and the majority of the consumption reductions are as a result of consumption measurement and behavioural change initiatives at the units.

LPG and natural gas

LPG and natural gas are primarily used for cooking with limited space heating and water heating at three properties. Scope 1 emissions from the consumption of LPG and natural gas decreased by 10% to 2 486 tCO_2e due mainly to owned outlets closed for refurbishment during the year.

Diesel

Diesel is utilised for back-up electrical generation. Scope 1 emissions from the consumption of diesel increased by 9% to 2 677 tCO_2e due mainly to running generators to generate electricity during load shedding and supply interruptions.

Scope 3 emissions

The 1% increase in scope 3 emissions from tenants at group properties is mainly due to additional outlets at Silverstar operating for a full year. The 2% reduction in scope 3 emissions from properties managed by the group is due mainly to load shedding at Queens Casino and the closure of Sandton Sun during the year for refurbishment. The group utilises outsourced laundries at the majority of its owned and managed properties and the 3% decrease in scope 3 emissions from laundry services is due mainly to improved management of rewashes offset by increased volumes.

Water

Although supply interruptions due to poor municipal infrastructure continue to increase and medium-term water shortages are possible, the group does not have company-specific water risks. The majority of our properties are in urban areas and use potable water provided by local municipalities (90% of consumption). Two resort properties utilise surface water for irrigation, two resort properties are fully reliant on river water, one property primarily utilises ground water due to continuous supply problems from the local municipality and the Gold Reef City Theme Park utilises cleaned mine water for the water rides. Water consumption at the group's owned properties increased during the year by 3% to 2.8 million kilolitres mainly due to the casino complex expansions at Gold Reef City and Silverstar and a 5% increase in hotel rooms sold offset by ongoing conservation and reduction measures at all properties.

Waste management

Recycling initiatives are in place at many properties although the efforts differ depending on the infrastructure available to support recycling. Waste management information is being collated throughout the group and there are plans 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 Tsogo Sun Citizenship, 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.

Through environmental education, the group plays an active role in influencing stakeholders such as communities, employees and customers to take responsibility for their impact on the environment and positively change their behaviour through campaigns such as '#WasteStopsWithMe' and by holding Citizenship seminars that address, among other topics related to the green economy, the subject of climate change.

Looking ahead

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. Our intention is to create scalable and replicable models that can either be done by ourselves or in collaboration with other corporates, civil society or government.

In line with global practice, the group intends to focus more on the depth of impact that the community programmes deliver to their beneficiaries. The intention is to work with smaller numbers of beneficiaries in the flagship programmes, in order to provide stronger support with a more meaningful effect on the beneficiaries, so that they in turn can become positive influencers themselves.

Monitoring and evaluation has become increasingly important to enable us to measure our impact. An internal information system continues to comprehensively track and manage all contributions made by the group, including that of financial, in-kind and volunteering of employees.

We actively monitor the participation, attendance and involvement of learners, educators and community stakeholders. An assessment tool piloted during the year will be further developed and expanded to determine the impact on our beneficiaries and how we are positively influencing the lives of the people we support, where we need to apply more attention to achieve our intended results and how these results are addressing the needs of the communities.

We will continue to emphasise and enhance the offering of life readiness and career guidance skills and tools. Skills such as first-aid training, workshops on self-confidence and public speaking, writing skills and leadership will be added to what is already being offered, namely wellbeing, financial literacy and talent development. We will also be enhancing the offerings of the programmes to focus strongly on the provision of job readiness skills to facilitate access into the workplace for learners. We intend to explore the feasibility of creating pipelines for entry level employment within the group for the beneficiaries of our programmes who have successfully completed them.

The formalising of bursaries and community learnerships across the group will continue in the coming year.

Enterprise and supplier development

The Tsogo Sun enterprise and supplier development plan will continue into its second year of the five-year implementation. A monitoring and evaluation tool will be introduced to enable the group to accurately measure the plan's impact on the businesses supported by Tsogo Sun Entrepreneurs. A system for the selection of entrepreneurs for development will be adopted and managed centrally in order to ensure that the beneficiaries receiving development are a correct fit for the programme. Supplier showcases, which commenced in the current year, will be rolled out at Tsogo Sun properties across the country and they will serve both as mini-indabas for promising suppliers to the group and as a channel for the registration and enrolment of new entrepreneurs into the development portion of the programme. These showcases will enable the group's hotels and casinos to continue their focus on supporting local small businesses and suppliers, in order to address the need for access to new markets, wealth creation and employment.

Transformation

With the group having successfully undertaken its first BBBEE audit against the Revised BBBEE Codes of Good Practice – tourism sector scorecard in 2016, alignment of our transformation practices is well under way. The group has developed a plan for enterprise and supplier development, that connects emerging black-owned enterprises into the procurement pipeline, supports existing black-owned EMEs and qualifying small enterprises ('QSEs') who are suppliers to the group (through Tsogo Sun Entrepreneurs) and at the same time ensures that our procurement requirements are not compromised. The plan will continue to be the focus in the year ahead.

An area that the group is monitoring is that of preferential procurement, which forms part of Enterprise and Supplier Development in the Revised Codes. While in 2016 companies have been able to use BBBEE certificates issued on the 2007 Codes, the next year will see all entities being verified against the Revised Codes, which could potentially see many suppliers to the group receive significantly lower BBBEE results. The performance of other companies affects Tsogo Sun's ability to achieve good BBBEE results, which could potentially affect the next rating.

In line with the plan, 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 are being aligned, as far as is practical, to meet the requirements of the Revised Codes. The procurement function will work closely with the Enterprise and Supplier Development function to identify qualifying suppliers and potential suppliers for development.

Environment

The focus during the year will be to ensure that the energy and water consumption management programmes remain in place with the objective of continuously reducing consumption year on year, excluding the impact of increased capacity or additional operations. Through environmental education, the group will continue to influence stakeholders such as communities, employees and customers, to take responsibility for their impact on the environment and positively change their behaviour by holding Citizenship seminars that address among other topics related to the green economy, the subject of climate change.

Sustainability strategy in action continued

TSOGO SUN CITIZENSHIP

ENTREPRENEURS

The Montecasino onsite waste recycling depot enables Tsogo Sun to contribute meaningfully to joint environmental awareness initiatives with the Miss Earth SA Leadership Ambassadors, such as the #WasteStopsWithMe campaign.

The annual Generation Earth Summit held at Sandton Convention Centre in 2015 engaged thousands of South African youth on the green economy and climate change.

COMMUNITY

The Tsogo Sun Entrepreneur of the Year for 2015 is Nomsa Mazibuko, owner of Visit Vakasha Guest Lodge.

Tsogo Sun develops small, medium and micro enterprises as a solution to creating employment and as a contributor towards the growth of the South African economy. The 2015 intake of entrepreneurs were inducted into the 12-month development programme in October.

ENVIRONMENT

The Tsogo Sun Arts Academy develops the artistic talent of learners from underprivileged backgrounds while also providing them with essential life skills and job readiness training.

The Tsogo Sun Moves For Life national chess programme reaches nearly 24 000 learners nationally, helping to improve maths, science and literacy skills through the medium of chess.

Sustainability strategy in action continued

Financial strength and durability

The group is highly cash generative but it is important to ensure that the capital structure of the group is appropriate so that the business survives through economic cycles.

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 other industries.

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

	2016	2015
Net debt to Ebitdar	**2.0 times**	2.2 times
Unutilised net facilities (including available cash on hand)	**R4.8 billion**	R4.8 billion
Weighted average expiry of debt facilities (excluding permanent revolving credit facilities)	**49 months**	58 months
Net debt hedged through fixed interest rate swaps	**57%**	61%

2016 performance

Net interest-bearing debt

Interest-bearing debt net of cash at 31 March 2016 totalled R9.2 billion, which is R37 million above the 31 March 2015 balance of R9.2 billion, with R878 million paid in dividends to shareholders in addition to the investment activities of R2.0 billion during the year.

For more detail on the group's borrowings and cash position refer to notes 29 and 32 on pages 51 and 52 of the annual financial statements.

During the year, an additional US Dollar 22 million in facilities were negotiated for offshore acquisitions. The tenures on the majority of existing facilities are to June 2020 and June 2021. Net debt to Ebitdar as at 31 March 2016 was 2.0 times with unutilised net facilities (including available cash on hand) of R4.8 billion. The weighted average number of months to expiry of the debt facilities (excluding 364-day revolving credit facilities) was 49 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 2016, 57% of net debt was hedged through fixed interest rate swaps and other fixed rate instruments. The weighted average effective interest rate for the year was 9.1% (2015: 9.1%). The interest rate is flat on the prior year, despite the repo rate increases due to the hedging and the impact of the additional US Dollar denominated funding.

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 28% in US Dollar, 10% in Euro, 19% in Nigerian Naira and 24% in Mozambican Metical with limited other local currency deposits. Access to foreign currency in Nigeria and Mozambique is becoming severely constrained by liquidity issues in both countries, which may require the restructuring of debt facilities.

Looking ahead

The facility pricing with the group's existing consortium of banks remains competitive, however, the capital structure, including the impact of the acquisition of HPF, is under review with the intention to reduce the cost of funding while managing liquidity risks. The acquisition of HPF will bring an additional R1.7 billion in debt onto the balance sheet at a higher level of gearing.

In the event of an increase in the level of debt, further future dated interest rate swaps will be concluded. In the case 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.

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

	2016	2015
Gaming		
• Rewards club membership contribution to gaming revenue	**75%**	72%
• Guest satisfaction – gaming	**77%**	76%
• Slot machine average age	**5.1 years**	5.4 years
Hotels		
• Rewards club membership contribution to hotel revenue	**33%**	29%
• Guest satisfaction – hotels	**87%**	87%
• Hotel property brand 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	**R945 million**	R749 million

2016 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. 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 to 10-year cycle and the current average age of slot machines is 5.1 years. Many of these machines, however, have been upgraded or have had game changes to ensure they remain relevant. Physical standards at hotel properties are evaluated through hotel property audits. 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 were no material deviations from the relevant brand standards in the period under review.

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, approximately R1.2 billion 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, 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.

Sustainability strategy in action continued

Product relevance to customer experience continued

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 are 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.

During the 2016 financial year, the upgrade of the gaming management systems to either IGT Advantage or Gamesmart was completed and the core hotel and casino management systems are now current and best of breed.

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 remains 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.

The group's website www.tsogosun.com was redeveloped to enable better search engine optimisation in order to better connect with our customers. A new booking engine has been launched during 2016 which will enable responsive mobile access and provide direct access to distribution aggregators (e.g. Trivago, TripAdvisor) and online travel companies (e.g. Expedia) thereby extending our booking channel reach. The website and booking engine are important tools in retaining control of the group's direct booking channels, which remains a core strength of the group.

Over the past two years rates management technology has been implemented throughout the hotel group to ensure the right rate is charged for the right room daily. This allows for flexibility of room rates and the optimisation of revenue in high demand periods.

Tsogo Sun brand portfolio management

The group has been diligent in its focus to build the Tsogo Sun master brand and has achieved strong recognition and recall within both the corporate and consumer markets in South Africa. This has enabled clear and consistent communication of the master brand, aligned with both the business objectives and the group's purpose to create great experiences for our guests.

A clear brand portfolio strategy is supported by structured brand management including the consistent application of Tsogo Sun's 'sunburst' across properties and the select use of a common endorsement. These brand standards have become essential in ensuring that each of the brands in the group are aligned with the Tsogo Sun brand values. In this way each product brand continues to contribute to the growth of the Tsogo Sun master brand.

The group and hotel communication follows the Tsogo Sun master brand corporate identity whereas the casino properties communicate predominantly on that of the respective property corporate identity. This principle also applies to the group's reward programmes. This approach, supported by key Tsogo Sun sponsorships and partnerships, allows the master brand to remain the most prominent market facing brand, unified by the 'sunburst'.

Group marketing focuses on retail messages with limited dedicated spend on pure brand communication. Over the past year, the group extended its marketing channel reach using digital platforms such as electronic mailers, display banners and social media. Digital campaigns are gaining more traction as they are targeted, measureable and seamless, have a faster turnaround time and are cost effective. The group's website tsogosun.com supports the digital strategy by serving as a perfect launch pad into digital applications.

Customer satisfaction

Understanding our guests makes it possible to offer them products and services that they want. Tracking levels of guest satisfaction is important to us as it allows us to interrogate feedback with the intention of delivering consistent experiences across the group. The group's purpose to 'create great experiences' drives engagement as satisfied guests are directly correlated to great experiences, which in turn creates loyalty to our brands and properties.

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 TripAdvisor.

The overall guest satisfaction for Tsogo Sun hotels averaged at 87% this year, in line with the prior year. The high guest satisfaction score at Tsogo Sun hotels is due to enhanced awareness of our guests' needs and our ability to respond to them efficiently and effectively. With all the casinos now having had a full financial year of receiving post-visit feedback, the overall satisfaction score has increased to 77% (F'15: 76%). The data gathered has enabled the casino and hotel operators to identify and further investigate key guest contact areas within the business to continue to create great experiences at every touchpoint.

Guest satisfaction correlates with the high levels of engagement across the various platforms:

- tsogosun.com – 750 000+ visits per month
- Facebook – 1.35 million followers
- Twitter – 61 000 followers
- Instagram – 16 300 followers

Customer rewards programmes

Tsogo Sun's hotel and casino rewards programme is designed to encourage relationships of mutual value with customers by giving benefits and rewards to cardholders. It provides the group with detailed information about trends across its customer base that enables Tsogo Sun to improve our offering in response to changing consumer behaviour and to meet the demands of top-tier active reward club members more effectively. While our gaming management systems do not allow for full portability of rewards and benefits, the rewards programme provides patrons with consistent card status levels, rewards and benefits across the group.

Tsogo Sun gaming – rewards programme segmental analysis

Tsogo Sun gaming had 316 695 active gaming cardholders during the year. The contribution to total gaming revenue for the year from active members of the reward programme was 75%.

Segment	**2016 % active customers**	**2016 contribution %**	2015 % active customers	2015 contribution %
Black	**8**	**50**	8	46
Platinum	**14**	**16**	15	15
Gold	**78**	**9**	77	11
	100	**75**	100	72

Tsogo Sun hotels – rewards programme segmental analysis

Tsogo Sun hotels had 96 226 active reward cardholders during the year. The contribution to total hotel revenue for the year from active members of the reward programme was 33%.

Segment	**2016 % active customers**	**2016 contribution %***	2015 % active customers	2015 contribution %*
Black	**5**	**9**	5	7
Platinum	**13**	**10**	16	7
Gold	**82**	**14**	79	15
	100	**33**	100	29

** Systemwide*

Customer safety

Tsogo Sun recognises that the health, safety and wellbeing of 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

The focus for the next year will remain on using the customer information in the programmes in a targeted approach to influence behaviour and ultimately hotel and casino revenue. Using SunRands in hotels and Points in casinos, as well as a variety of entertainment and dining offers, customers will continue to be encouraged to maintain or increase their spend and frequency of visits to our hotels and casinos and relevant communication regarding the benefits of the programme is a priority.

Sustainability 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, corruption, insider trading 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

	2016	2015
Significant gaming regulation breaches	**Nil**	Nil
Fines imposed for other regulatory breaches	**Nil**	Nil
Fines imposed for breaches of law	**Nil**	Nil

2016 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 and policies, 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 group participated in the public consultation process in respect of proposed legislative and policy amendments which may have a regulatory compliance impact on the group's casino and hotel operations. The most significant contributions with regard to gaming were made in respect of proposed amendments to various provincial gambling acts and regulations and, in particular the 41st licence, the roll out of additional bingo sites, the proliferation of illegal gambling sites and the Financial Intelligence Centre Act, which may cause more onerous regulatory obligations on casinos. The Financial Intelligence Centre implemented a new reporting platform during the year which required the group to align its information systems and reporting procedures to comply with additional requirements.

The group also participated in industry comments through CASA to the Private Security Industry Regulatory Authority on practical difficulties which the industry encounters when registering its surveillance staff as security service providers. This resulted in the industry and the regulator agreeing to enter into an agreement of understanding regarding the registration process of surveillance staff.

Tsogo Sun ensures that the group complies with all applicable legislation in all countries in which it operates and, where possible, builds constructive relationships with the regulatory bodies. There were no significant breaches of any legislation and no significant fines imposed during the year.

There were no reported incidents regarding breaches of customer privacy or losses of customer data.

Looking ahead

Material areas of regulation will continue to be incorporated into the combined assurance framework to ensure that all relevant legislation and regulations continue to be 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

	2016	2015
Management and control (revised codes) score/employment equity (2007 codes) score	**10.0/19**	11.0/15
Training spend as a % of payroll	**4.5%**	4.2%
Staff resignations	**10.1%**	11.2%

2016 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. We also strive to attract and retain the highest calibre staff while at the same time redressing historical imbalances, where they may exist.

Job creation and employee stability

The group contributes approximately 12 800 direct jobs and approximately 22 800 combined direct and indirect jobs (including contract staff employed by third-party service providers) where our operations are situated in South Africa.

Staff resignations decreased to 10.1% (11.2% in 2015) and remains acceptable for the hospitality industry and is testimony to the favourable employee engagement and values-based leadership approach across the group.

Employee development

Training spend for the year at R123 million, which is at 5.1% of payroll, has increased from the prior year. The group spent R109 million on training and development initiatives provided to black people during the year, which is 4.5% of payroll in accordance with the BBBEE revised codes – tourism sector scorecard targets. The group's BBBEE score for skills development is 16 out of 20 within the new scorecard framework.

During the year Tsogo Sun has continued to demonstrate its commitment to investing in the education, training and development of its employees. The Tsogo Sun Academy embarked on a new strategy based on current international best practice with emphasis on addressing the basic skills of our frontline staff and to deliver a steady pipeline of management and supervisory talent throughout the business. The strategy is based on three key pillars, namely the targeted training activity, the need to grow the ability of our learners to acquire new and relevant skills and the creation of shared ownership for learning within Tsogo Sun. Specifically, there has been a renewed focus on cost efficiency, the implementation of an improved business need identification process, a targeted, focused and customised approach to talent development, and a concentration on addressing functional development needs across all levels of employees in the business.

Sustainability strategy in action continued

Human resources continued

Employee engagement

The group operates under a single engagement programme reflecting the values, culture and behaviours common to the business. livingTSOGO is simple and straightforward – from the concept of attaching values to our company name to the values themselves. Employees participate in the components designed to bring them to life including livingTSOGO World which incorporates the group's induction programme and livingTSOGO Moments which provides recognition and rewards.

The results of the employee engagement survey which was conducted during the prior year were communicated throughout the business and action plans were formulated. The business continues with the implementation of the action plans to deal with the issues raised in the survey that required attention and to build on those areas which reflected positively. During the year, a livingTSOGO ambassador for 2015 was recognised in terms of the employee rewards programme which continues with ongoing monthly recognition of employees across all properties.

Employee wellness

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

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 2.2. 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 reflects our employment equity and includes South Africa only. It excludes the approximately 10 000 contract staff employed by third-party service providers and 1 608 staff employed outside South Africa:

	South African male				South African female				Foreign nationals		
Employees	African	Indian	Coloured	White	African	Indian	Coloured	White	Male	Female	Total
Permanent	**3 138**	**496**	**361**	**591**	**3 180**	**373**	**452**	**576**	**76**	**36**	**9 279**
Executives and Management	399	180	95	394	323	105	92	326	30	12	1 956
Supervisors and skilled employees	1 273	198	145	133	1 176	181	206	209	28	17	3 566
Other employees	1 466	118	121	64	1 681	87	154	41	18	7	3 757
Operational support	**1 269**	**31**	**74**	**30**	**1 803**	**51**	**117**	**41**	**35**	**17**	**3 468**
Executives and Management	–	1	–	9	–	–	2	6	1	–	19
Supervisors and skilled employees	550	14	21	14	752	30	40	27	13	10	1 471
Other employees	719	16	53	7	1 051	21	75	8	21	7	1 978
Total 2016	**4 407**	**527**	**435**	**621**	**4 983**	**424**	**569**	**617**	**111**	**53**	**12 747**
Total 2015	**4 424**	**548**	**466**	**638**	**4 988**	**415**	**578**	**676**	**70**	**44**	**12 847**

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

There have been no significant changes to the group's headcount since last year and the percentage of female employees remains unchanged at 52% of the workforce in 2016.

We ensure that our workforce reflects our focused employment equity philosophy. In this regard, in accordance with our verified management and control results, presently black representation at senior management level is 25.2%, at middle management level it is 52.8% and at junior management level it is 77.5%. The representation of black employees throughout the group is currently 89.9%. While actual representation has not decreased, the group's figures are now calculated using the revised BBBEE codes formulas, which no longer provide recognition for gender as the previous 2007 codes prescribed, thereby producing results that are not directly comparable to those from the prior year.

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. The group has recognition agreements with six unions in South Africa and 2 402 (26%) of our permanent employees are union members. There has been a 1pp reduction in union membership from the 2 468 (27%) 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

The Tsogo Sun Academy will continue to build a productive learning culture within the business in the coming year, with the objective of underpinning Tsogo Sun's vision of creating great experiences for our guests. In particular, an integrated online learning platform will be rolled out to improve the reach to our employee base and the concept of 'just in time' learning will be implemented in order to unlock further efficiencies and the effectiveness of our learning and development initiatives.

Employee engagement

The focus during the year will remain on the employee rewards programme, livingTSOGO Moments, which recognises employee behaviour in line with the values.

Growth strategy in action

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

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

Key performance indicators

	2016	2015
Organic income growth	**6%**	2%
Organic Ebitdar growth	**5%**	(3%)
Free cash flow	**R2.0 billion**	R1.8 billion
Maintenance capital expenditure	**R945 million**	R749 million
Adjusted HEPS growth	**12%**	(1%)

2016 performance

Segmental operating performance

	Income		**Ebitdar**		**Ebitdar margin**	
Year ended 31 March	**2016 Rm**	2015 Rm	**2016 Rm**	2015 Rm	**2016 %**	2015 %
Montecasino	**2 674**	2 510	**1 194**	1 133	**44.7**	45.1
Suncoast	**1 701**	1 581	**791**	732	**46.5**	46.3
Gold Reef City	**1 380**	1 270	**525**	479	**38.1**	37.7
Silverstar	**735**	676	**254**	248	**34.6**	36.7
The Ridge	**391**	415	**160**	188	**40.9**	45.2
Emnotweni	**384**	367	**152**	154	**39.5**	42.0
Golden Horse	**369**	334	**163**	148	**44.2**	44.3
Hemingways	**318**	310	**113**	109	**35.4**	35.1
Garden Route	**218**	188	**92**	79	**42.3**	42.0
Blackrock	**168**	152	**63**	58	**37.7**	38.1
The Caledon	**163**	149	**43**	38	**26.2**	25.5
Mykonos	**156**	145	**68**	64	**44.0**	44.1
Goldfields	**134**	138	**44**	51	**32.4**	37.1
Other gaming operations	**109**	100	**(233)**	(216)		
Total gaming operations	**8 900**	8 335	**3 429**	3 265	**38.5**	39.2
South African hotels division[1]	**2 744**	2 506	**920**	830	**33.5**	33.1
Offshore hotels division	**691**	552	**169**	116	**24.5**	21.0
Pre-foreign exchange losses			***192***	*137*	***27.8***	*24.8*
Foreign exchange losses			***(23)***	*(21)*		
Corporate[1]	**(52)**	(50)	**25**	12		
Group	**12 283**	11 343	**4 543**	4 223	**37.0**	37.2

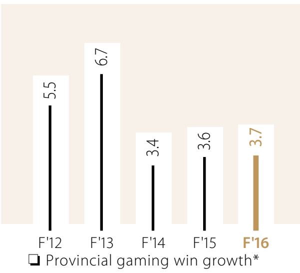
All casino units are reported pre-internal gaming management fees

[1] Includes R52 million (2015: R50 million) intergroup management fees

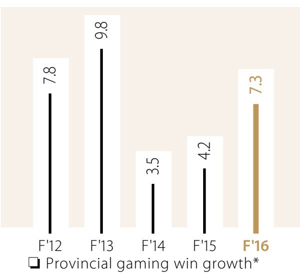
Growth strategy in action continued

Organic growth continued

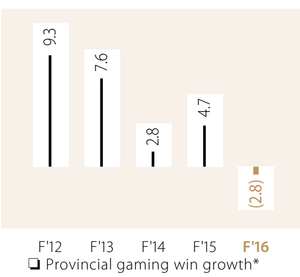
Gauteng



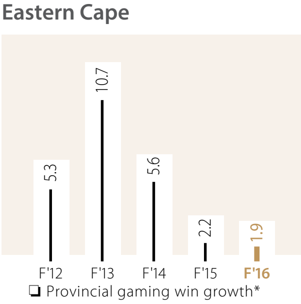
KwaZulu-Natal



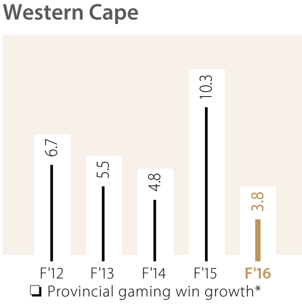
Mpumalanga



Eastern Cape



Western Cape



Based on gambling board statistics

Tsogo Sun gaming

Gaming win for the year grew by 6% on the prior year with growth in slots win at 4% and tables win at 11%. Gaming win for both slots and tables was impacted by lower win percentages with growth in slots handle at 7% and tables drop at 13% on the prior year.

	31 March 2016 Rm	31 March 2015 Rm	% change on 2015
Gaming win	**7 361**	6 976	6
Tables	**1 750**	1 573	11
Slots	**5 611**	5 403	4
Win % – tables	**21.5**	21.8	(0.3pp)
Hold % – slots	**5.0**	5.2	(0.2pp)

Gauteng recorded provincial growth in gaming win of 3.7% for the year. Gaming win growth of 5.1% was achieved at Montecasino, 5.5% at Silverstar and 4.9% at Gold Reef City. Montecasino and Silverstar experienced reduced win percentages during the year and Gold Reef City was impacted by the refurbishment and expansion work which was completed in October 2015. Administered costs (property rates and water) at Silverstar increased by R11 million post the redevelopment.

KwaZulu-Natal provincial gaming win grew by 7.3% for the year. Gaming win growth of 7.1% was achieved at Suncoast Casino and Entertainment World, 8.8% at Blackrock Casino in Newcastle and 9.5% at Golden Horse Casino in Pietermaritzburg.

Provincial gaming win in Mpumalanga reduced 2.8% for the year. Gaming win growth of 2.2% was achieved at Emnotweni Casino in Mbombela with a reduction of 7.4% experienced at The Ridge Casino in eMalahleni impacted by significant economic disruptions to the steel industry in that area. Emnotweni and The Ridge experienced reduced tables drop and reduced win percentages during the year.

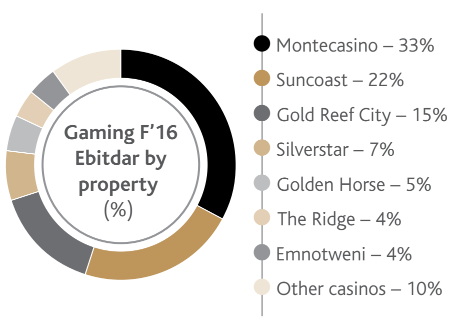
The Eastern Cape provincial gaming win grew by 1.9% for the year. Hemingways gaming win decreased by 0.7% on the prior year, impacted by the poor economic conditions in the East London area.

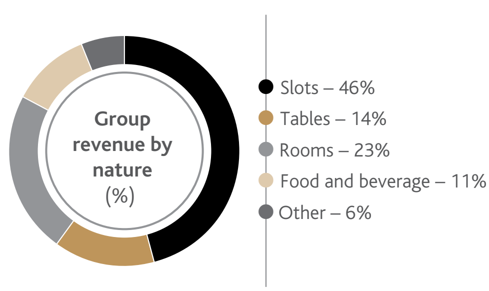
The Western Cape reported growth in provincial gaming win of 3.8% for the year. The Caledon Casino, Hotel and Spa, Garden Route Casino in Mossel Bay and Mykonos Casino in Langebaan reported growth of 10.0%, 18.2% and 6.7% respectively, reflecting a strong performance of the leisure markets in these areas.

The Goldfields Casino in Welkom in the Free State experienced difficult conditions with gaming win 4.2% down on the prior year.

Other gaming operations consisting of the Sandton Convention Centre and head office costs reflected a net Ebitdar loss of R233 million, R17 million adverse to the prior year.

Overall revenue for the gaming division increased 7% on the prior year to R8.9 billion. Ebitdar increased 5% on the prior year to R3.4 billion at a margin of 38.5%, 0.7pp below the prior year due to increased administered costs (property rates, water and electricity) and the opening of additional profitable lower margin businesses.





Tsogo Sun hotels

The hotel industry in South Africa continues to experience a subdued recovery from the dual impact of depressed demand and oversupply. Overall industry occupancies have improved to 63.8% (2015: 62.5%) for the year, but were adversely impacted by visa regulations which constrained growth. 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 occupancy and rate premiums in the segments in which the group operates.

Trading for the group's South African hotels for the year recorded a systemwide Revpar growth of 8% on the prior year due mainly to an increase in average room rates by 7% to R1 018, with occupancies above the prior year at 63.5% (2015: 62.8%). Overall revenue for the South African hotel division increased 9% on the prior year to R2.7 billion, assisted by the inclusion of the additional Cullinan hotels for an additional month and the closure of Garden Court De Waal for refurbishment during the prior year, offset by the closure of the Riverside Sun and Sabi River Sun for refurbishment during the current year. Ebitdar improved 11% to R920 million at a margin of 33.5% (2015: 33.1%).

The offshore division of hotels achieved total revenue of R691 million, representing a 25% increase on the prior year due to a recovery from the impact of the Ebola epidemic on trading and the closure of Southern Sun Maputo for refurbishment during the prior year. The result was further assisted by the weakening of the Rand against both the US Dollar and the Euro. Ebitdar (pre-foreign exchange losses) increased by 40% to R192 million. Foreign exchange losses of R23 million (2015: R21 million) were incurred 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 2016	31 March 2015
Occupancy (%)	**62.5**	61.6
Average room rate (R)	**1 035**	945
Revpar (R)	**646**	583
Rooms available ('000)	**4 307**	4 209
Rooms sold ('000)	**2 691**	2 595
Rooms revenue (Rm)	**2 784**	2 453

Maintenance capital expenditure

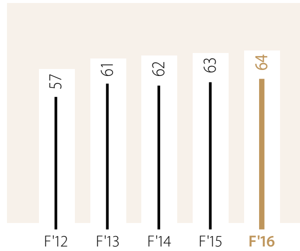
The group invested R945 million on maintenance capex group-wide, including gaming system replacements and major hotel and casino refurbishments, ensuring our assets remain best in class.

Looking ahead

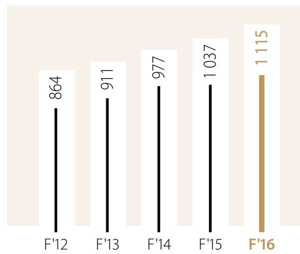
The underlying operations of the group remain highly geared towards the South African consumer (in gaming) and the corporate market (in hotels) with both sectors still experiencing difficult economic conditions and increased administered costs. The high level of operational gearing still presents significant growth potential of the group should these sectors of the South African economy improve.

Trading is expected to remain under pressure due to the ongoing macro-economic conditions and weak consumer sentiment. Nevertheless, the group remains highly cash generative and is confident in achieving attractive returns from the growth strategy once the macro-economic environment improves.

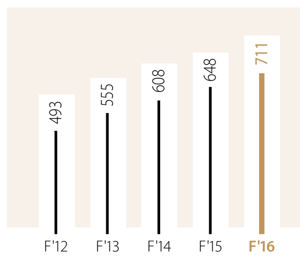
SA occupancy* (%)



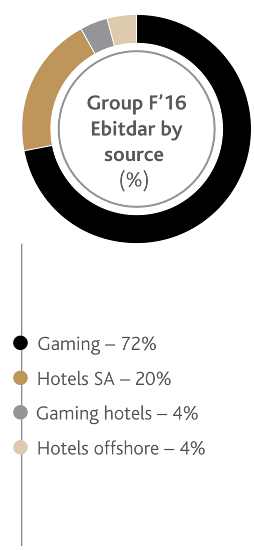
SA average rate* (R)



SA Revpar* (R)



**South African hotel industry 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 some of the pillars of sustainability.

Key performance indicators

	2016 Rm	2015 Rm
Investment activity expenditure	**962**	2 045

2016 performance

Tsogo Sun has continued to allocate capital in terms of its growth strategy and accordingly spent R1.0 billion during the year as follows:

- continued the R640 million refurbishment and expansion of Gold Reef City Casino and Theme Park which includes an increased casino offering, cinemas and additional restaurants at the casino and additional food and beverage outlets and improved access systems at the Theme Park, with an improved linkage to the casino complex and an expansion of the Apartheid Museum. Phase one of the project, which excludes the Theme Park, was completed in November 2015. R256 million was spent during the year;
- continued with the planning for the expansion of the Suncoast Casino and Entertainment World with construction anticipated to commence in September 2016 with two years to completion. The investment in the expansion has been decreased to R2.1 billion and will include a 22 000 m^2 destination retail mall, additional restaurants and entertainment offerings, additional parking, an expansion of the casino floor to incorporate an additional 900 gaming machines and 16 gaming tables. An amount of R100 million made available to be spent on charitable or social infrastructural developments in the KwaZulu-Natal province was paid in the prior year and forms part of the investment. R47 million was spent during the year;
- acquired 55% of the Hospitality Property Fund Limited ('HPF') B-linked units for R252 million in August 2015; and
- acquired a 25% interest in International Hotel Group Limited (an associate), along with the major shareholders of Redefine BDL, for R315 million between September 2015 and March 2016. The property fund, which has a dual listing in Luxembourg and on the Johannesburg Stock Exchange, will pursue hotel opportunities in the United Kingdom and Europe, the hotels being managed by Redefine BDL.

Investment activity expenditure

	31 March 2016 Rm	31 March 2015 Rm
Gold Reef City redevelopment	**256**	142
Silverstar redevelopment	**28**	321
Suncoast expansion	**47**	141
Monte Circle and Monte Place	**27**	6
Emnotweni expansion	**2**	18
Hemingways expansion	**–**	6
Blackrock expansion	**–**	3
SUN1 expansions	**20**	16
Southern Sun Maputo expansion	**15**	207
Other	**–**	1
Expansion capex	**395**	861
International Hotel Group	**315**	–
HPF B-linked units	**252**	–
Majormatic/Extrabold	**15**	–
Pivot Office minorities	**–**	144
Garden Route minorities	**–**	51
Acquisition of Liberty hotels	**–**	762
Redefine BDL	**–**	145
Garden Court Polokwane land and buildings	**–**	80
Other	**–**	1
Acquisitions and minorities	**582**	1 183
Loans and investments	**(15)**	1
Investment activity expenditure	**962**	2 045

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

- the group concluded a transaction with Sun International Limited and Grand Parade Investments Limited for the acquisition of a 20% equity interest in each of SunWest International Proprietary Limited and Worcester Casino Proprietary Limited for an aggregate R1.35 billion;
- as previously noted, agreement has been reached with HPF to acquire a controlling stake through the injection of appropriate hotel assets having a value such that the issue of shares to the group at the time will result in the group owning not less than 50% of the shares following the reconstitution of HPF's capital into a single class of shares. All resolutions required in order to approve the transaction were passed by the requisite majority of shareholders at the general meeting of HPF shareholders held on Monday, 11 April 2016. The acquisition is subject to the fulfilment of conditions precedent, which included the approval of the competition authorities, which was received on 10 August 2016. The anticipated effective date of the transaction is 1 September 2016;
- agreement has been reached for the further acquisition of two hotels from Liberty by Cullinan, being Garden Court Umhlanga and StayEasy Pietermaritzburg for R310 million. Regulatory approval has been received and control will follow in the next few months;
- the potential to bid for the relocation of one of the smaller casinos in the Western Cape to the Cape Metropole remains an opportunity for the group should the provincial authorities allow such a process; and
- the Mpumalanga Gambling Board withdrew the second request for proposal for the fourth licence. The group is pursuing a legal challenge in this regard.

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

Corporate governance

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

Board
Two executive directors and seven non-executive directors[(1)]

Responsibility for the overall conduct and control of the business and the strategic direction of the company

Audit and risk committee
Three independent non-executive directors[(2)(3)]

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

Remuneration committee
Four non-executive directors of whom two are independent[(2)(3)]

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

Social and ethics committee
Three non-executive directors of whom two are independent[(2)(3)]

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

Chief Executive Officer
Marcel von Aulock

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

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

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

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

Responsible for the identification and management of insurable risks.

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

Responsible for compliance, mainly in gaming division.

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

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

Management committee
Managing director and divisional function heads for gaming division

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

Ethical conduct	**Corporate governance**	**Risk governance**	**Fair remuneration**

(1) In terms of the MOI the board consists of between four and 15 directors. Three of the non-executive directors are independent
(2) As at 31 March 2016, Post-year end on 11 August 2016, the remuneration committee was expanded to five non-executive directors of whom three are independent and the social and ethics committee was expanded to four non-executive directors of whom three are independent
(3) The committee meetings are also attended voluntarily by other directors

The board and board committees

The board maintains full and effective control over the company and is accountable and responsible for its performance and compliance. 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 approved by the board and adopted by the committee. All committee chairmen report orally on the proceedings of their committees at the board meetings. Evaluation of the board is entrenched in the board charter and terms of reference and is carried out annually.

Corporate governance continued

Our board

Executive directors

1. MN VON AULOCK (42)

CA(SA)

Executive Director – Chief Executive Officer

Date appointed: 1 April 2009(1)

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.

2. RB HUDDY (47)

CA(SA)

Executive Director – Chief Financial Officer

Date appointed: 31 October 2011

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.

Non-executive directors

3. JA COPELYN (66)

BA(Hons), BProc

Non-executive Chairman and member of the remuneration committee

Date appointed: 13 August 2003(1)

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.

4. MA GOLDING (56)

BA(Hons)

Non-executive Director

Date appointed: 30 April 2004(1)

Marcel Golding runs a family investment office. Prior to this he was Chairman of HCI and Chief Executive Officer of e.tv. He was a member of parliament and Deputy General Secretary of the National Union of Mineworkers. He is Chairman of KWV Holdings.

(1) Date appointed to the holding company board pre-reverse listing into Gold Reef on 14 February 2011

1 2 3 4

Independent non-executive directors

5. VE MPHANDE (58)

Elec Eng (Dip)

Non-executive Director

Date appointed: 3 February 2005 [(1)]

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 as non-executive Chairman in 2015 and serves on the board of Vukani Gaming Corporation and e.tv.

6. Y SHAIK (58)

BA(Law), BProc

Non-executive Director, member of the social and ethics committee and Chairman of the remuneration committee

Date appointed: 15 June 2011

Yunis Shaik is an admitted attorney of the High Court of South Africa. 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 an Executive Director in 2014.

7. BA MABUZA (52)

BA MBA

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

Date appointed: 1 June 2014

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

8. MSI GANI (63)

CA(SA)

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

Date appointed: 11 August 2016

Mac Gani is a Chartered Accountant with over 30 years' experience in the accounting and audit profession. He was a founding partner of MSGM Masuku Jeena Inc., a partner of Saboor Gani & Co and a partner of PwC until 2013. He is a non-executive director on a number of boards including Basil Read Holdings Limited and is on the investigating committee of the Independent Regulatory Board of Auditors.

9. JG NGCOBO (65)

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

Date appointed: 24 February 2011

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.

5 6

7 8 9

Corporate governance continued

Our board continued

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 during the 2016 financial year was Rex Tomlinson who chaired or served on all of the committees of the board and was therefore well placed to influence the governance of the company and meet his obligations as Lead Independent Director. Rex Tomlinson resigned as Lead Independent Director and was replaced on 11 August 2016 by Busi Mabuza who will fulfil this role.

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

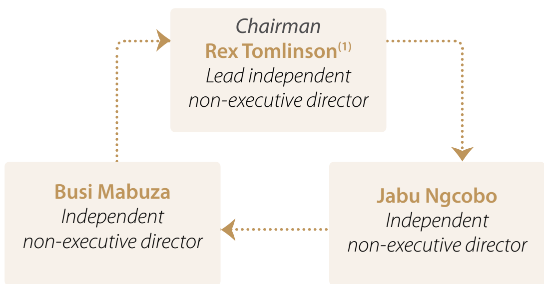
The composition of the board and of the audit and risk, remuneration and the social and ethics committees is determined by the major shareholder. No independent director has served for more than nine years and the average length of service of independent directors is less than three years. The board considers that there is an appropriate balance of skills, experience, independence and knowledge among the independent directors. One-third of the directors retire by rotation each year in line with the memorandum of incorporation.

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

	Board	Audit and risk committee	Remuneration committee	Social and ethics committee	AGM
Executive directors					
Marcel von Aulock	5/5				✔
Rob Huddy	5/5				✔
Non-executive directors					
Chairman					
John Copelyn	5/5		2/2		✔
Lead independent					
Rex Tomlinson	5/5	3/3	2/2	2/2	✔
Independent					
Busi Mabuza	5/5	3/3			
Jabu Ngcobo	5/5	3/3	2/2	2/2	
Non-independent					
Marcel Golding	5/5				
Elias Mphande	5/5				✔
Yunis Shaik	4/5		2/2	2/2	

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.

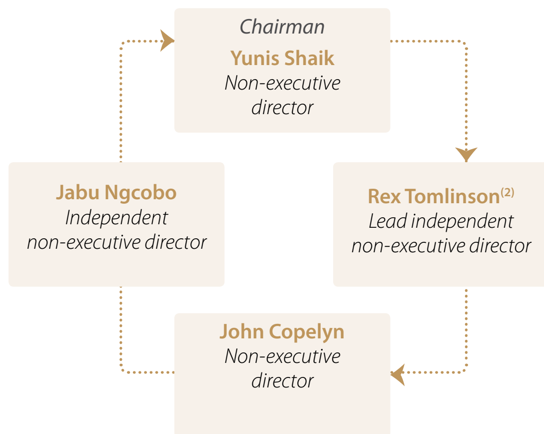
The committee met three times during the year. The Chief Executive Officer, the Chief Financial Officer, the group's Director of Risk, the Chief Information Officer and directors from the majority shareholder attend the meetings as permanent invitees, along with external audit and the outsourced internal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

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

- review of the risk landscapes 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;
- review of insurance, treasury and taxation matters;
- review of operational risk management including fraud and theft, whistle-blowing systems and organisational resilience;
- oversight of the implementation of the combined assurance framework and plan;
- 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 preliminary 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; and
- assessment of the internal control environment, particularly in relation to the group's system on internal financial controls.

Refer to the report of the audit and risk committee on page 3 of the consolidated financial statements for the year ended 31 March 2016.

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 sets short-term and long-term remuneration for the executive directors and members of the executive committee.

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

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

- monitoring executive appointments, terminations and retirements;
- determining the general policy on remuneration to ensure fair, competitive and responsible reward;
- determining the specific remuneration packages for the executive directors and other senior executives and management;
- approving the rules, criteria, targets and allocations for performance-related pay schemes; and
- proposing non-executive director remuneration.

Further details of the group's remuneration policy and the work of the remuneration committee can be found in the remuneration section on pages 71 to 76.

Notes:

[1] *Rex Tomlinson resigned and was replaced as Chairman of the audit and risk committee by Mac Gani on 11 August 2016*

[2] *Rex Tomlinson resigned and was replaced as a member of the remuneration committee by Mac Gani and Busi Mabuza on 11 August 2016*

Corporate governance continued

Our board continued

Social and ethics committee

Chairman
Rex Tomlinson[1]
Lead independent non-executive director

Jabu Ngcobo
Independent non-executive director

Yunis Shaik
Non-executive director

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:

- progress in the alignment of the group's practices to the requirements of the revised BBBEE codes;
- disputes with government or regulators;
- compliance with regulations;
- preferential procurement, socio-economic development and enterprise development;
- environmental management and certification;
- customer satisfaction, loyalty and health and safety and consumer protection; and
- job creation, employee health and safety, employee development and management diversity and employment equity.

The matters considered during the year are included in the deliver to our beneficiaries section on pages 39 to 47, the product relevance to customer experience section on pages 49 to 51, the regulatory compliance section on page 52 and the human resources section on pages 53 to 55.

The main area of focus during the year was on the potential impact of the revisions to the BBBEE codes on the group's practices and potentially on casino licences. Refer to the transformation section on page 41 for more information. There were no other significant matters of concern raised during the year.

Ethics

The group has an ethics policy and a code of conduct which guides its business practices. It provides guidance on matters such as conflicts of interests, acceptance and giving of donations and gifts, compliance with laws and the dissemination of confidential information.

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/IV 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. A King IV draft was released during March 2016 with anticipated publication of the final document during November 2016. No material issues are anticipated in the application of King IV once it becomes effective.

Note:

[1] *Rex Tomlinson resigned and was replaced as Chairman of the social and ethics committee by Mac Gani on 11 August 2016. Busi Mabuza was appointed as a member of the committee on 11 August 2016*

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 board exercised their prerogative to appoint John Copelyn as the Chairman. As a compensating control, a lead independent director was appointed.
• 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 major shareholder exercised its 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 nominated by the board and appointed at the Annual General Meeting. Formal letters of appointment including the required roles and responsibilities are, however, not issued.

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 meets monthly, participates in the determination of the strategy, 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 2016 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 McDonald
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.

An IT risk assessment was performed during the year, the assessment indicates that the only areas requiring priority attention are cyber threats and the quality of customer information in the hotels OCIS system and both of these areas continue to receive ongoing attention.

Corporate governance continued

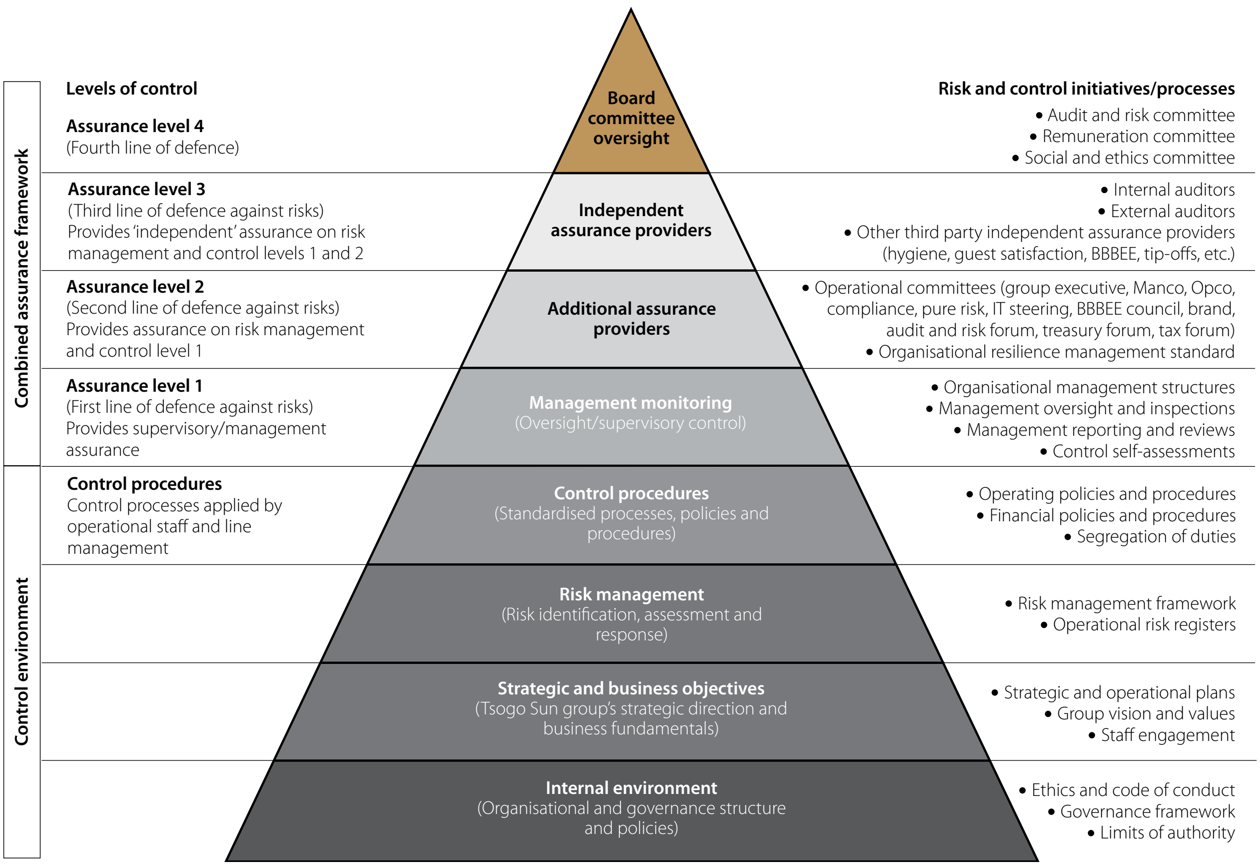
Risk management process

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 improves the assurance coverage and quality in addition to being more cost-effective and the combined assurance framework is as follows:

Tsogo Sun combined assurance framework



In addition to the risk management processes embedded within the group, the group executive committee identifies, quantifies and evaluates the group's risks annually 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 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.

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 with 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 with 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.

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.

Senior management and executive remuneration

Ensure employees are rewarded fairly and appropriately

Attract, retain and motivate individuals with the necessary skills and behaviours

FIXED PAY
Median for the relevant market

SHORT-TERM INCENTIVES
(One year) aligned with financial performance and strategic priorities

LONG-TERM INCENTIVES
(Three years plus) aligned with shareholder returns

High pay achieved only for high performance and high shareholder returns

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. Performance is measured at Ebitda and adjusted earnings against budget to ensure that both trading and profit post the financing cost of capital allocation decisions are considered. Between 15% and 40% of the potential award is based on the achievement of 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 potential total remuneration subject to the achievement of performance-based targets. 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. The value for the executives arising from the facility is derived from 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.

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 with 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 its 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	**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 4 752 principal members (10 419 beneficiaries) *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></th><th>Short-term incentives</th><th colspan="3">Long-term incentives</th></tr>
<tr><th></th><th>Annual bonus plan</th><th colspan="3">Executive facility and share appreciation plan
Share appreciation plan</th></tr>
<tr><td></td><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 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></td><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></td><td>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 'threshold', 'on-target' and 'stretch target' performance, based on or above the median being paid in the marketplace. Financial 'threshold' target is set at 90% of target with a payout of 0%, 'stretch target' is set at 115% of target with a payout of 100%, with interpolation between the points. Bonus awards are based on individual ratings achieved against the targets set for financial performance, relative growth against the market, where relevant, and personal performance against non-financial strategic priorities. The remuneration committee approves the scheme's targets and hurdles annually</td><td>Executive facility
A R200 million facility was made available in 2014 to senior executives for the sole purpose of acquiring shares in the company at R25.75 per share. The shares were acquired on 12 August 2014

The board 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 remain unaffected</td><td colspan="2">Tsogo Sun, and historically Gold Reef (in addition to the equity-settled share scheme), 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></td><td></td><td></td><td>Appreciation units
Annual allocations of appreciation units at market price 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. 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.

Vesting and encashments during the 2016 financial year resulted in a charge of R18 million with a R1 change in the Tsogo Sun share price impacting the charge by R25 million</td><td>Share appreciation units and Gold Reef Share Scheme
The 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 liability for the share appreciation units as at 31 March 2016 is reflected on page 74. Refer to note 36.2 on page 57 of the annual financial statements for further information on this scheme

All of the options in terms of the Gold Reef Share Scheme were exercised by 31 March 2015. Refer to note 36.1 on page 56 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

Grant date	Appreciation units granted and still outstanding 2016	Appreciation units granted and still outstanding 2015	Strike price[(1)] R	Appreciation units vested and still outstanding 2016	Appreciation units vested and still outstanding 2015	Expiry date	Liability 2016 Rm	Liability 2015 Rm
1 April 2010	**–**	935 811	15.08	**–**	935 811	31 March 2016	**–**	52
1 April 2011	**2 838 644**	3 403 053	15.06	**2 838 644**	3 403 053	31 March 2017	**50**	53
1 October 2011	**1 677 345**	1 783 841	18.78	**1 677 345**	1 783 841	30 September 2017	**22**	20
1 April 2012	**5 445 352**	7 245 201	17.66	**5 445 352**	7 245 201	31 March 2018	**77**	89
1 October 2012	**169 964**	253 678	19.71	**169 964**	–	30 September 2018	**2**	2
1 April 2013	**7 324 946**	7 964 198	24.56	**7 324 946**	–	31 March 2019	**49**	25
1 October 2013	**205 800**	221 480	25.51	**–**	–	30 September 2019	**1**	1
1 April 2014	**8 203 713**	8 903 555	25.72	**–**	–	31 March 2020	**26**	8
1 October 2014	**135 396**	154 738	25.85	**–**	–	30 September 2020	*****	*
1 April 2015	**7 112 025**	–	26.54	**–**	–	31 March 2021	**7**	–
1 October 2015	**125 262**	–	23.95	**–**	–	30 September 2021	*****	–
Liability at 31 March							**234**	250
Gold Reef Share Appreciation Bonus Plan							**3**	8
Total long-term incentive liabilities as at 31 March							**237**	258
Share price utilised to value the liability at 31 March							**28.60**	27.60

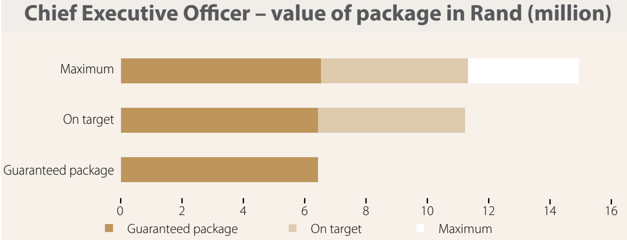
[(1)] *Grants prior to merger (24 February 2011) converted based on swap ratio of 3.553 Gold Reef shares for each TSH share*

* *Amount less than R1 million*

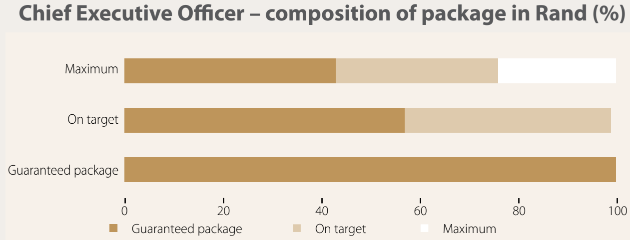
Composition of total remuneration package – executive directors

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

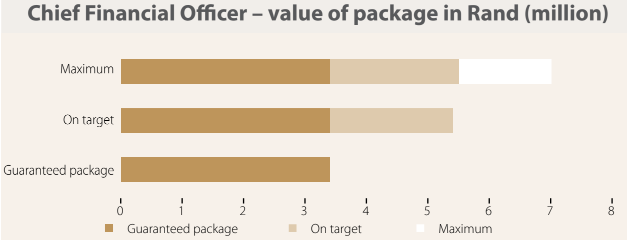
Chief Executive Officer – value of package in Rand (million)



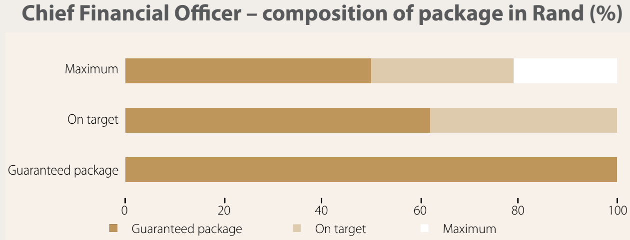
Chief Executive Officer – composition of package in Rand (%)



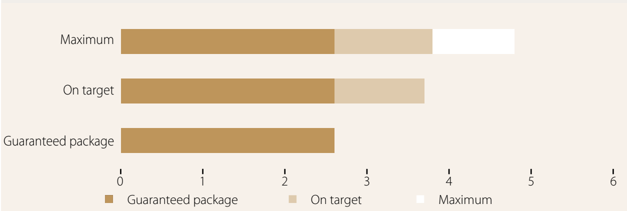
Chief Financial Officer – value of package in Rand (million)



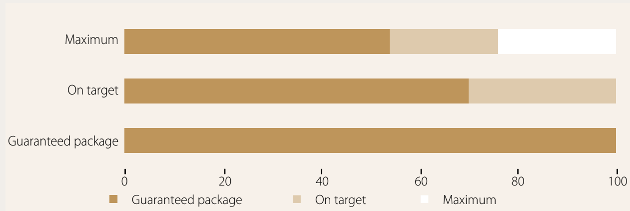
Chief Financial Officer – composition of package in Rand (%)



Group executive committee – value of package in Rand (million)



Group executive committee – composition of package in Rand (%)



The scenario charts assume:

Guaranteed package – fixed pay and benefits for the year ended 31 March 2016

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 rewarded through variable share price increases

Employment agreements

There are no contracts with senior executives with fixed durations.

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.

Any increases will be presented 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 2015/2016 R'000	**Proposed 2016/2017 R'000**
Chairman of the board	905	**965**
Lead independent non-executive director and member of all board committees	n/a	**570**
Chairman of the audit and risk and social and ethics committees	535	**570**
Chairman of the remuneration committee	400	**426**
Non-executive director and member of a board committee	330	**351**
Non-executive director	260	**277**

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

Fees and services	**Directors' fees R'000**	**2016 Total R'000**	Directors' fees R'000	Other benefits R'000	2015 Total R'000
Paid by subsidiaries					
JA Copelyn	**868**	**868**	814	–	814
J Davidson[(1)]	**–**	**–**	145	–	145
JA Mabuza[(1)]	**–**	**–**	–	28 198	28 198
BA Mabuza[(2)]	**315**	**315**	135	–	135
MJA Golding	**310**	**310**	234	–	234
JS Wilson[(1)]	**–**	**–**	115	–	115
VE Mphande	**249**	**249**	234	–	234
MI Wyman[(1)]	**–**	**–**	115	–	115
RG Tomlinson	**501**	**501**	468	–	468
JG Ngcobo	**315**	**315**	295	–	295
Y Shaik	**381**	**381**	356	–	356
	2 939	**2 939**	2 910	28 198	31 109

[(1)] *Resigned 28 August 2014*

[(2)] *Appointed 3 June 2014*

Remuneration report continued

Directors and senior management

Executive directors' remuneration for the year ended 31 March

	Basic remuneration R'000	Benefits R'000	Short-term incentives[1] R'000	Long-term incentives R'000	2016 Total R'000
Paid by subsidiaries					
MN von Aulock	**5 497**	**1 120**	**2 253**	**6 179**	**15 049**
RB Huddy	**2 849**	**637**	**1 161**	**2 404**	**7 051**
	8 346	**1 757**	**3 414**	**8 583**	**22 100**

	Basic remuneration R'000	Benefits R'000	Short-term incentives[2] R'000	Long-term incentives R'000	2015 Total R'000
Paid by subsidiaries					
MN von Aulock	5 114	1 100	4 768	7 877	18 859
RB Huddy	2 663	610	2 033	4 649	9 955
	7 777	1 710	6 801	12 526	28 814

[1] *Short-term incentives paid relate to the achievement against target for 2015*
[2] *Short-term incentives paid relate to the achievement against target for 2014*

Other key management and prescribed officers' remuneration for the year ended 31 March

	Basic remuneration R'000	Benefits R'000	Short-term incentives[1] R'000	Long-term incentives R'000	2016 Total R'000
Paid by subsidiaries					
J Booysen	**3 342**	**951**	**1 013**	**1 166**	**6 472**
RF Weilers	**3 720**	**–**	**718**	**5 150**	**9 588**
	7 062	**951**	**1 731**	**6 316**	**16 060**

	Basic remuneration R'000	Benefits R'000	Short-term incentives[2] R'000	Long-term incentives R'000	2015 Total R'000
Paid by subsidiaries					
J Booysen	3 139	899	2 085	2 255	8 378
RF Weilers	4 078	915	1 700	6 289	12 982
	7 217	1 814	3 785	8 544	21 360

[1] *Short-term incentives paid relate to the achievement against target for 2015*
[2] *Short-term incentives paid relate to the achievement against target for 2014*

IFRS 2 *Share-based Payment* charge expensed during the year ended 31 March

	2016 R'000	2015 R'000
Charge expensed in subsidiaries		
MN von Aulock	**–**	53 859
J Booysen	**–**	26 348
RB Huddy	**–**	15 415
GD Tyrrell	**–**	13 118
FV Dlamini	**–**	9 060
	–	117 800

Refer note 36.1 on page 57 of the annual financial statements for further information.

Notes

1 Basis of preparation

The summarised consolidated financial statements for the year ended 31 March 2016 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements and the requirements of the Companies Act of South Africa applicable to summarised consolidated financial statements. The Listings Requirements require summarised consolidated financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

Chief Financial Officer, RB Huddy CA(SA), supervised the preparation of the summarised consolidated 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 those applied in the previous consolidated annual financial statements as at 31 March 2015 other than as mentioned below. The summarised consolidated financial statements should be read in conjunction with the audited annual financial statements for the year ended 31 March 2016, which were approved by the board on 1 August 2016 and are available online or can be requested from the Company Secretary.

The summarised consolidated annual financial statements are extracted from audited information, but are not themselves audited. 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 2016, dated 1 August 2016, is available for inspection at the registered office of the company and is included in the audited annual financial statements available online.

2 Change in accounting policies and interpretations

The group has adopted all the new, revised or amended accounting standards as issued by the IASB which were effective for the group from 1 April 2015 as noted. The adoption of the improvements made in the 2010 – 2012 cycle and 2011 – 2013 cycle require additional disclosures in the group's annual financial statements. Other than that the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods. No other changes to accounting standards had any impact on the current period or any prior period and are not likely to affect future periods.

3 Financial instruments

The group fair values its interest rate swaps as shown below, together with its available-for-sale listed investments. The fair values of all other financial assets and financial liabilities approximate their carrying amounts.

Interest rate swaps

The group has interest rate swaps, being level 2 fair value measurements. The fair value of the interest rate swap asset of R72 million (2015: R90 million liability) is calculated as the present value of the estimated future cash flows based on observable yield curves.

Available-for-sale investment

During August 2015, the group acquired 55% of HPF's, a listed entity on the Johannesburg Stock Exchange, B-linked units for R252 million (currently 27.3% of the voting rights) which equated to the investment's fair value at 31 March 2016 based on the entity's listed share price at that date. This investment is classified as a level 1 fair value measurement. This acquisition has been accounted for as an available-for-sale investment as the group currently has no board representation nor any significant influence over the financial and operating decisions of HPF. The outcome of the fulfilment of the conditions precedent may impact on the classification of this investment in future periods.

Summarised consolidated financial statements continued

Notes continued

3 Financial instruments continued

Put option

During the prior year the group entered into a call option over Liberty's 40% shareholding in Cullinan and Liberty has a corresponding put option, both exercisable at the fair value of the shares. A financial liability for the put option and a corresponding debit to transactions with non-controlling interest was recognised on initial recognition. At the end of each reporting period the liability is remeasured and the increase or decrease recognised in the income statement. The non-current liability, included in derivative financial instruments, has been remeasured to R492 million at 31 March 2016 (2015: R485 million) with the increase of R7 million (2015: R8 million decrease) recognised in finance costs. A discounted cash flow valuation was used to estimate the liability.

4 Segment information

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

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

5 Business combinations

The group entered into management and lease agreements for the Holiday Inn Sandton and the Crowne Plaza Rosebank hotels currently owned by HPF. The group acquired the shares in Majormatic 194 Proprietary Limited (the lessee) and the management contracts from Extrabold Hotel Management Proprietary Limited for R15 million, being the fair value of the net assets acquired resulting in no goodwill arising on the transaction. The effective date of the transaction was 1 March 2016.

6 Capital commitments

The board has committed a total of R4.9 billion for maintenance and expansion capital items at its gaming and hotel properties of which R2.8 billion is anticipated to be spent during the next financial year. R506 million of the committed capital expenditure has been contracted for.

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integrated-reports.aspx

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Summarised consolidated income statement

for the year ended 31 March

	Change %	2016 Rm	2015 Rm
Net gaming win	6	**7 361**	6 976
Rooms revenue	13	**2 784**	2 453
Food and beverage revenue	12	**1 353**	1 203
Other revenue		**785**	711
Income	8	**12 283**	11 343
Gaming levies and Value Added Tax		**(1 531)**	(1 450)
Property and equipment rentals		**(287)**	(276)
Amortisation and depreciation		**(812)**	(733)
Employee costs		**(2 871)**	(2 816)
Other operating expenses		**(3 374)**	(3 026)
Operating profit	12	**3 408**	3 042
Interest income		**35**	79
Finance costs		**(892)**	(760)
Share of profit of associates and joint ventures		**29**	25
Profit before income tax		**2 580**	2 386
Income tax expense		**(774)**	(680)
Profit for the year		**1 806**	1 706
Profit attributable to:			
Equity holders of the company		**1 788**	1 672
Non-controlling interests		**18**	34
		1 806	1 706
Number of shares in issue (million)		**957**	957
Weighted average number of shares in issue (million)		**957**	1 014
Basic and diluted earnings per share (cents)	13	**186.8**	164.9

Summarised consolidated statement of comprehensive income

for the year ended 31 March

	2016 Rm	2015 Rm
Profit for the year	**1 806**	1 706
Other comprehensive income for the year, net of tax		
Items that may be reclassified subsequently to profit or loss:	**332**	(13)
Cash flow hedges	**162**	(138)
Currency translation adjustments	**215**	86
Income tax relating to items that may subsequently be reclassified	**(45)**	39
Items that may not be reclassified subsequently to profit or loss:	**3**	1
Actuarial gains on post-employment benefit liability	**4**	1
Income tax relating to items that may not subsequently be reclassified	**(1)**	–
Total comprehensive income for the year	**2 141**	1 694
Total comprehensive income attributable to:		
Equity holders of the company	**2 122**	1 660
Non-controlling interests	**19**	34
	2 141	1 694

Summarised consolidated financial statements continued

Supplementary information

for the year ended 31 March

	Change %	2016 Rm	2015 Rm
Reconciliation of earnings attributable to equity holders of the company to headline earnings and adjusted headline earnings[(1)]			
Profit attributable to equity holders of the company		**1 788**	1 672
Loss on disposal of property, plant and equipment		**4**	3
Impairment of property, plant and equipment		**5**	7
Impairment of intangibles		**10**	–
Gain on disposal of investment property		**(7)**	–
Headline earnings	7	**1 800**	1 682
Other exceptional items (net) included in operating profit		**40**	1
IFRS 2 *Share-based Payment* expense – equity settled		**–**	118
Loss/(gain) on remeasurement of put liability		**5**	(6)
Change in capital gains tax inclusion rate on at acquisition assets of subsidiaries		**36**	–
Share of joint venture's exceptional item		**–**	(20)
Adjusted headline earnings	6	**1 881**	1 775
Number of shares in issue (million)		**957**	957
Weighted average number of shares in issue (million)		**957**	1 014
Basic and diluted HEPS (cents)		**188.1**	165.9
Basic and diluted adjusted HEPS (cents)	12	**196.5**	175.0
Reconciliation of operating profit to Ebitdar[(2)]			
Ebitdar pre-exceptional items is made up as follows:			
Operating profit		**3 408**	3 042
Add:			
Property rentals		**219**	210
Amortisation and depreciation		**812**	733
Long-term incentive expense		**46**	95
		4 485	4 080
Add: Exceptional losses, net of gains		**58**	143
Loss on disposal of property, plant and equipment		**5**	4
Impairment of property, plant and equipment		**7**	10
Impairment of intangibles		**10**	–
Gain on disposal of investment property		**(8)**	–
Transaction costs		**26**	2
Pre-opening expenses		**12**	19
Impairment of financial instruments, net of recoveries		**4**	3
Restructuring costs		**2**	8
IFRS 2 *Share-based Payment* expense – equity settled		**–**	118
Write-off of marketing fee income raised previously from joint venture		**–**	16
Settlement fee paid on termination of tenant leases		**–**	1
Gain recognised on the change in other long-term employee benefits		**–**	(38)
Ebitdar	8	**4 543**	4 223

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

[(2)] *The measure excludes the effects of long-term incentives, non-recurring expenditure, headline earnings 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

	2016 Rm	2015 Rm
Cash flows from operating activities		
Operating profit	**3 408**	3 042
Adjust for non-cash movements and dividends received	**1 265**	1 312
Increase in working capital	**(297)**	(488)
Cash generated from operations	**4 376**	3 866
Interest received	**31**	74
Finance costs paid	**(832)**	(789)
	3 575	3 151
Income tax paid	**(657)**	(537)
Dividends paid to shareholders	**(878)**	(939)
Dividends paid to non-controlling interests	**–**	(8)
Dividends received	**51**	7
Net cash generated from operations	**2 091**	1 674
Cash flows from investment activities		
Purchase of property, plant and equipment	**(1 377)**	(1 610)
Proceeds from disposals of property, plant and equipment	**9**	5
Purchase of intangible assets	**(10)**	(136)
Development of investment property	**(27)**	(7)
Proceeds from disposal of investment property	**19**	–
Purchase of available-for-sale financial assets	**(252)**	–
Acquisition of subsidiary, net of cash acquired	**(12)**	–
Acquisition of businesses	**–**	(762)
Acquisition of interest in associate	**(315)**	(145)
Other loans and investments repaid	**18**	4
Other loans and investments made	**–**	(5)
Net cash utilised for investment activities	**(1 947)**	(2 656)
Cash flows from financing activities		
Borrowings raised	**485**	5 155
Borrowings repaid	**(1 061)**	(1 810)
Shares repurchased	**–**	(2 819)
Treasury shares acquired	**–**	(200)
Acquisition of non-controlling interests	**–**	(196)
Decrease in amounts due by share scheme participants	**9**	15
Net cash (utilised for)/generated from financing activities	**(567)**	145
Net decrease in cash and cash equivalents	**(423)**	(837)
Cash and cash equivalents at beginning of the year, net of bank overdrafts	**883**	1 715
Foreign currency translation	**19**	5
Cash and cash equivalents at end of the year, net of bank overdrafts	**479**	883

Summarised consolidated financial statements continued

Summarised consolidated balance sheet

as at

	31 March 2016 Rm	31 March 2015 Rm
Non-current assets		
Property, plant and equipment	**14 370**	13 470
Investment property	**79**	109
Goodwill and other intangible assets	**6 582**	6 596
Investments in associates and joint ventures	**620**	311
Available-for-sale financial assets	**252**	–
Non-current receivables	**68**	88
Derivative financial instruments	**74**	22
Deferred income tax assets	**185**	180
	22 230	20 776
Current assets		
Inventories	**125**	108
Trade and other receivables	**654**	601
Derivative financial instruments	**15**	–
Current income tax assets	**122**	99
Cash and cash equivalents	**2 492**	3 048
	3 408	3 856
Total assets	**25 638**	24 632
EQUITY		
Capital and reserves attributable to equity holders of the company		
Ordinary share capital and premium	**4 576**	4 576
Other reserves	**(232)**	(442)
Retained earnings	**3 951**	2 917
Total shareholders' equity	**8 295**	7 051
Non-controlling interests	**654**	635
Total equity	**8 949**	7 686
LIABILITIES		
Non-current liabilities		
Interest-bearing borrowings	**8 346**	8 559
Derivative financial instruments	**492**	538
Deferred income tax liabilities	**2 053**	1 868
Provisions and other liabilities	**509**	501
	11 400	11 466
Current liabilities		
Interest-bearing borrowings	**3 394**	3 700
Derivative financial instruments	**17**	59
Trade and other payables	**1 240**	1 144
Provisions and other liabilities	**510**	456
Current income tax liabilities	**128**	121
	5 289	5 480
Total liabilities	**16 689**	16 946
Total equity and liabilities	**25 638**	24 632

Summarised consolidated statement of changes in equity

for the year ended 31 March

	Total Rm	Non-controlling interests Rm	Total equity Rm
Balance at 31 March 2014	**9 790**	732	**10 522**
Total comprehensive income	**1 660**	34	**1 694**
Profit for the year	**1 672**	34	**1 706**
Other comprehensive income	**(12)**	–	**(12)**
Shares repurchased and cancelled	**(2 819)**	–	**(2 819)**
Treasury shares acquired	**(200)**	–	**(200)**
Shares issued to share scheme participants	**8**	–	**8**
Share options lapsed	**(1)**	–	**(1)**
Recognition of share-based payments	**118**	–	**118**
Recognition of put liability with non-controlling interests	**(493)**	–	**(493)**
Transactions with non-controlling interests	**(73)**	(123)	**(196)**
Ordinary dividends	**(939)**	(8)	**(947)**
Balance at 31 March 2015	**7 051**	635	**7 686**
Total comprehensive income	**2 122**	19	**2 141**
Profit for the year	**1 788**	18	**1 806**
Other comprehensive income	**334**	1	**335**
Ordinary dividends	**(878)**	–	**(878)**
Balance at 31 March 2016	**8 295**	654	**8 949**

Segmental analysis

for the year ended 31 March

	Income[1]		Ebitdar[2]		Ebitdar margin		Amortisation and depreciation	
	2016 Rm	2015 Rm	**2016 Rm**	2015 Rm	**2016 %**	2015 %	**2016 Rm**	2015 Rm
Montecasino	**2 674**	2 510	**1 194**	1 133	**44.7**	45.1	**95**	100
Suncoast	**1 701**	1 581	**791**	732	**46.5**	46.3	**91**	109
Gold Reef City	**1 380**	1 270	**525**	479	**38.1**	37.7	**96**	73
Silverstar	**735**	676	**254**	248	**34.6**	36.7	**86**	58
The Ridge	**391**	415	**160**	188	**40.9**	45.2	**26**	19
Emnotweni	**384**	367	**152**	154	**39.5**	42.0	**27**	30
Golden Horse	**369**	334	**163**	148	**44.2**	44.3	**33**	31
Hemingways	**318**	310	**113**	109	**35.4**	35.1	**42**	40
Garden Route	**218**	188	**92**	79	**42.3**	42.0	**14**	14
Blackrock	**168**	152	**63**	58	**37.7**	38.1	**11**	11
The Caledon	**163**	149	**43**	38	**26.2**	25.5	**8**	6
Mykonos	**156**	145	**68**	64	**44.0**	44.1	**9**	7
Goldfields	**134**	138	**44**	51	**32.4**	37.1	**10**	9
Other gaming operations	**109**	100	**(233)**	(216)			**15**	9
Total gaming operations	**8 900**	8 335	**3 429**	3 265	**38.5**	39.2	**563**	516
South African hotels division[3]	**2 744**	2 506	**920**	830	**33.5**	33.1	**193**	171
Offshore hotels division	**691**	552	**169**	116	**24.5**	21.0	**50**	40
Pre-foreign exchange losses			***192***	*137*	***27.8***	*24.8*		
Foreign exchange losses			***(23)***	*(21)*				
Corporate[3][4]	**(52)**	(50)	**25**	12			**6**	6
Group	**12 283**	11 343	**4 543**	4 223	**37.0**	37.2	**812**	733

(1) All revenue and income from gaming and hotel operations is derived from external customers. No one customer contributes more than 10% to the group's total revenue
(2) All casino units are reported pre-internal gaming management fees
(3) Includes R53 million (2015: R50 million) intergroup management fees
(4) Includes the treasury and management function of the group

Analysis of shareholdings

as at 31 March 2016

	Number of shareholders[3]	%	Number of shares[3]	%
Portfolio size				
Range				
1 – 1 000	1 282	40.53	506 991	0.05
1 001 – 5 000	805	25.45	2 033 295	0.19
5 001 – 10 000	202	6.39	1 510 282	0.14
10 001 – 50 000	309	9.77	7 436 863	0.71
50 001 – 100 000	145	4.58	10 636 148	1.01
100 001 – and more	420	13.28	1 027 057 810	97.90
	3 163	100.00	1 049 181 389	100.00
Shareholder spread				
Public	3 154	99.73	501 107 037	47.76
Individuals	1 913	60.50	38 619 309	3.67
Banks and insurance companies	154	4.87	99 043 217	9.44
Pension funds and medical aid societies	252	7.96	74 455 066	7.10
Collective investment schemes and mutual funds	297	9.38	68 072 282	6.49
Other corporate bodies	538	17.02	220 917 163	21.06
Non-public	9	0.27	548 074 352	52.24
Directors[1]	3	0.09	4 556 124	0.43
Subsidiary companies[2]	3	0.09	83 632 695	7.97
Gold Reef Share Scheme[2]	1	0.03	392 834	0.04
Majority shareholder (10% of issued share capital or more)	1	0.03	453 013 124	43.18
Fellow subsidiary of majority shareholder	1	0.03	6 479 575	0.62
	3 163	100.00	1 049 181 389	100.00
Major shareholders owning 1% or more				
Tsogo Investment Holding Company Proprietary Limited			453 013 124	43.18
Tsogo Sun Gaming Proprietary Limited[2]			42 876 046	4.09
SBG Securities			29 650 000	2.83
Tsogo Sun Expansion No 1 Proprietary Limited[2]			26 329 047	2.51
Old Mutual Life Assurance Co SA Limited			24 919 581	2.38
Liberty Life Association of Africa Limited			28 435 670	2.71
State Street Corporation			17 858 683	1.70
Citiclient Nominees No 8 NY GW			25 343 950	2.42
Deutsche Securities Proprietary Limited			15 000 000	1.43
Maxim Krok			11 494 632	1.10
Aldiss Investments Proprietary Limited[2]			14 427 602	1.38
Allan Gray Balanced Fund			10 906 600	1.04

[1] *At 31 March 2016, 167 775 (2015: 167 775) shares were held directly by JA Copelyn, non-executive director and Chairman, 3 339 806 (2015: 3 339 806) directly by MN von Aulock, executive director and CEO and 1 048 543 (2015: 1 048 543) directly by RB Huddy, executive director and CFO. No other director holds shares in the company or any of its subsidiaries. There has been no other change to directors' shareholdings between the balance sheet date and the date of this report.*

[2] *Treasury shares*

[3] *As provided by Link Market Services South Africa Proprietary Limited*

There are 91 792 519 treasury shares made up as follows:

	Number of shares
Treasury shares per above:	
– held by subsidiary companies	83 632 695
– held by the Gold Reef Share Scheme	392 834
Treasury shares allocated as part of the executive facility	7 766 990
	91 792 519

Glossary

Adjusted HEPS	Adjusted headline earnings per share
AGM	Annual General Meeting
BBBEE	Broad-based black economic empowerment
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, No 71 of 2008, as amended or replaced from time to time
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, rentals and exceptional items
EME	Emerging micro-enterprise
Fedhasa	Federated Hospitality Association of South Africa
FICA	Financial Intelligence Centre Act
Free cash flow	Cash generated from operations adjusted for net finance costs, taxation paid, operating equipment purchased and maintenance capital expenditure
Gambling board	Collectively, the Eastern Cape Gambling and Betting Board, the Free State Gambling and Liquor Authority 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
HCI	Hosken Consolidated Investments Limited
HEPS	Headline earnings per share
HPF	Hospitality Property Fund Limited
IAS	International Accounting Standards
IIRC	International Integrated Reporting Council
IFRS	International Financial Reporting Standards
IT	Information technology
JSE	JSE Limited
King III	The King Code of Governance Principles for South Africa 2009
Liberty	Liberty Group Limited
NPAT	Net profit after tax
PDIs	Previously disadvantaged individuals
POPI	Protection of Personal Information Act
PP	Percentage points
Revpar	Revenue per available room
SABMiller	SABMiller Plc
SACTWU	South African Clothing and Textile Workers Union
SATB	South African Tourism Board
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
Palazzo Towers East
Montecasino Boulevard
Fourways, 2055
(Private Bag X200, Bryanston, 2021)

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

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

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

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

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	19 October 2016
Next financial year end	31 March 2017

Reports

Announcements	
Interim results for six months to September	November 2016
Preliminary announcement of annual results	May 2017
Annual financial statements published	September 2017

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 to the shareholders of the company that the Annual General Meeting of the company will be held at the company's head office, main boardroom, Ground Floor, Palazzo Towers East, Montecasino Boulevard, Fourways, 2055, South Africa on Wednesday, 19 October 2016 at 12:00, or any adjournment or postponement thereof, for the purpose of considering the following business to be transacted and, if deemed fit, passing with or without amendment, the ordinary and special resolutions and the advisory endorsement set out hereunder, and considering any other matters raised by shareholders at the Annual General Meeting:

1 Receipt and 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 2016, together with the reports of the directors and the independent auditors thereon, 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 2016, and tabled at the meeting at which this resolution was proposed."

2 Re-appointment of auditors

Ordinary resolution 2

"Resolved as an ordinary resolution that upon the recommendation of the audit and risk committee, PricewaterhouseCoopers Inc. be and are hereby re-appointed as independent auditors of the company until the conclusion of the next Annual General Meeting of the company."

3 Election and re-election of directors of the company by separate resolutions

It is noted that Mr RG Tomlinson, who served as the lead independent non-executive director of the company for five years, and who served as the chair of the audit and risk committee, the chair of the social and ethics committee and as a member of the remuneration committee, resigned as a director of the company with effect from 11 August 2016 to pursue new opportunities.

It is noted that Ms BA Mabuza, who has served on the board of directors of the company as a non-executive director for two years, and who has served as a member of the audit and risk committee, was appointed as the lead independent non-executive director of the company and as a member of the social and ethics committee and the remuneration committee, with effect from 11 August 2016.

It is noted that Mr MSI Gani was appointed as an independent non-executive director of the company with effect from 11 August 2016 to fill the vacancy arising following the resignation of Mr RG Tomlinson, and it is proposed that Mr MSI Gani who is eligible and available for election as a director of the company be so elected.

Summarised *curricula vitae* in respect of Mr MSI Gani and of each of the retiring directors standing for re-election are set out on pages 64 and 65 of the integrated annual report of the company for the financial year ended 31 March 2016.

3.1 Ordinary resolution 3.1

"Resolved as an ordinary resolution that Mr MSI Gani (who was appointed by the board of directors of the company to serve as an independent non-executive director of the company with effect from 11 August 2016 to fill the vacancy arising following the resignation of Mr RG Tomlinson), who is eligible and available for election as a director of the company, be and is hereby elected as a director of the company."

3.2 Ordinary resolution 3.2

"Resolved as an ordinary resolution that Mr JA Copelyn (who has served on the board of directors of the holding company of the group as a non-executive director for a period of 13 years, and who retires by rotation in terms of the company's memorandum of incorporation), who is eligible and available for re-election as a director of the company, be and is hereby re-elected as a director of the company."

Notice of Annual General Meeting continued

3.3 Ordinary resolution 3.3

"Resolved as an ordinary resolution that Mr Y Shaik (who has served on the board of directors of the company as a non-executive director for a period of five years, and who retires by rotation in terms of the company's memorandum of incorporation) who is eligible and available for re-election as a director of the company, be and is hereby re-elected as a director of the company."

3.4 Ordinary resolution 3.4

"Resolved as an ordinary resolution that Ms BA Mabuza (who has served on the board of directors of the company as an independent non-executive director for a period of two years, and who retires by rotation in terms of the company's memorandum of incorporation), who is eligible and available for re-election as a director of the company, be and is hereby re-elected as a director of the company."

4 Election of members to the audit and risk committee by separate resolutions

4.1 Ordinary resolution 4.1

"Resolved as an ordinary resolution that subject to the passing of ordinary resolution 3.1, Mr MSI Gani be and is hereby elected as a member of the company's audit and risk committee in terms of section 94(2) of the Companies Act, No 71 of 2008, as amended or replaced from time to time, until the conclusion of the next Annual General Meeting of the company."

4.2 Ordinary resolution 4.2

"Resolved as an ordinary resolution that subject to the passing of ordinary resolution 3.4, Ms BA Mabuza be and is hereby re-elected as a member of the company's audit and risk committee in terms of section 94(2) of the Companies Act, No 71 of 2008, as amended or replaced from time to time, until the conclusion of the next Annual General Meeting of the company."

4.3 Ordinary resolution 4.3

"Resolved as an ordinary resolution that Mr JG Ngcobo be and is hereby re-elected as a member of the company's audit and risk committee in terms of section 94(2) of the Companies Act, No 71 of 2008, as amended or replaced from time to time, until the conclusion of the next Annual General Meeting of the company."

Summarised curricula vitae in respect of each director standing for election or re-election to the audit and risk committee are set out on page 65 of the integrated annual report of the company for the financial year ended 31 March 2016.

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

In terms of the King Report on Corporate Governance for South Africa 2009, King III, every year, the company's remuneration policy should be tabled for a non-binding advisory vote at the company's Annual General Meeting, thus providing the shareholders with an opportunity to express their views on the company's remuneration policy. The report of the remuneration committee is set out on pages 71 to 76 of the integrated annual report of the company for the financial year ended 31 March 2016.

Advisory endorsement

"Resolved on a non-binding advisory basis, to endorse the company's remuneration policy (excluding the remuneration of the non-executive directors for their services as directors and members of committees), as set out in the remuneration report contained on pages 71 to 76 of the integrated annual report of the company for the financial year ended 31 March 2016, and tabled at the meeting at which this advisory endorsement was proposed."

6 Non-executive directors' fees

Special resolution 1

"Resolved as a special resolution that the proposed fees payable to the non-executive directors of the company for their services as directors of the company and/or as members of the board sub-committees, as reflected in the remuneration committee report on page 75 of the integrated annual report of the company for the financial year ended 31 March 2016, and tabled at the meeting at which this resolution was proposed, be and are hereby approved for the period from 19 October 2016 until the next Annual General Meeting of the company."

The reason for special resolution 1 is that in terms of sections 66(8) and (9) of the Companies Act, 2008, as amended ('Companies Act'), remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the shareholders within the previous two years and if not prohibited in terms of a company's memorandum of incorporation. The fees proposed to be paid to the non-executive directors of the company for their services as directors of the company and/or as members of the board sub-committees have been set as such to ensure that the remuneration of the non-executive directors remains competitive in order to enable the company to attract and retain persons of the calibre required to make meaningful contributions to the company.

The effect of special resolution 1, if passed and becoming effective, is that the non-executive directors of the company will be entitled to receive the proposed fees reflected in the remuneration committee report on page 75 of the integrated annual report for the financial year ended 31 March 2016, for the period from 19 October 2016 until the next Annual General Meeting of the company.

7 Amendment of the company's memorandum of incorporation

Special resolution 2

"Resolved as a special resolution in compliance with Article 51.1 of the company's memorandum of incorporation ('MOI'), that the company's MOI be amended by the deletion of Article 44 in its entirety and the substitution thereof with the following new Article 44:

"44. Fractions of Securities

If, pursuant to any corporate action or event, including any capitalisation issue, rights issue or consolidation of shares, Securities Holders would, but for the provisions of this Article, become entitled to fractions of Securities ('Fractional Entitlements'), such Fractional Entitlements shall be dealt with in accordance with the Listings Requirements and any other requirements of the JSE applicable to the treatment of Fractional Entitlements in such circumstances at such time.""

The reason for special resolution 2 is to amend the company's memorandum of incorporation ('MOI') in order to align it with a recent amendment to the Listings Requirements of the JSE Limited ('JSE'), which provides that in circumstances where allocations of securities result in entitlements by shareholders or other Securities Holders to the allocation of fractions of securities, such allocations will be rounded down to the nearest whole number, and shareholders or other Securities Holders will receive a cash payment for the fractions of securities to which they would otherwise have become entitled. The Central Securities Depository Participants ('CSDP') and brokers will then sell the securities constituted by the aggregation of these fractions in the open market.

The effect of special resolution 2 if passed and becoming effective is that the MOI will be amended in the manner provided for in special resolution 2.

8 General authority to repurchase shares

Special resolution 3

"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 (reported trades are prohibited);
- authorisation for the repurchase is given by the company's MOI;
- this general authority shall be valid until the company's next Annual General Meeting, or 15 months from the date of passing of this special resolution, whichever is shorter;
- repurchases 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. The JSE should be consulted for a ruling if the company's ordinary shares have not traded in such five business day period;

Notice of Annual General Meeting continued

- at any point in time, the company may only appoint one agent to effect any repurchase on the company's behalf;
- this authority includes an authority for shares to be repurchased, through the JSE's order book from a director or prescribed officer of the company or a person related to a director or prescribed officer, as contemplated in section 48(8)(a) of the Companies Act;
- the company and/or its subsidiaries do 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 (not subject to any variation) and has been submitted to the JSE in writing prior to the commencement of the prohibited period. The company will instruct an independent third party, which makes its investment decisions in relation to the company's securities independently of, and uninfluenced by the company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;
- the board of directors authorises such transaction by passing a resolution authorising the repurchase, confirming that the company and its subsidiaries have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the company and its subsidiaries;
- the company and/or its subsidiaries pass the solvency and liquidity test as contemplated in the Companies Act and within the timeframe 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; and
- the pre-approval by the JSE of any derivative transaction that may or will result in the repurchase of shares in terms of this general authority is obtained."

The reason for and effect of special resolution 3, if passed and becoming effective, is to grant the company and its subsidiaries a general authority in terms of the Listings Requirements of the JSE for the company and/or a subsidiary of the company, to acquire shares in the company.

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.

The directors have considered the impact of an acquisition by the company and/or any of its subsidiaries of up to 10% of the company's shares, which falls within the amount permissible under a general authority in terms of the Listings Requirements of the JSE, being the maximum acquisition in terms of this special resolution 3, and after such consideration, the directors are satisfied that for a period of 12 months after the date of this notice of Annual General Meeting:

- 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 will be in excess of the liabilities of the company and the group. For this purpose, the assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual group financial statements;
- the share capital and reserves of the company and the group will be adequate for ordinary business purposes; and
- the working capital of the company and the group will be adequate for ordinary business purposes.

The directors confirm that no acquisition by the company and/or any of its subsidiaries of shares in the company will be implemented in terms of this authority unless the directors have passed a resolution authorising the repurchase, and a resolution to the effect that the company and its subsidiary/ies, as the case may be, have satisfied the solvency and liquidity test 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 company or 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.

Disclosures

For the purpose of considering special resolution 3, and in compliance with the Listings Requirements of the JSE, the information listed below has been included in the annual financial statements or in the integrated annual report of the company for the financial year ended 31 March 2016, at the places indicated:

- major beneficial shareholders – page 3 and page 87 of the integrated annual report of the company; and
- share capital of the company – note 14 on page 77 of the annual financial statements.

Directors' responsibility statement

The directors, whose names appear on page 64 and page 65 of the integrated annual report:

- collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution 3; 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 Annual General Meeting contains all information in relation to special resolution 3 required by the Listings Requirements of the JSE.

Material changes

As at 19 August 2016, being the last practicable date before the finalisation of this notice of AGM, there have been no material changes in the financial or trading position of the company and its subsidiaries that have occurred between 31 March 2016 and 19 August 2016 other than the facts and developments reported on in the integrated annual report of the company for the financial year ended 31 March 2016.

9 General approval of the provision of financial assistance in terms of section 45 of the Companies Act

Special resolution 4

"Resolved as a special resolution that, to the extent required by section 45 of the Companies Act, No 71 of 2008, as amended or replaced from time to time ('Companies Act'), the board of directors of the company may, during the period of two years commencing on the date of the adoption of this special resolution 4, and subject to compliance with the requirements of the Companies Act, the company's MOI and the Listings Requirements of the JSE, each as presently constituted, and as amended from time to time, authorise the company to provide direct or indirect financial assistance, whether by way of loan, guarantee, the provision of security or otherwise, to:

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

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

The reason for special resolution 4, if passed and becoming effective, is that as part of the normal conduct of the business of the group, the company provides financial assistance to its subsidiaries and other related and interrelated companies and entities (as contemplated in the Companies Act), including the provision of guarantees and other forms of security to third parties which provide funding to the group. In order to ensure, inter alia, that the group's present and future subsidiaries and other related and interrelated companies and entities have access to financing and/or financial backing from the group and are able to appropriately structure the financing of the group's corporate and working capital requirements, it is necessary that the company obtains the approval of shareholders in terms of special resolution 4.

Section 45 of the Companies Act permits financial assistance to be provided to a related or interrelated company or corporation of the company or to a member of a related or interrelated company or corporation, if the financial assistance is pursuant to, inter alia, a special resolution of the shareholders adopted within the previous two years and provided that the board of directors of the company is satisfied that: (i) immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as contemplated in the Companies Act); and (ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

Notice of Annual General Meeting continued

The effect of special resolution 4, if passed and becoming effective, is to grant the directors the continued authority to authorise the provision of financial assistance by the company to any of its present or future subsidiaries and/or any other company or corporation that is or becomes a related or interrelated company or corporation of the company or to any member of its present or future subsidiaries and/or any other company or corporation that is or becomes a related or interrelated company or corporation of the company for the ensuing two years, subject to the requirements of the Companies Act, the company's MOI and the Listings Requirements of the JSE.

As part of the normal conduct of the business of the group and consistent with standard practice, shareholders and interested and affected parties are advised to take note that the board has in the past, from time to time, authorised the provision by the company of direct or indirect financial assistance to group members, as envisaged in section 45 of the Companies Act, which provision of financial assistance had been authorised by a special resolution of the shareholders, adopted within the previous two years of the provision of such financial assistance.

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

Special resolution 5

"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:

- 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 interrelated company or for the purchase of any securities of the company or of a related or interrelated 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 5, 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 interrelated to 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 are hereby approved."

The reason for and effect of special resolution 5, if passed and becoming effective, is: (i) 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; and (ii) although section 44 of the Companies Act contains an exemption in respect of employee share schemes that satisfy the requirements of section 97 of the Companies Act to the extent that any of the company's share or other employee incentive schemes do not satisfy such requirements, financial assistance (as contemplated in section 44) to be provided under such schemes will, inter alia, also require approval by special resolution of the shareholders.

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

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

Record dates

The directors 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 Annual General Meeting is Friday, 26 August 2016; and
- participate in and vote at the Annual General Meeting is Friday, 14 October 2016. 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 Annual General Meeting will therefore be Tuesday, 11 October 2016.

Voting

Each ordinary resolution to be considered at the Annual General Meeting 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 Annual General Meeting 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 Annual General Meeting taken into account for the purposes of adopting the resolutions proposed thereat.

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

Voting on the resolutions to be considered at the Annual General Meeting 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 Annual General Meeting and must request their CSDP or broker to issue them with the necessary letter of representation to attend the Annual General Meeting if they wish to attend the Annual General Meeting in person or provide their CSDP or broker with their voting instructions should they not wish to attend the Annual General Meeting 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, 14 October 2016 are entitled to attend, participate in and vote at the Annual General Meeting and may appoint a proxy or proxies (acting in the alternative) to attend, participate in, speak and vote at the Annual General Meeting 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 Annual General Meeting 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 12:00 on Tuesday, 18 October 2016.

Identification

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

Availability of documents

Copies of the financial statements and the integrated annual report of the company for the year ended 31 March 2016, containing the report of the directors, the independent auditors, the audit and risk committee, the social and ethics committee and the remuneration committee, may be obtained from the registered office of the company, Palazzo Towers East, Montecasino Boulevard, Fourways, 2055, South Africa, during normal business hours from Thursday, 8 September 2016 up to and including Wednesday, 19 October 2016, or from the company's website, tsogosun.com.

The MOI, including the proposed amendment thereto, will lie open for inspection at the registered office of the company during normal business hours from Thursday, 8 September 2016 up to and including Wednesday, 19 October 2016.

Notice of Annual General Meeting continued

Electronic communication

Should any shareholder (or a representative or proxy for a shareholder) wish to participate in the Annual General Meeting 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 Annual General Meeting (i.e. by Monday, 10 October 2016) 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 Annual General Meeting 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 Annual General Meeting in the event that it determines that it is not practical to do so, or an insufficient number of shareholders (or their representatives or proxies) request to so participate.

Enquiries

Any shareholders having difficulties or queries in regard to the Annual General Meeting or the above are invited to contact the Company Secretary, GD Tyrrell, on +27 11 510 7840 or companysecretary@tsogosun.com.

Results of the Annual General Meeting

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

By order of the board

Graham David Tyrrell
Company Secretary

19 August 2016

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
meetfax@linkmarketservices.co.za

Form of proxy

TSOGO SUN

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 12:00 on Wednesday, 19 October 2016 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.

Forms of proxy must be completed and delivered to the transfer secretaries, Link Market Services South Africa Proprietary Limited, to be received by no later than 12:00 (South African time) on Tuesday, 18 October 2016. The Chairman of the Annual General Meeting may, in his discretion, accept forms of proxy handed to him prior to the commencement of the Annual General Meeting.

I/We (full names in BLOCK LETTERS please)

of (insert address)

Email address Telephone number Mobile number

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 or at 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.

I/we wish to vote as follows:

(In the absence of such indication, the proxy will be entitled to vote or abstain from voting in his/her discretion.)

	Insert number of votes or an 'X' in the relevant column (see notes 2 and 3 overleaf)		
	For	**Against**	**Abstain**
Ordinary resolution 1 – Receipt and adoption of annual financial statements and reports			
Ordinary resolution 2 – Re-appointment of auditors			
Ordinary resolution 3.1 – Election of Mr MSI Gani as a director			
Ordinary resolution 3.2 – Re-election of Mr JA Copelyn as a director			
Ordinary resolution 3.3 – Re-election of Mr Y Shaik as a director			
Ordinary resolution 3.4 – Re-election of Ms BA Mabuza as a director			
Ordinary resolution 4.1 – Election of Mr MSI Gani to the audit and risk committee			
Ordinary resolution 4.2 – Re-election of Ms BA Mabuza to the audit and risk committee			
Ordinary resolution 4.3 – Re-election of JG Ngcobo to the audit and risk committee			
Advisory endorsement – Non-binding advisory endorsement of the company's remuneration policy			
Special resolution 1 – Approval of the proposed fees for non-executive directors			
Special resolution 2 – Amendment of the memorandum of incorporation			
Special resolution 3 – General authority to repurchase shares			
Special resolution 4 – General approval of the provision of financial assistance in terms of section 45 of the Companies Act			
Special resolution 5 – 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 shareholder 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 2016

Signature(s)

Assisted by (where applicable)

Please read the summary of the rights contained in section 58 of the Companies Act and the notes overleaf.

Summary of rights contained in section 58 of the Companies Act

For purposes of this summary, the term 'shareholder' shall have the meaning ascribed thereto in section 57(1) of the Companies Act, No 71 of 2008 ('Companies Act').

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

Notes to form of proxy

1. A registered shareholder may appoint and insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the Annual General Meeting", but any such deletion must be initialled by the shareholder. Should this space be left blank, the proxy will be exercised by the Chairman of the 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.
2. A shareholder's voting instructions to the proxy must be indicated by the insertion of an 'X' or the relevant number of votes exercisable by that shareholder in the appropriate box(es) provided overleaf. Failure to do so will be deemed to authorise the proxy to vote or abstain from voting at the meeting as he/she thinks fit in respect of the shareholders exercisable votes, and if the proxy is the chairperson of the Annual General Meeting, he/she shall be entitled to vote in favour of the resolutions proposed at the Annual General Meeting in respect of all the shareholders' votes exercisable thereat. If an 'X' has been inserted in one of the blocks relating to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned in respect of such resolution.
3. A shareholder or his/her proxy is not obliged to cast all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
4. 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 by the transfer secretaries.
5. To be valid, the completed forms of proxy must be lodged with the transfer secretaries, Link Market Services South Africa Proprietary Limited, PO Box 4844, Johannesburg, 2000 or 13th Floor, Rennie House, 19 Ameshoff Street Braamfontein, Johannesburg, 2001 to be received by no later than 12:00 on Tuesday, 18 October 2016 (or 24 hours before the date of any adjourned or postponed Annual General Meeting which date, if necessary, will be notified on the Stock Exchange News Service of the JSE Limited and in the press).
6. The form of proxy must be dated and signed. The completion of any blank spaces overleaf need not be initialled, but any alterations or corrections to the form of proxy must be initialled by the signatory/ies.
7. Where there are joint holders of ordinary shares in the company:
   - a. any one holder may sign this form of proxy; and
   - b. the vote(s) of the senior shareholder (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's securities register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
8. 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.
9. The Chairperson of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
10. The appointment by a shareholder of a proxy or proxies:
    - a. 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
    - b. is revocable in which case a shareholder may revoke the proxy appointment by:
      - i. cancelling it in writing or making a later inconsistent appointment of a proxy; and
      - ii. delivering a copy of the revocation instrument to the proxy and to the company.
11. The appointment of a proxy or proxies remains valid only until the end of the Annual General Meeting subject to any revocation thereof.

Five-year annual review

		2016	2015	2014	2013	2012	CAGR
Trading							
Income	Rm	**12 283**	11 343	10 767	9 910	9 031	6
Gaming win	Rm	**7 361**	6 976	6 819	6 525	6 111	5
Rooms	Rm	**2 784**	2 453	2 221	1 914	1 615	15
Food and beverage	Rm	**1 353**	1 203	1 063	869	752	16
Other	Rm	**785**	711	664	602	553	9
Ebitdar	Rm	**4 543**	4 223	4 214	3 886	3 501	7
Ebitdar margin	%	**37.0**	37.2	39.1	39.2	38.8	
Cash flow and borrowings							
Free cash flow	Rm	**1 953**	1 811	1 825	1 932	1 725	
Net debt	Rm	**9 248**	9 211	4 439	3 580	4 184	
Debt:Ebitdar	times	**2.0**	2.2	1.1	0.9	1.2	
Investment							
Investment activities	Rm	**962**	2 045	1 643	639	1 031	
Share buy-back	Rm	**–**	3 019	–	–	–	
Maintenance capex	Rm	**945**	749	769	579	436	
Shareholders' ratios							
Adjusted headline earnings per share	cents	**196.5**	175.0	176.5	150.1	121.5	13
Dividends per share[2]	cents	**98.0**	89.0	89.0	75.0	60.0	13
Dividend payout ratio	%	**50**	51	50	50	49	
Stock exchange statistics							
Share price at 31 March	R	**23.64**	27.60	25.42	24.75	17.75	
Share price during period – highest	R	**29.26**	30.39	28.75	25.35	19.08	
Share price during period – lowest	R	**19.85**	25.00	23.75	17.40	15.20	
Shares traded as a percentage of shares in issue[1]	%	**35.2**	102.5	4.5	4.0	4.4	
Number of shares in issue[1]	million	**957**	957	1 098	1 098	1 097	
Market capitalisation	Rm	**22 633**	26 424	27 916	27 176	19 474	
Closing price/earnings ratio	times	**12.0**	15.8	14.4	16.5	14.6	
Closing earnings yield	%	**8.3**	6.3	6.9	6.1	6.8	
Closing dividend yield	%	**4.1**	3.2	3.5	3.0	3.4	

[1] *Excluding treasury shares*

[2] *Dividends per share declared in relation to the financial period it relates to*

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