Integrated Annual Report 2015

TSOGO SUN

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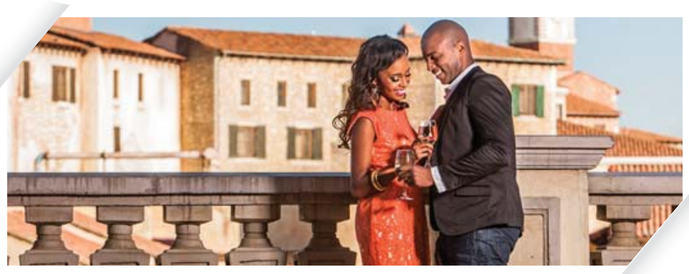
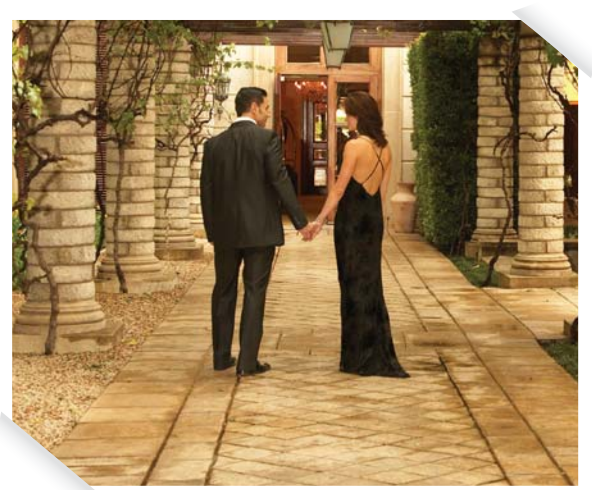
TSOGO SUN





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 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

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

Welcome to Tsogo Sun

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, our ability to create and sustain value and of interest to our key stakeholders.

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 sustainability information included in this report has been guided by the GRI guidelines.

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

Scope and boundaries

The contents of this document address material issues for all our subsidiaries, associates and joint ventures and covers the period from 1 April 2014 to 31 March 2015 except where material transactions have occurred post-year end. The process we utilised in determining and applying materiality is included on page 19 of the report. Non-financial disclosures, except for environmental disclosures, focus on the South African operations, which generate 95% of our earnings. The scope and boundaries of environmental disclosures are defined on page 43.

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.

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.

OUR BUSINESS OVERVIEW

Group overview

Our owners

Our key shareholder at 31 March 2015 was Hosken Consolidated Investments Limited, a JSE listed investment holding company (through TIH). SABMiller disposed of all of its ordinary shares in Tsogo Sun during July 2014 through a fully marketed secondary placing of 301.7 million ordinary shares to selected South African and international institutional investors and a specific repurchase of 133.6 million ordinary shares by Tsogo Sun. Following the placing and the repurchase, the shareholding of Tsogo Sun, excluding treasury shares, changed to HCI holding 47.6% with the free float increasing to 52.4%. A detailed analysis of shareholdings as at 31 March 2015, is included on page 86.

The HCI shareholding is of particular importance to the sustainability of the group as it provides the bulk of the 79% 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 page 63 to page 70.

Our group structure

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

Group overview continued

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 over 90 hotels with more than 14 600 hotel rooms across all sectors of the market, from luxury to budget 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.

Tsogo Sun through the years

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.

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 Limite**d ('Liberty') called The Cullinan Hotel Proprietary Limited ('Cullinan') which owned three 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.**, 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 Resorts Limited ('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.

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. SABMiller disposed of its stake in the group bringing an end to the successful 45-year relationship between the groups. As part of the disposal **Tsogo Sun Holdings Limited bought back 12% of its ordinary shares**.

Our strategy and performance highlights

How we create long-term sustainable value

The key pillars of our sustainability include delivering to our beneficiaries, financial strength and durability, maintaining product relevance to customer experience, regulatory compliance and adequate skilled human resources.

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

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

The capitals that generate these cash flows include physical assets such as property, plant and equipment and employees as well as intangible capitals such as licences, brands, trademarks, technology and systems supported by adequate financial capital to pursue growth opportunities and underpinned by quality relationships with key stakeholders. Execution of a robust strategy informed by and responding to material risks and opportunities will lead to optimal utilisation of our capitals and generation of cash flow and ultimately value.

Growth in cash flows over time are generated through the optimal operation of the group's capitals (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 our business can hope to create value for the organisation, our stakeholders and society and thereby achieve a multitude of additional benefits such as increased levels of employment and meaningful social contributions.

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Financial strength and durability

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

- Net debt to Ebitdar 2.2 times
- Unutilised net facilities R4.8 billion
- 58-month weighted average expiry of debt facilities
- 61% of net debt hedged

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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 79%
- R8.1 billion value added to black economically empowered businesses and government
- 39 751 learners supported through Tsogo Sun Academies

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Organic

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

	2015	2014	% change
Income (Rm)	**11 343**	10 767	5
Ebitdar (Rm)	**4 223**	4 214	–
Ebitdar margin (%)	**37.2**	39.1	(1.9)pp
Adjusted headline earnings per share (cents)	**175.0**	176.5	(1)
Dividend for the year per share (cents)	**89.0**	89.0	–
Free cash flow (Rm)	**1 811**	1 825	(1)
Maintenance capital expenditure (Rm)	**749**	769	

SUSTAINABILITY

Product relevance to customer experience

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

- >14 600 hotel rooms across all market segments
- 14 gaming and entertainment destinations
- 72% of gaming revenue from reward club members
- 29% of hotel revenue from reward club members
- 76% gaming guest satisfaction
- 87% hotels guest satisfaction

Regulatory compliance

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

- No gaming regulation breaches

Human resources

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

- 12 800 direct employees in South Africa
- 20 800 combined direct and indirect jobs in South Africa
- Training spend 4.2% of payroll
- Employment equity score 11/15

GROWTH

Inorganic

61

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

- Investment activity expenditure R2.0 million
- Buy-back of 12% of Tsogo Sun shares R2.8 billion

Our business model

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

Inputs

Financial capital
- Equity funding
- Debt funding
- Internally generated cash flows

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

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

Intellectual capital
- Brands
- Proprietary knowledge
- Systems and procedures

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

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

Activities and processes

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

GAMING DIVISION 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 51

Promotions
Customer rewards

Customer experiences

Customers
Individuals 47

37 **Investors**

42 **Partners**
Tenants
Suppliers

37 **Community**
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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.

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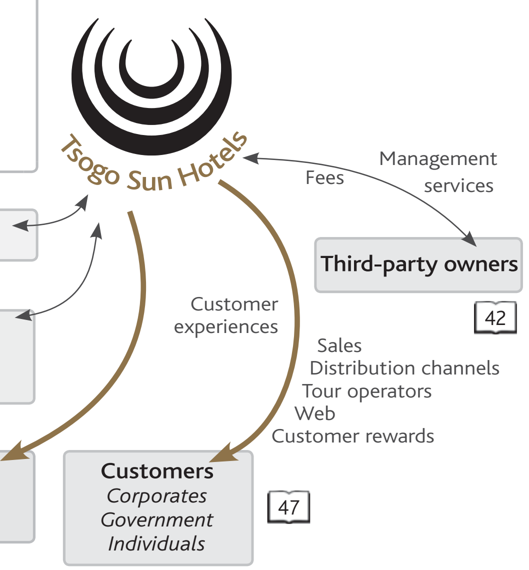
HOTEL DIVISION

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
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Outcomes linked to strategic priorities

Deliver to our beneficiaries 37
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- Flow of economic benefits to
  - Community
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- Environmental impact
- Transformation

Financial strength and durability 46
- Resources to pursue opportunities
- Prudent gearing levels
- Adequate funding facilities
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Product relevance to customer experience 47
- Customer satisfaction
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- Product distribution

Regulatory compliance 51
- Licence to trade

Human resources 52
- Job creation
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- Cash flow

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- Capacity increases
- Developments and acquisitions

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Our business model continued

TSOGO SUN GAMING

Key features

The group's preference is to wholly own its operations thus creating a clearer, simpler operating structure. Empowerment shareholding is achieved at the holding company level, enabling the group empowerment shareholders to participate in all casino operations. Exceptions arise from historical structures and, in the Eastern Cape, where the gaming legislation requires local provincial-based empowerment ownership. 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%. During the year, the group acquired the remaining minority interest in Garden Route which is now wholly owned.

The gaming and entertainment complexes are primarily located in urban areas and are the entertainment hubs for the communities they serve. The businesses are thus embedded within the local communities and their success is inextricably linked to the 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 reward programme in the gaming division rewards customers with status, benefits and recognition. The rewards programme is important as 72% 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 51.

Brands

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

Footprint

	Ownership %	as at 31 March 2015 Tables	Slots	Hotel rooms	Group revenue contribution %	Group Ebitdar contribution %
Montecasino	100	79	1 820	619	22	27
Suncoast	100	63	1 545	165	14	17
Gold Reef City	100	50	1 712	113	11	11
Silverstar	100	28	1 102	34	6	6
The Ridge	100	18	450	175	4	4
Hemingways	65	16	507	108	3	3
Emnotweni	100	18	425	224	3	4
Golden Horse	100	20	450	96	3	4
Garden Route	100	16	412	43	2	2
Goldfields	100	9	250	–	1	1
Blackrock	98	10	300	80	1	1
The Caledon	100	8	318	95	1	1
Mykonos	70	6	320	–	1	1
Queens	25	6	180	–	*	*
Other gaming operations	100			–	1	(5)
Total		**347**	**9 791**	**1 752**	**73**	**78**

Notes *Queens Casino is equity accounted
Ebitdar is stated pre-management fees

Our business model continued

TSOGO SUN HOTELS

Key features

Tsogo Sun hotels does not follow the prevalent international trend of operating the business on an 'asset light' basis, and in South Africa, the portfolio philosophy remains to 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.

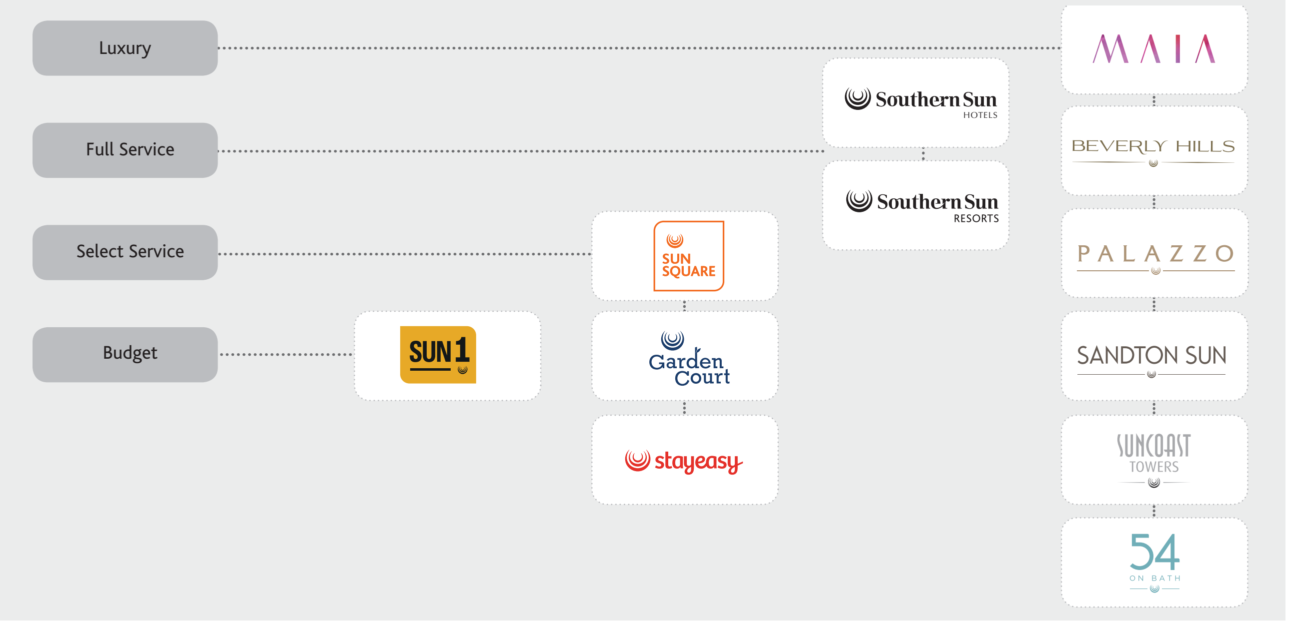
The group leases assets both in South Africa and offshore where it is not possible to own the land and buildings, but then loses the growth of the property value over time. In South Africa the group will only manage operations for third parties if they are strategically important (due to partner requirements 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 reward programme in the hotel division is important as 29% of hotel revenue is contributed by active reward club members.

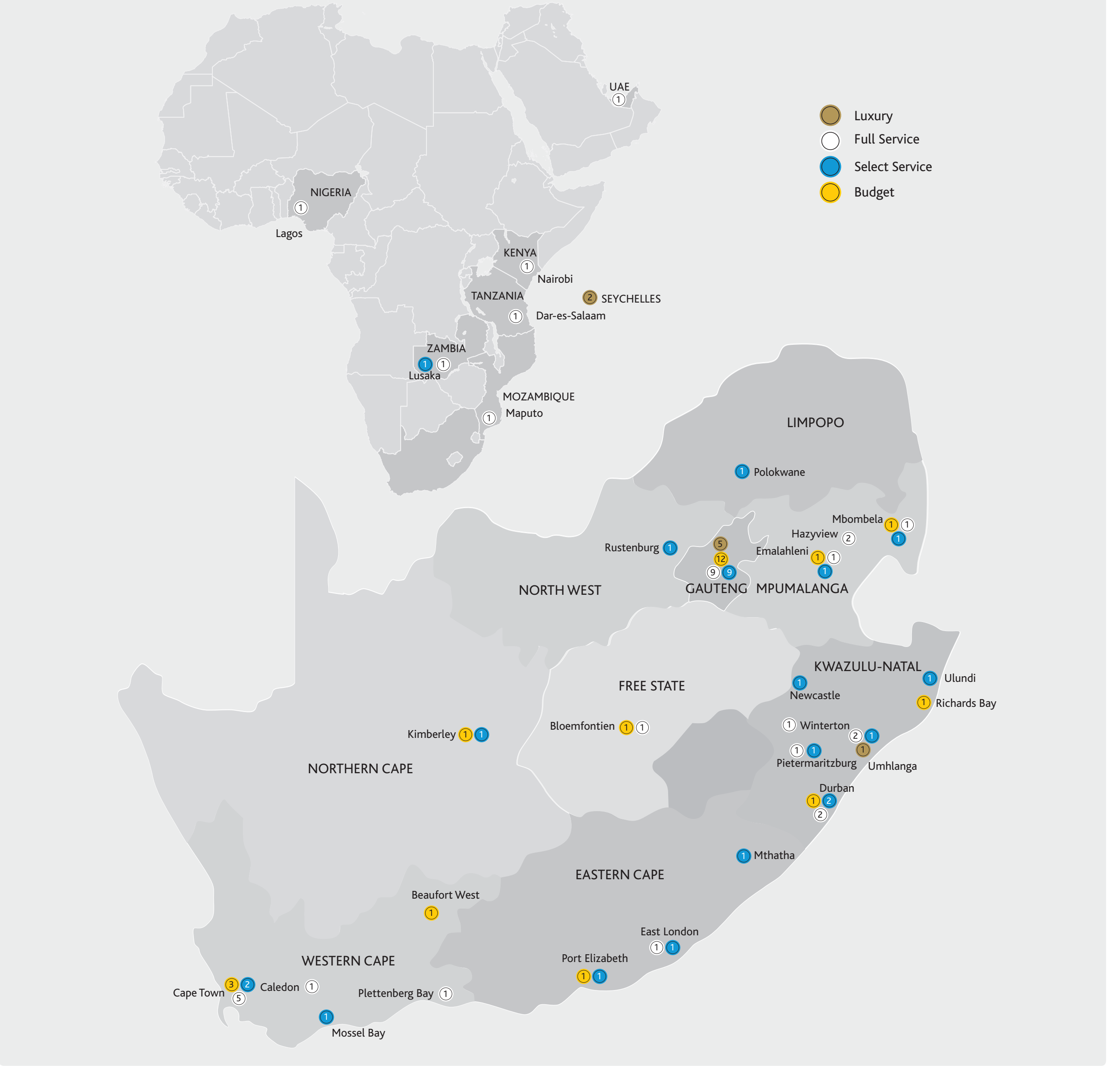
Brands



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

Footprint

	as at 31 March 2015							
	Owned/Leased		Managed		Total		Group revenue contribution %	Ebitdar contribution %
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms		
Luxury	3	410	3	703	6	1 113	2	1
Full Service	24	4 703	4	854	28	5 557	11	9
Select Service	22	3 930	4	847	26	4 777	8	8
Budget	23	1 690	–	–	23	1 690	1	2
South Africa	72	10 733	11	2 404	83	13 137	22	20
Offshore	7	1 053	2	483	9	1 536	5	2
Total	**79**	**11 786**	**13**	**2 887**	**92**	**14 673**	**27**	**22**



Our business model continued

THE ENVIRONMENT WITHIN WHICH WE OPERATE

Regulatory environment

The South African regulatory environment continues to become more complex with the ongoing introduction of new legislation 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 and the amendments to the BBBEE Codes of Good Practice. The total ban on smoking in public places has had a significant short-term impact on gaming win in other countries where it has been implemented, although the impact in South Africa may not be as severe due to the strict smoking restrictions that are already in place. 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 licensed premises may be located, and the imposition of vicarious liability on licensees. The FICA amendments include the broadening of the "business relationship" definition 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, but each province has its own legislation relating to casinos, gambling and wagering. The National Gambling Act limits the number of casino licences that may be granted to 40 for South Africa as a whole. The table below sets out details in respect of the number of casino licences in South Africa which are authorised to be issued, have been issued and are available to be issued:

Province	Authorised to be issued	Issued	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	4	4	–	–
KwaZulu-Natal	5	5	3	–
Total	**40**	**38**	**14**	**3**

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*

In May 2015, the Minister of Trade and Industry published a draft National Gambling Policy which includes a proposal that the North West province be allocated an additional casino licence which potentially increases the risk of additional licences in other provinces.

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, 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 grew strongly since 2000 and millions of South Africans have entered LSM 5 to 10.

Global economic conditions following the financial crisis remain weak although they appear to be improving and sentiment-driven shocks continue to fuel volatility. Uncertainty impacts global fund flows to emerging markets which, exacerbated by lower commodity prices and South African-specific 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 low, particularly due to the current constraints in electricity supply, with household debt at a high level and unsecured lending defaults continuing. 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.

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 increased unsecured lending has driven growth in the gambling industry as it remains entertainment spend from upper/middle-income consumers, with the main beneficiary of the easy credit being retail sales, mainly clothes and furniture in lower-income segments. The factors noted above mainly impact the group indirectly due to their impact on the consumer and corporate markets and have manifested in significant monthly trading volatility with growth for the past 18 months relatively weak.

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, the development of gaming and entertainment complexes, hotels and tourism infrastructure, and the creation of employment.

The casino market reflected double-digit growth until 2008 when the impact of the global recession slowed growth. The industry proved to be resilient and although growth slowed to low single digits it never went significantly negative. Growth from 2010 has 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 R23 billion. Casino gaming accounts for in excess of 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. The group has a significant presence in each of South Africa's largest casino markets. The table below sets out the group's estimate of its share of the total casino gaming win per province:

	For the year ended 31 March 2015	
	Total casino gaming win Rm	Group share of total casino gaming win %
Gauteng	7 156	52
KwaZulu-Natal	3 200	59
Western Cape	2 787	16
Eastern Cape	1 197	25
Mpumalanga	764	82
Free State	477	25
Other	1 669	–
Total	**17 250**	**41**

Online gaming remains illegal in South Africa and there is no indication as to when enabling legislation will be implemented. There was no discernible impact from the banning of online gaming and it is not considered a significant risk. Limited payout machines and bingo continue to show stronger growth as they are rolled out by each province but to date appear to have had little impact on casinos as they are targeted at a different segment of gambler. What would be of concern to the casino industry is if the roll out was on an uncontrolled basis and resulted in a proliferation of large sites, particularly if the maximum bet and maximum payout limits were substantially increased.

Hotels

Following the first democratic elections in 1994 the demand for hotel rooms grew rapidly and rooms sold by the group grew by more than 6% per annum between 1994 and 1999. The market responded to the increased demand through the construction of new hotels 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 above 60% although the fiscal austerity measures implemented by government constrained growth during the 2015 financial year. We anticipate that demand will continue to grow and that additional supply will again be added to the market when market occupancies approach 70%. The introduction of revised visa requirements is expected to have a significant impact on the volume of international inbound tourists and business travel to South Africa, particularly from China and India. The requirement to appear in person to submit biometrics for a visa was implemented in October 2014 and is problematic due to the limited locations where biometrics can be submitted (Beijing and Shanghai in China, and Delhi and Mumbai in India). The added requirement of an unabridged birth certificate for children was implemented in June 2015. The impact on the group is not expected to be significant as inbound travel is not a large segment of the group's business.

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 44 880 rooms available as at 31 March 2015. The group's share of this formal market is approximately 30% and the group thus benefits from a significant presence in the South African hospitality industry and is the only hotel group in South Africa with wide distribution across all grading levels.

Our business model continued

Trading in the majority of the African cities where Tsogo Sun hotels operates outside South Africa remained remarkably resilient through the economic downturn mainly due to limited supply of good quality hotels. Trading during the 2015 financial year was, however, significantly impacted by the Ebola pandemic and security concerns in various countries. 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. However, many of the countries are experiencing strong economic growth which will drive the demand for, and supply of, new hotels.

Technology

The use of technology is important in both the gaming and hotel businesses to deliver relevant experiences to customers and to drive business efficiencies. Key technology areas are gaming and hotel property management 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 continue to increase although they remain below international norms in South Africa;
- the increased utilisation of mobile devices and business applications, makes a mobile-friendly website an imperative;
- 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;
- the importance of data security is increasing due to external threats, increased connectivity and POPI; and
- free broadband wireless access has become common.

Consumer preferences

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

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

Societal issues

The weak economic environment, along with political factors, has fuelled labour unrest and disruption in a number of industries in South Africa. The expectations of unions for above-inflationary increases with extended periods of labour strikes have reduced disposable income. The disruption continues to discourage investment and impacts the high unemployment level and low growth rate in the country. The impact on the gaming and hotel businesses in the markets in which the group operates is limited due to the high level of employee engagement and the location of the majority of the properties in urban areas. The group is, however, indirectly impacted through the 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 economically empowered businesses and PDI shareholders and social investment in the communities that are served. The negative impacts of casino gaming is also less of a societal issue than the other forms of gaming due to the ease of access and lower economic target markets of sports betting, limited payout machines ('LPMs'), bingo and in particular the national lottery.

Environmental issues

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

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

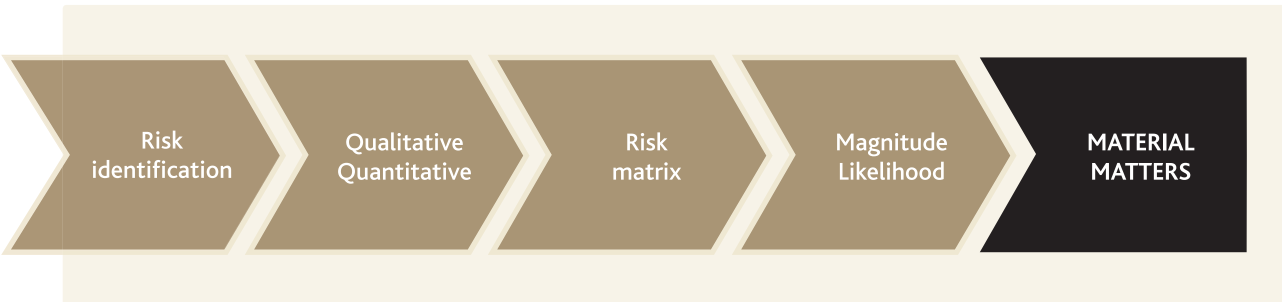
Our materiality, material risks and opportunities

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.

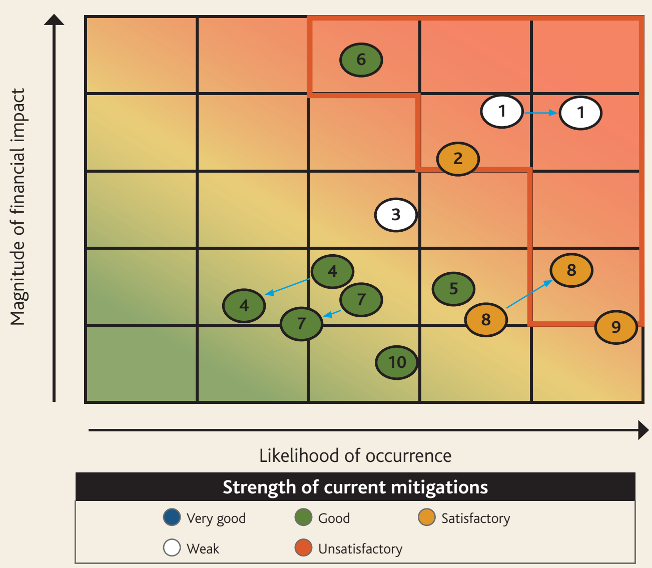
The assessment of the magnitude of the impact and the likelihood of the occurrence of the group's top risks and opportunities included below informed the identification and prioritisation of the material matters for inclusion in the integrated annual report. The matters identified were compared with 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 as follows:

Tsogo Sun group risk and opportunity landscapes movement from March 2014 to March 2015



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

Our material risks and opportunities continued

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

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

Risk responses	Associated strategic priorities
✤ Revised strategic priorities ✤ Review organisational structures ✤ Further focus on cost reduction ✤ Renewed and focused marketing ✤ Reward programmes	✤ Sustainability – Financial strength and durability ✤ Growth – Organic growth
✤ Engage authorities, including gambling boards ✤ Submit comments to law makers through formal comment structures ✤ Robust compliance procedures ✤ Engage law makers through employer and industry bodies ✤ Litigate where required	✤ Sustainability – Deliver to our beneficiaries ✤ Sustainability – Regulatory compliance
✤ Lobby government through CASA ✤ Educate legislators regarding gaming impact through direct lobbying ✤ Lodge of appeals on assessments and property valuations ✤ Ensure property values are always accurate and at the disposal of municipalities	✤ Sustainability – Deliver to our beneficiaries ✤ Sustainability – Regulatory compliance ✤ Growth – Organic growth
✤ Overview of markets ✤ Interaction with local authorities ✤ Investment in facilities to ensure relevance ✤ Market research to timeously spot trends ✤ Partnerships with other leisure suppliers	✤ Sustainability – Product relevance to customer experience ✤ Growth – Organic growth
✤ Review organisational structures ✤ Further focus on cost reduction ✤ Interaction with gambling boards and city officials ✤ Renewed focus on reward programmes	✤ Growth – Organic growth
✤ Proper and robust evaluation of all new opportunities ✤ Non-financial due diligence of opportunities ✤ Review of plans and opportunities	✤ Growth – Organic growth ✤ Growth – Inorganic growth
✤ Retention of staff through appropriate remuneration structures ✤ Engage with and empower staff ✤ Fast track and develop talented staff ✤ Performance-driven culture ✤ Focused employment equity strategy	✤ Sustainability – Human resources ✤ Sustainability – Deliver to our beneficiaries
✤ 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	✤ Sustainability – Product relevance to customer experience ✤ Growth – Organic growth
✤ Physical security and surveillance procedures ✤ Coordination with the South African Police Service ✤ Crime intelligence ✤ Internal control frameworks ✤ Internal audit procedures	✤ Sustainability – Regulatory compliance
✤ IT security ✤ Payment card industry standard compliance ✤ Appointment of Information Officer ✤ Review of online transaction opportunities ✤ Increased IT auditing and assurance ✤ Website rewrite	✤ Sustainability – Regulatory compliance ✤ Growth – Organic growth

Our key relationships

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

All interactions with our stakeholders are based on our values, included on page 53, 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 brands and driving revenue*
Communities	*Engagement assists us to focus our efforts in empowering local communities which contributes to our long-term viability*
Employees and unions	*Our employees are core to delivering our customer experiences and we need to understand their needs, challenges and aspirations and for them to be aligned with our strategy*
Suppliers, 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 strategy
✤ 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 46 Organic growth 57 Inorganic growth 61
✤ 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 37 Regulatory compliance 51 Human resources 52
✤ Satisfaction surveys ✤ Reward programmes ✤ Customer relationship managers ✤ Call centres ✤ Website and active Twitter and Facebook engagement ✤ One-on-one interaction	✤ Quality product ✤ Consistent quality experience ✤ Simpler and quicker to deal with us ✤ Value offerings ✤ Long-term security of supply ✤ Recognition for loyalty	Product relevance to customer experience 47
✤ 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 37
✤ Communication from executives ✤ Internal newsletters and posters ✤ Induction programmes ✤ Ongoing training and education ✤ Employee surveys ✤ Performance management programmes ✤ Anti-fraud, ethics and corruption hotline ✤ Trade union representative meetings ✤ Staff engagement 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 52
✤ One-on-one meetings ✤ Tender and procurement processes ✤ Anti-fraud, ethics and corruption hotline ✤ Supplier forums	✤ Timely payment and favourable terms ✤ Fair treatment ✤ Broad-based black economic empowerment compliance	Deliver to our beneficiaries 37

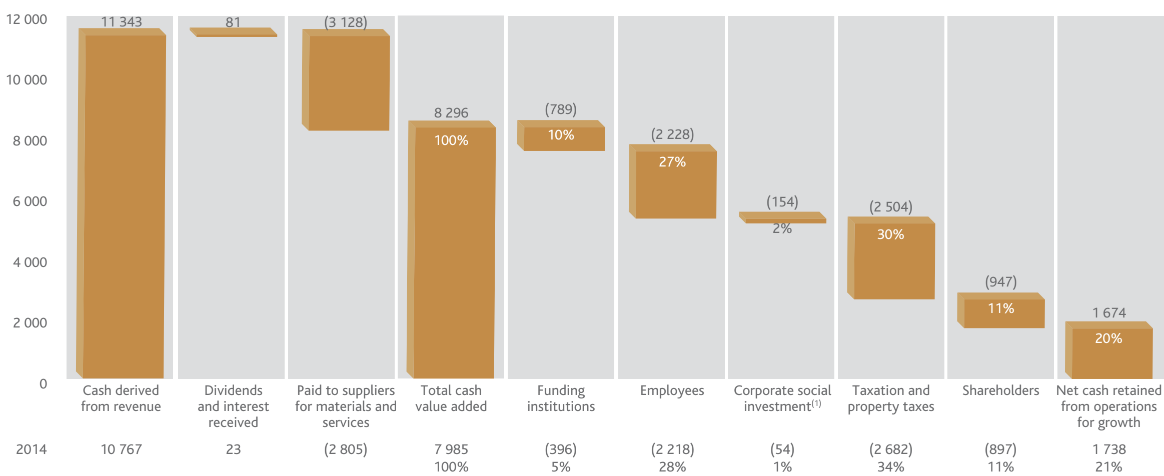
Our key relationships continued

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

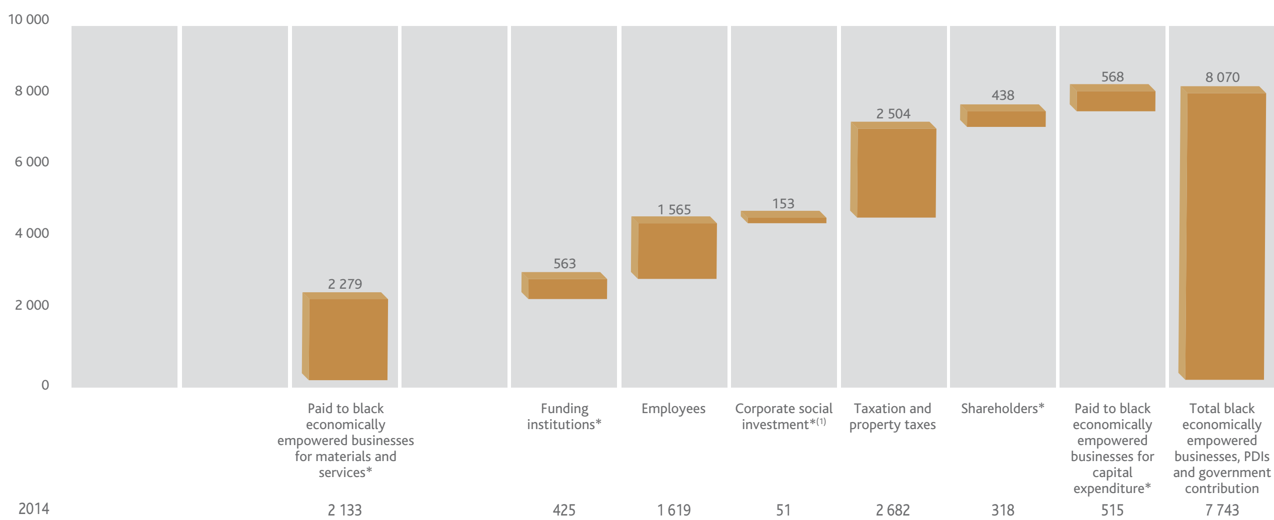
- returns for our shareholders and funding institutions;
- substantial income tax, dividends taxes, gaming levies and VAT, employees' tax and property rates and taxes to national and provincial government;
- corporate social investment within the communities we serve;
- employment within the communities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

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

Value added for the year ended 31 March 2015 (Rm)



Value added to black economically empowered businesses, PDIs and government for the year ended 2015 (Rm)



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

(1) *Including the R100 million paid to the KwaZulu-Natal Gambling Board to be allocated to charitable or socio-economic infrastructure projects*

OUR PERFORMANCE AND OUTLOOK

Chairman's and Chief Executive Officer's review

DEAR STAKEHOLDERS

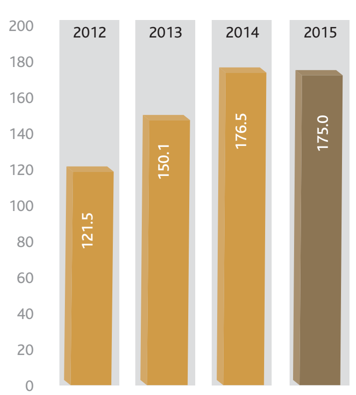
John Copelyn
Chairman

Marcel von Aulock
Chief Executive Officer

The 2015 financial year was in many ways a landmark year for the group, with the exit of long time shareholder, SABMiller, allowing a substantial increase in the free float of the company, and presenting the opportunity for an attractive buy-back of some 12% of the group's shares.

- Financial ability to withstand macro-economic shocks and still pursue significant attractive investment opportunities
- Strategic investment of R2.8 billion in the buy-back of shares concluded but disappointment with the cancellation of the acquisition of a 40% stake in the GrandWest and Worcester casinos
- BBBEE rating has been reaffirmed at level 2 although significant uncertainty exists as to the rating under the new codes
- Significant product initiatives carried out during the year include the major redevelopment of the Silverstar and Gold Reef City complexes and the focus on the food and beverage operations
- Employee engagement survey results were pleasing and indicate a healthy work environment
- Recovery in consumer and business confidence remains the largest growth opportunity for the group

Adjusted HEPS (cents)



Overview

The year ended 31 March 2015 was a very difficult year for the group from a trading perspective. The flat results reflect a disappointing 2% growth in gaming win, exacerbated by a year that saw reduced government spend on travel, the impact of the Ebola pandemic on travel to many of the African markets, particularly Nigeria, and the closure of Southern Sun Maputo for renovations. The growth was slower than the growth achieved in the 2014 financial year and below our expectations, and is indicative of the tough macro-economic environment and particularly, poor consumer sentiment.

However, the 2016 financial year should reflect better growth as a result of the non-recurrence of some of the exceptional factors experienced during the year. After three years of strong growth in adjusted headline earnings per share, the 2015 financial year saw a marginal 1% decline to 175 cents per share with the dividend declared in respect of the year totalling 89 cents per share, flat with the prior year and in line with the group policy of declaring 50% of adjusted headline earnings per share.

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

The group has continued to focus on its core growth strategy and pursued avenues to deploy capital at attractive rates of return. This remains a long-term strategy and patience will be required for the full benefits of these investments to be realised, particularly the investment in the upgrade and expansion of the group's casino and hotel assets, as they are ultimately designed to cater for the increased demand that is generated by broader economic growth.

Disappointingly the deal to acquire a 40% stake in the GrandWest and Worcester casinos in the Cape province was cancelled in July 2015 as it became clear that we would be unable to conclude the regulatory process before the deadline for the transaction. Enhancing the group's presence in the Western Cape gaming market remains an opportunity going forward.

Regulatory challenges continue to present risks to the group and we remain vigilant to these. These challenges are as varied as changes in BBBEE rules, corporate and personal taxes, FICA-related rules and more recently 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.

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 more important than ever, and is achieved through firstly avoiding mistakes that can threaten the survival and health of the business and secondly, identifying external risks and opportunities and developing 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

In order to take advantage of commercial opportunities that are presented, a business needs to first and foremost stay in business. 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 2.2 times remains comfortable and the increase in absolute net debt over the prior period to R9.2 billion includes the effect of the R2.8 billion share buy-back concluded at an attractive price of R20.96 per share.

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 almost five years. Accordingly, the group is adequately funded for ongoing operations and the macro-economic shocks that may occur and can take advantage of significant expansion opportunities.

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 2015 financial year the group continued to enjoy a stable and supportive shareholder base in HCI, with a concentrated holding of 47.6% following the share buy-back which also resulted in a broadening of the shareholder base.

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 the important expansion opportunities. In addition, the introduction of the HNA group out of China as the largest buyer in the SABMiller share sale is expected to open new opportunities to the group in the future.

The group has consolidated its CSI and enterprise development activities under the concept of Citizenship. R154 million was spent on CSI initiatives in the key areas of education, sport and environmental awareness, while in enterprise development we have 98 guesthouses registered on our Book-a-Guesthouse programme, all black owned and 92% by women. 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.

Chairman's and Chief Executive Officer's review continued

With more than 22 000 people directly and indirectly employed by the group and R2 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 24 and the community section on page 37 for further information.

Our 2015 BBBEE rating has been reaffirmed at level 2, the result of a continued dedicated effort, focus on all areas of the business and an operating philosophy that ensures the BBBEE impacts of each decision the business makes are taken into account. There continues to be significant uncertainty as to what the group's BBBEE rating will be under the new codes as a result of the uncommercial nature in which they have been drafted, particularly with regard to the subminimum demotions and the change in scoring scales. 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 a licence condition due to the uncertainty and the extent to which the levels achieved are moved out of the group's control. We remain committed to enhancing the group's BBBEE credentials in every commercially reasonable way, but cannot expose our licences to regulatory risk against uncertain moving targets.

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.

We continue to invest significantly in both distribution of physical product and maintenance capital expenditure in our various properties, and believe in operating best-in-class products at each relevant price point. In addition, the group continues to allocate significant human and financial resources to systems, ensuring that the offering at each property is relevant to the market it serves.

The current focus remains on expanding and refreshing our casino properties and addressing legacy issues at some of the older hotels, particularly in bathroom infrastructure. During the 2015 financial year we completed the R560 million expansion and redevelopment of the Silverstar Casino and progressed with the R630 million redevelopment of the Gold Reef City Casino and Theme Park. A number of key hotels underwent renovation, in particular Southern Sun Maputo where we spent US$30 million renovating existing rooms and adding 110 rooms and conference facilities. The Palazzo at Montecasino, which is without doubt the most beautiful hotel in Johannesburg, enjoyed a complete rooms refurbishment and the Garden Court De Waal Hotel in Cape Town has been refurbished and relaunched as SunSquare Cape Town.

Operationally, work continues to be done on the refresh of gaming products on our floors and guest facilities and amenities at our hotels. The focus on our food and beverage operations to ensure our delivery is relevant and appealing to our customers and supportive of the gaming and rooms operations is proving successful, with the group reclaiming a reputation for excellence in food and beverage that had not been enjoyed for many years. Most rewardingly the Foundry at Southern Sun Abu Dhabi has been rated as one of the best restaurants in this competitive city, while in South Africa, Level Four at 54 on Bath in Rosebank, the San Deck at the Sandton Sun and Grill Jichana at the Southern Sun Elangeni and Maharani in Durban are all making an impact in their markets.

During the 2015 financial year a large amount of work was completed on ensuring our IT systems remain up to date and are fully supported. Legacy Aristocrat gaming management systems have been replaced with either IGT Advantage or Gamesmart, a process which resulted in a certain amount of operational disruption during the year but is now completed. The redevelopment of the group's website and booking engine continues and is expected to be completed during the 2016 financial year.

Regulatory compliance

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

While we respect the important role that the various regulatory bodies play in society and business in general and towards the affairs of the group specifically, we have been, and are still, forced to challenge elements of law and regulation that we believe are misguided or will have unintended adverse consequences for the group and its stakeholders. We will continue to defend our commercial rights while maintaining a cordial and co-operative 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 R107 million spent during the 2015 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. The results of the staff engagement survey carried out during the year were positive and issues identified are in the process of being addressed.

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 owned or controlled. Accordingly, the only true measure of growth for our business over time is its growth in free cash flow.

Our free cash flow reduced marginally by 1% to R1.8 billion for the 2015 financial year mainly due to increased finance costs following the share buy-back. The coming year may see limited growth in free cash flow as we incur additional interest on higher net debt levels and complete major maintenance capital expenditure projects, offset by the anticipated growth in cash generated from operations. We are, however, comfortable that these investments, including the share buy-back, will yield acceptable future returns.

Organic growth

The macro-economic environment remains subdued and this is not expected to materially change in the short to medium term. The gaming win growth of 2% was impacted by a slow performance in both slots and tables. The performance at the majority of the group's properties was stronger than this average may indicate, but was dragged down by particularly weak performances at Hemingways in East London and Goldfields in Welkom due to poor local economic conditions and Gold Reef City and Silverstar suffering construction and systems change-related disruptions. Overall owned occupancies at 61.6% declined by some 2pp and are still well below normal long-term levels of around 68%. The South African government introduced austerity measures in its travel spend and the group experienced a reduction of approximately 100 000 room nights in this segment during the financial year. Southern Sun Maputo was closed for five months during the refurbishment and expansion of the hotel, as was the Garden Court De Waal in Cape Town. Overall owned average room rates increased by 5% and consequently Revpar grew by a limited 2% to R583.

The group's financial results for the 2015 financial year reflect an income growth of 5% with Ebitdar flat on the prior year assisted by the acquisitions implemented in the prior and current year. Operating, finance and taxation costs are strictly monitored and benchmarked across the group, and continued maintenance capital expenditure is vital to maintaining and improving the group's asset base.

In the longer term a recovery in consumer and business confidence, driving growth in leisure spend and corporate travel respectively remains the largest growth opportunity for the group. With our unparalleled asset base, 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 R2.0 billion during the 2015 financial year in acquiring hotel assets and businesses, expanding hotels and casino properties, acquiring non-controlling interests shareholdings in our existing businesses and shareholdings in other businesses. For detail of the transactions refer to page 60.

In addition to the capital invested in the growth strategy, the group managed the exit of SABMiller from its long-term 39.6% shareholding in the group, including a specific repurchase of 133.6 million Tsogo Sun ordinary shares for R2.8 billion in August 2014. The shares were acquired at a price of R20.96 per share representing an 18.6% discount to the final book build price achieved on the sale of the SABMiller investment of R25.75 per share.

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

- the group entered into a transaction with Sun International Limited and Grand Parade Investments Limited for the acquisition of a 40% equity interest in each of SunWest International Proprietary Limited and Worcester Casino Proprietary Limited for an aggregate R2 185 million. The acquisition which was subject to the fulfilment of conditions precedent, including the approvals of the provincial gambling and the competition authorities, was subsequently cancelled as the approvals would not have been obtained before the expiry of the agreements. This opportunity and the opportunity to relocate one of the smaller casinos into the Cape Metropole remain firmly on the group's agenda;

Chairman's and Chief Executive Officer's review continued

- the Mpumalanga Gaming Board withdrew the second request for proposal for the fourth casino licence in the province. The group is pursuing a legal challenge in this regard following the submission of a bid proposal in response to the request;
- we continue to refine the design of the Suncoast Casino and retail expansion and expect to break ground on this development next year. With 50 000m^2 of retail, new restaurants and an expanded and enhanced casino offering we believe this development will add substantial value to the already successful Suncoast property;
- the group has announced a new 500-room hotel complex in the Cape Town city centre, with the opening scheduled for the third quarter of 2017; and
- the group is considering creating an entertainment and hospitality focused Real Estate Investment Trust ('REIT'), into which it would transfer its extensive owned hotel, retail and office property portfolio. Evaluation of this opportunity continues and no firm decision has been made in this regard.

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

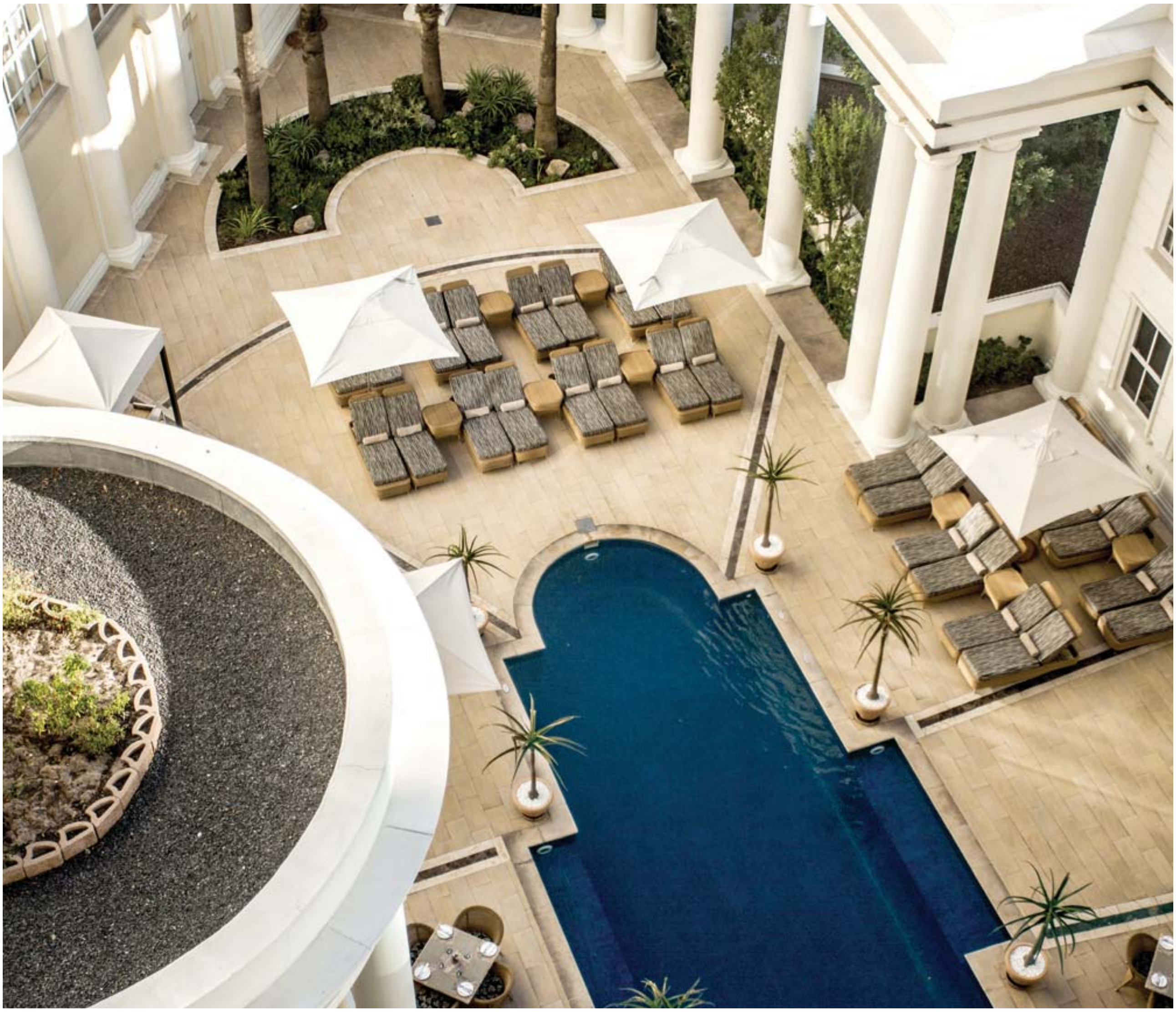
We wish to extend our appreciation to the board, management and the staff of the group for their efforts during the year. More importantly, we wish to extend a word of encouragement to the management and staff of Tsogo Sun to remain focused on delivering the group strategy. Tsogo Sun remains a group with irreplaceable assets and people.

John Copelyn
Chairman

20 August 2015

Marcel von Aulock
Chief Executive Officer

20 August 2015



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 transactions concluded during the year have resulted in a step change in our gearing levels.

The results for the year ended 31 March 2015 reflected the continued pressure on the consumer due to the macro-economic environment and weak consumer sentiment.

Income R11.3 billion	5%
Adjusted HEPS 175.0 cents	(1%)
Free cash flow R1.8 billion	(1%)
Net debt R9.2 billion	
Net debt:Ebitdar 2.2 times	
Ebitdar R4.2 billion	Unchanged
Ebitdar margin 37.2%	(1.9)pp
Dividends in respect of the year 89.0 cents per share	Unchanged
Investment activities R2.0 billion	
Unutilised net facilities R4.8 billion	

Rob Huddy
Chief Financial Officer

Overview

This report should be read in conjunction with the summarised consolidated financial statements on page 78 to page 84 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 2015.

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

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

Commentary on net interest-bearing debt and interest rate and currency risk management is included in the financial strength and durability section on page 46.

Income statement comparison for the year ended

	31 March 2015 Rm	31 March 2014 Rm	% change on 2014
Income	**11 343**	10 767	5
Gaming win	**6 976**	6 819	2
Revenue			
Rooms	**2 453**	2 221	10
Food and beverage	**1 203**	1 063	13
Other	**711**	664	7
Ebitdar	**4 223**	4 214	–
Gaming	**3 265**	3 266[1]	–
Hotels – South Africa	**830**	752[1]	10
– Offshore	**137**	153	(10)
Foreign exchange (losses)/gains	**(21)**	33	*
Corporate	**12**	10	*
Ebitdar margin	**37.2%**	39.1%	(1.9pp)
Long-term incentives	**(95)**	(150)	37
Property rentals	**(210)**	(221)	5
Amortisation and depreciation	**(733)**	(648)	(13)
Exceptional items	**(143)**	(73)	(96)
Finance costs (net)	**(681)**	(373)	(83)
Associates and joint ventures	**25**	–	*
Income tax	**(680)**	(776)	12
Non-controlling interests	**(34)**	(96)	65
Attributable earnings	**1 672**	1 877	(11)
Adjustments	**103**	61	*
Adjusted headline earnings	**1 775**	1 938	(8)
Weighted number of shares in issue (m)	**1 014**	1 098	8
Adjusted HEPS (cents)	**175.0**	176.5	(1)

[1] *Restated 2014 comparatives due to the transfer of the StayEasy Century City hotel from the gaming division to the South African hotels division.*
* *Variance not meaningful*

Trading performance

Trading during the financial year reflected continued pressure on the consumer due to the macro-economic environment and weak consumer sentiment. Limited organic year-on-year growth was achieved in both casino and hotel revenues. Trading results were impacted by a variety of mergers and acquisitions and development projects including the acquisition of hotel businesses from Liberty, and the acquisition in the prior year of a stake in Southern Sun Ikoyi, offset by the closure of Southern Sun Maputo and Garden Court De Waal for refurbishment and the sale of Garden Court Sandton. In addition, the year saw the impact of the post-election and fiscal austerity consequences on government travel in South Africa, the impact of the Ebola pandemic on hotel occupancies mainly outside South Africa and foreign exchange losses in the current year versus gains in the prior year.

Total income for the year of R11.3 billion ended 5% above the prior year with a 2% growth in gaming win assisted by a 10% growth in hotel rooms revenue and a 13% 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 mainly due to non-organic growth in the business and increased offshore overheads as a result of the weakening of the Rand against both the US Dollar and the Euro offset by savings initiatives

Ebitdar at R4.2 billion for the year was unchanged from the prior year. The overall group Ebitdar margin of 37.2% is 1.9pp down on the prior year.

Chief Financial Officer's review continued

Long-term incentives

The long-term incentive expense at R95 million is R55 million below the prior year charge and reflects the effect of the increased Tsogo Sun share price (including dividend adjustments) at 31 March 2015. The share price increased from R27.00 to R27.60 during the 2015 financial year (2015: R24.75 – R27.00). Refer to the remuneration report on page 71 to page 76 for further detail.

Rentals, amortisation and depreciation

Property rentals at R210 million are 5% down on the prior year mainly due to the acquisition of the Garden Court Kings Beach property and the sale of Garden Court Sandton offset by contractual increases and straight-line lease provision adjustments.

Amortisation and depreciation at R733 million is 13% up on the prior year due mainly to the capital spend during the year, the inclusion of Southern Sun Ikoyi for 12 months and the hotels acquired by Cullinan not in the prior year.

Exceptional items and adjustments

Exceptional losses for the year of R143 million relate mainly to the IFRS 2 *Share-based Payment* charge on the executive facility amounting to R118 million, pre-opening costs of R19 million during the closure period of the hotels closed for refurbishment, property, plant and equipment 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. Exceptional losses for the prior year of R73 million relate mainly to property, plant and equipment and loan impairments, fair value adjustment to the value of a previously held interest in an associate and transaction and retrenchments costs on the restructure of various departments in the business offset by a lease termination recovery. Refer to the table on page 81.

Net finance costs

Net finance costs of R681 million are 83% 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 offset by an adjustment to the Cullinan put option of R8 million.

Share of profits of associates and joint ventures

The share of profit of associates and joint ventures of R25 million improved by R25 million on the prior year mainly due to earnings from the Redefine BDL acquisition and the group's share of a joint venture's marketing fee reversal of R20 million (refer exceptional items and adjustments above).

Taxation

The effective tax rate for the year at 28.8% is impacted by non-deductible expenditure such as casino building depreciation and non-deductible foreign exchange losses offset by the tax holiday at Southern Sun Ikoyi. The comparative effective tax rate of 28.2% is impacted by similar items.

Non-controlling interests

Profit attributable to non-controlling interests of R34 million is 65% below the prior year mainly due to the acquisition of the additional 10% of Suncoast, 15% of Garden Route Casino and 49% of the Pivot office development and reduced profits at Southern Sun Ikoyi, Southern Sun Maputo, Cullinan and Hemingways Casino offset by the Southern Sun Ikoyi acquisition in the prior year.

Earnings

Group adjusted headline earnings for the year ended 31 March 2015 at R1.8 billion are 8% below 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 net finance costs and the joint venture's marketing fee reversal. The 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 1% down on the prior period at 175.0 cents per share.

Cash flow

	31 March 2015 Rm	31 March 2014 Rm	% change on 2014
Cash generated from operations	**3 866**	3 764	3
Dividends received	**7**	3	
Net interest paid	**(715)**	(376)	
Income tax paid	**(537)**	(756)	
Operating equipment	**(61)**	(41)	
Maintenance capital expenditure	**(749)**	(769)	
Free cash flow	**1 811**	1 825	(1)
Dividends paid	**(947)**	(897)	
Investment activities	**(2 045)**	(1 643)	
Share buy-back	**(3 019)**	–	
Other	**25**	53	
Increase in net interest-bearing debt	**(4 175)**	(662)	

Cash generated from operations for the year improved by 3% on the prior year at R3.9 billion. Free cash for the year decreased by 1% to R1.8 billion due mainly to increased finance costs paid net of reduced taxation payments. Cash flows utilised for investment activities of R2.9 billion, including the acquisition of non-controlling interests, consisted mainly of maintenance capital expenditure and the acquisitions and investments described under the inorganic growth section on page 60.

Balance sheet derivative financial instruments

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 values of the shares. A financial liability for the put option of R493 million and a corresponding debit to transactions with non-controlling interests was recognised. The non-current liability, included in derivative financial instruments, has been remeasured to R485 million at the year end with the decrease of R8 million recognised in finance costs.

Dividends

A final gross cash dividend of 60.0 cents per share in respect of the company's 2015 year end was declared and the dividend was paid on 15 June 2015. The number of ordinary shares in issue was 957 388 870 (excluding treasury shares). The dividend was subject to a local dividend withholding tax rate of 15% which resulted in a net dividend of 51.0 cents per share to those shareholders who were not exempt from paying dividend tax. The company's tax reference number is 9250039717.

The total dividends declared in respect of the 2015 financial year amounted to 89.0 cents per share which is flat on the 2014 financial year and which equates to 50% of fully diluted adjusted HEPS.

Subsequent events

There are no matters or circumstances arising since 31 March 2015, not otherwise dealt with in the financial statements, that would materially affect the operations or results of the group.

Looking ahead

Trading is expected to remain under pressure due to the macro-economic environment and weak consumer sentiment.

RB Huddy
Chief Financial Officer

20 August 2015

Our strategy in action

SUSTAINABILITY

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 CSI programmes and also through direct and indirect equity ownership and employment.

Key performance indicators

	2015	2014
Black ownership	**79%**	56%
Value added contribution to black economically empowered businesses, PDIs and government	**R8.1 billion**	R7.7 billion
BBBEE level	**Level 2**	Level 2
CSI outcomes	**Tsogo Sun Sports, Arts and Learning Academies support 39 751 learners**	Tsogo Sun Sports, Arts and Learning Academies support 35 967 learners

2015 performance

Shareholders

As mentioned in the group overview on page 5 the nature of the HCI shareholding is of particular importance as it provides the bulk of the 79.3% 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 sale by SABMiller of its shares during the year has allowed a more diverse shareholder base.

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 R154 million. Of this, verified spend on BBBEE socio-economic development amounted to R153 million which is the equivalent of 8.97% of net profit after tax and represents 7.97% more than the DTI's target.

While our casinos and hotels provide substantial support towards a wide range of projects and initiatives designed to uplift people in their local communities, Tsogo Sun's national community development takes place through the Tsogo Sun Sports, Arts and Learning Academies, which collectively reach approximately 40 000 learners who participate in our full-year programmes.

Academy	Schools	Teachers	Learners	Adults
Tsogo Sun Sports Academy	123	1 027	23 053	56
– Rugby	30	450	58	27
– Soccer	35	42	1 026	7
– Athletics	1	–	600	2
– Chess	57	535	21 369	20
Tsogo Sun Arts Academy	14	24	520	9
Tsogo Sun Learning Academy	676	472	16 178	1 150
Total	**813**	**1 523**	**39 751**	**1 215**

Tsogo Sun Sports Academy

We share the Departments of Education and Sport's vision to nurture school environments that promote healthy living and responsible attitudes to foster the development of successful young South Africans. 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 has partnered with relevant local government departments, sporting industry bodies, associated school sports bodies and schools in local communities.

During the year, the Tsogo Sun Sports Academy continued to deliver on previous projects including soccer, rugby and athletics through the support of 1 684 South African children and youths between the ages of 7 and 17. In addition, training and accreditation is also 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 21 369 learners and 535 educators across 57 schools, with the objective of improving maths, science and literacy skills through the medium of chess. During the year, a three-year research study commenced with the University of Johannesburg to document the impact of chess in maths education.

Tsogo Sun Citizenship

✤ Tsogo Sun Sports Academy – Soccer

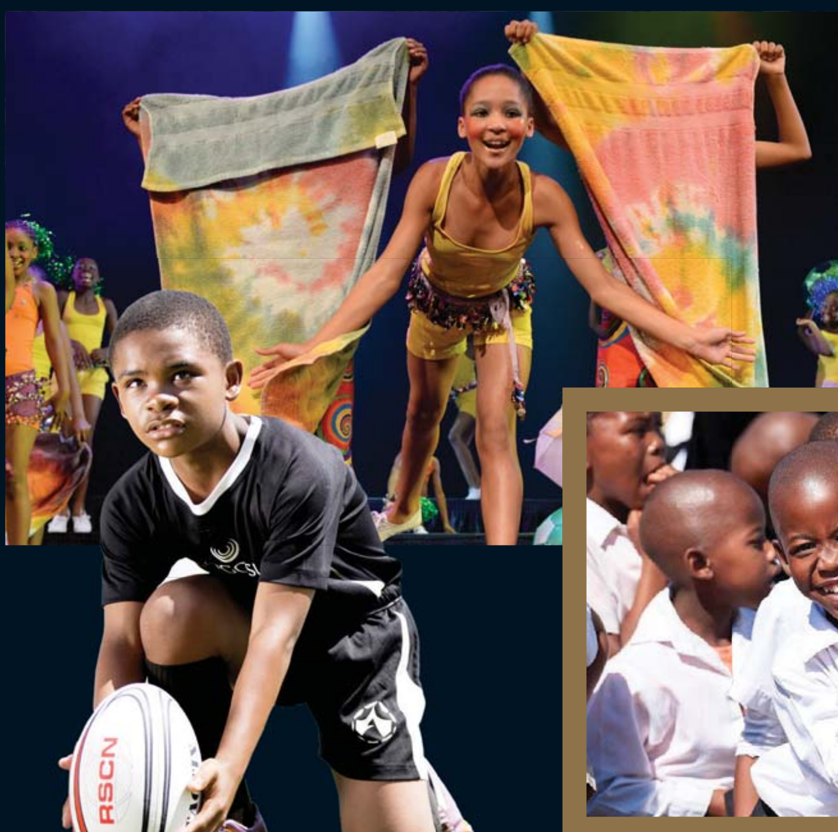
✤ Environmental education – Miss Earth South Africa

✤ Tsogo Sun Learning Academy – Tutankhamun exhibition

✤ Tsogo Sun Entrepreneurs

✤ Tsogo Sun Moves for Life – Chess

✤ Tsogo Sun Arts Academy



✤ Tsogo Sun Sports Academy – Rugby

✤ Caring across communities

Sustainable strategy in action

Deliver to our beneficiaries continued

Tsogo Sun Arts Academy

Our Arts Academy develops the artistic talent of learners from underprivileged backgrounds to provide them with essential life skills development. The programme enables learners to participate in a curriculum that uses the arts as a catalyst to give young people in our communities 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 520 learners from 14 schools in Diepsloot, Mayfair, Nelspruit 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, 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 670 schools across the country, through ad hoc or fundraising assistance and the group's community academies.

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

The group contributes more than R5 million per annum to the upkeep of the Apartheid Museum, which is situated on the greater Gold Reef City precinct. In addition, the group takes an active role on the board and assists with the operation of the museum. R33 million has been made available for the expansion of the museum during the 2016 financial year.

The group paid an amount of R100 million to the KwaZulu-Natal Gaming and Betting Board to be spent on charitable or social infrastructural developments in the KwaZulu-Natal province which is being utilised for educational purposes.

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 Park provide free entrance to children from orphanages, shelters and primary school learners who otherwise would not have the opportunity to experience these parks.

Enterprise development

Tsogo Sun is committed to the development of small businesses in South Africa with a specific focus on skills-based entrepreneurial development and the provision of preferential procurement opportunities to black-owned qualifying small enterprises and emerging micro-enterprises. The group's spend on enterprise development for the year is R122 million or 7.1% of net profit after tax, which is 4.1pp above the DTI's BBBEE target.

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

Tsogo Sun Entrepreneurs

Tsogo Sun's national enterprise and supplier development takes place through 'Tsogo Sun Entrepreneurs', a business benefit and development programme that supports various clusters of entrepreneurs within the value chain of the Tsogo Sun group and within the broader tourism industry in South Africa, including:

- housekeeping and laundry SMMEs;
- participating SUN1 operators (independent SMMEs);
- existing qualifying suppliers and micro-enterprises that display the potential to become suppliers to the group; and
- the Tsogo Sun Book-a-Guesthouse cluster, which supports 98 independently owned and operated B&Bs in six provinces across South Africa.

There are a total of 133 black-owned South African emerging micro-enterprises ('EMEs') supported nationally by the Tsogo Sun Entrepreneurs programme, which provides qualifying small enterprise owners with business development support and benefits including:

- skills transfer (business development, coaching and mentorship);
- value-added benefits (endorsement, memberships, marketing 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 (market access and networking opportunities); and
- recognition (entrepreneur rewards, certification and awards).

Through the programme, Tsogo Sun has established partnerships with government, corporates, industry bodies, and development specialists to advance our mutual interests in contributing towards the creation of economic growth in South Africa by supporting emerging enterprises. The programme's key objectives are to support entrepreneurs to develop professionally operated, compliant, sustainable businesses, facilitate job creation (direct and indirect) and contribute towards economic growth in South Africa.

Tsogo Sun Book-a-Guesthouse

Tsogo Sun Book-a-Guesthouse, now in its 10th successful year, is endorsed by government and regional tourism agencies. As part of our sustainability in tourism plan, Book-a-Guesthouse harnesses decades of the group's experience and expertise in the hospitality industry and delivers this to small business owners through the support of our management and staff in the provinces. As the only programme of its kind in South Africa, 92% of the entrepreneurs developed by Book-a-Guesthouse are black South African women.

The guesthouses range between two and 30 rooms. Eighty 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 21 entrepreneurs were inducted into the programme during the year. A total of 38 guesthouses in the Alumni phase have expanded their operations as a result of the programme, and each guesthouse employs between one and 15 staff and reaches up to 30 people in the value chain. A total of 87 entrepreneurs have successfully completed the UCT Guesthouse Management Course funded by the programme, with 16 having done so during the last year.

Transformation

Tsogo Sun has always been a pioneer in transformation and the organisation continues to be a leader in the empowerment of previously disadvantaged people, businesses and communities in South Africa. The group currently holds a level 2 BBBEE contributor status, with 79.3% broad-based black empowerment ownership, measured against the DTI's generic scorecard, and complies with guidelines outlined in the BBBEE Codes of Good Practice. The group's casinos are in addition individually measured against the same scorecard and Tsogo Sun hotels is measured against the tourism scorecard. The formal verification audits are performed annually by Empowerdex (an accredited economic empowerment rating agency), covering the year ended 31 March, with the results being as follows:

	Target score	2015	2014
Ownership	23	**23.00**	23.00
Management control	10	**7.27**	6.68
Employment equity	15	**11.01**	10.86
Skills development	15	**12.84**	14.20
Preferential procurement	20	**18.89**	18.76
Enterprise development	15	**15.00**	15.00
Socio-economic development	5	**5.00**	5.00
Overall	100+3	**93.01**	93.50
Rating level		**2**	2

There has been no change of significance to the group's overall BBBEE result. Tsogo Sun has once again received the maximum available points for ownership, enterprise development and socio-economic development, which are discussed in the deliver to our beneficiaries section on page 37 to page 41. Employment equity is discussed in the human resources section on page 53, and skills development is discussed in the human resources section on page 52. Preferential procurement once again reflected an improvement and is discussed in the suppliers section on page 42.

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

Responsible gaming

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

Sustainable strategy in action continued

Deliver to our beneficiaries continued

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 the CASA through the provision of time, effort and intellectual contributions from management. It also forms close relationships with national and regional gaming and tourism associations.

Tenants

The delivery of quality hospitality, gaming, dining and entertainment experiences is important to retaining footfall at our properties and satisfying our customers' diverse requirements. The delivery of these experiences is through a combination of owned and outsourced businesses to provide our customers with a range of differentiated products and services.

With a total of 330 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 R3.6 billion during the year. The group's BBBEE score for preferential procurement is 18.9 out of 20. 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. Most of these lease and management contracts have been in place for many years and the group values the long-term relationships that have been built. The relationships are mutually beneficial with financial returns and access to additional properties for Tsogo Sun and enhanced returns to the owners through our skills and distribution.

Environment

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

Our efforts to manage our business sustainably serves the interests of our business and the community and in achieving this our stated 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 environmental programme that was in place for the past four years in partnership with Heritage successfully steered the business towards an awareness of the environment and our need to manage related processes and performance. The programme has now been simplified and integrated into the business where it 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 measurement

The scope and boundaries of measurement were changed during the year to align with HCI's formal disclosure to the Carbon Disclosure Project ('CDP'). Tsogo Sun reports to the CDP as a subsidiary of HCI. Previously consumption was reported for all businesses located at properties owned or leased by the group in South Africa and offshore. The scope has been changed to report scope 1 and scope 2 emissions at 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, which were not previously measured, are now 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. All comparatives have been restated to ensure consistent reporting.

Emissions measurement

Total emissions (tCO_2e)	**2015**	2014	% change
Scope 1	**5 443**	4 610	18
Petrol and diesel (owned company vehicles)	**476**	477	–
Diesel consumed (owned businesses)	**2 419**	1 653	46
LPG and natural gas usage (owned businesses)	**2 548**	2 480	3
Scope 2	**209 937**	204 974	2
Energy consumed (owned businesses)	**209 937**	204 974	2
Scope 3	**83 452**	92 413	(10)
Energy consumed (tenants)	**25 810**	28 322	(9)
Energy consumed (managed properties)	**25 729**	33 416	(23)
Laundry services (outsourced)	**29 454**	28 427	4
Business travel	**2 459**	2 248	9
Total emissions (tCO_2e)	**298 832**	301 997	(1)

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 209 937 tCO_2e mainly due to the acquisitions of four, previously managed, hotels from Liberty and the casino complex expansions at Emnotweni and Silverstar offset by savings from ongoing energy-saving initiatives and to a lesser extent 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 increased by 3% to 2 548 tCO_2e due to the acquisitions of four, previously managed, hotels from Liberty, the opening of new owned restaurants

Sustainable strategy in action continued

Deliver to our beneficiaries continued

at Gold Reef City, Silverstar and Golden Horse casinos and the conversion of kitchen equipment from electrical supply at Southern Sun Maputo.

Diesel

Diesel is utilised for back-up electrical generation. Scope 1 emissions from the consumption of diesel increased by 46% to 2 419 tCO_2e due mainly to running generators to generate electricity during load shedding.

Scope 3 emissions

The 9% reduction in scope 3 emissions from tenants at group properties is mainly due to the closure of outsourced restaurants during the expansion of casino properties and conversion of some restaurants from outsourced to owned operations. The 23% reduction in scope 3 emissions from properties managed by the group is due mainly to the acquisitions of four previously managed hotels from Liberty offset by the opening of the Southern Sun Abu Dhabi during the year. The group utilises outsourced laundries at the majority of its owned and managed properties and the 4% increase in scope 3 emissions from laundry services is due to volume increases and the opening of Southern Sun Abu Dhabi.

Water

Although supply interruptions due to poor municipal infrastructure are increasing 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 2.6 million kilolitres due mainly to the acquisitions of four previously managed hotels from Liberty 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.

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

Monitoring and evaluation have become increasingly important to enable us to measure our impact. An internal information system has been introduced 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. During the year ahead, a tool will be developed 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 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.

The provision of bursaries and community learnerships will be aligned and formalised across the group in the coming year.

The group is introducing a structured strategy to manage the volunteering efforts made by employees across the group.

Enterprise and supplier development

Tsogo Sun is developing a long-term plan that will be implemented via the Tsogo Sun Entrepreneurs programme over the next five years. The impact on the beneficiaries (the businesses supported by Tsogo Sun Entrepreneurs) will be monitored and evaluated, and adjustments will be made to the model where necessary as the plan unfolds. Presently in phase one of implementation, the plan is designed to 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

The Revised Broad-Based Black Economic Empowerment ('BBBEE') Codes of Good Practice became effective on 1 May 2015. Alignment of the group's practices with the requirements of the revised codes is being undertaken as far as possible, in order to prepare for the measurement of the group's performance against these codes in 2016.

The revised BBBEE codes present numerous challenges. In an effort to address these, the group has focused attention on internal strategic planning, systems and processes, and on participating in industry forums and working with empowerment specialists to try to proactively resolve issues related to the numerous flaws contained within the revised codes framework and the unintended consequences that these create.

The area of supplier development is complex and requires the development of a coherent plan 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 and at the same time ensures that the group's procurement requirements are not compromised. While the supplier development performance measure is purely financial (2% NPAT – combined with 1% NPAT for enterprise development), the work is actually social in nature and requires time to implement effectively.

Supplier development needs to be undertaken in a manner that really makes a change. It is not just about spending money without achieving actual results for the beneficiaries being supported or the businesses they are supplying. This is one of the challenges presented by the revised BBBEE codes: the plan will take time to develop, implement and yield results, yet the Revised Codes require immediate performance against the financial target.

To address this and other areas of concern surrounding the Revised BBBEE Codes, Tsogo Sun's internal strategies have included the establishment of an Enterprise and Supplier Development ('ESD') plan to enable the group to meet the target by supporting, developing and procuring from South African black-owned and black women-owned EMEs and QSEs.

Another area of change is that of preferential procurement, which forms part of ESD in the revised codes. South African companies expect to receive significantly lower BBBEE results under the revised codes. The performance of other companies affects Tsogo Sun's ability to achieve good BBBEE results, as many are suppliers to the group.

In the coming year, the company will continue to focus on managing a growing portion of its procurement centrally to allow for enhanced consistency in standards and pricing and closer relationships with our suppliers. In addition, processes will be aligned, as far as is practical, to meet the requirements of the Revised BBBEE Codes of Good Practice.

The procurement function will work closely with the ESD function within the group to synchronise the two strategies, identify qualifying suppliers and potential suppliers for development, and achieve positive results.

Environment

The focus during the year will be to ensure that the environmental programme which is part of the in-house Organisational Resilience Management Standard is embedded throughout the business and to ensure that the energy and water consumption management programmes remain in place with the objective of continuously reducing consumption year on year.

Sustainable 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 to ensure 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 emerging markets.

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

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

Key performance indicators

	2015	2014
Net debt to Ebitdar	**2.2 times**	1.1 times
Unutilised net facilities (including available cash on hand)	**R4.8 billion**	R3.4 billion
Weighted average expiry of debt facilities (excluding permanent revolving credit facilities)	**58 months**	39 months
Net debt hedged through fixed interest rate swaps	**61%**	67%

2015 performance

Net interest-bearing debt

Interest-bearing debt net of cash at 31 March 2015 totalled R9.2 billion, which is R4.8 billion above the 31 March 2014 balance of R4.4 billion, with R947 million paid in dividends to group and non-controlling shareholders in addition to the investment activities of R5.8 billion during the year.

For more detail on the group's borrowings and cash position refer to notes 28 and 31 on pages 47 and 49 of the annual financial statements.

During the year, an additional R5.7 billion in term loans were negotiated and the tenures on the majority of existing facilities were extended to June 2020 and June 2021. Net debt to Ebitdar as at 31 March 2015 was 2.2 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 58 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 2015, 61% 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% (2014: 7.7%).

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 50% in US Dollar, 20% in Euro and 20% in Naira with limited other local currency deposits.

Looking ahead

The extent and tenure of the existing funding facilities were impacted by the share buy-back which was concluded during the year and the anticipated acquisition of the 40% equity interest in each of SunWest International Proprietary Limited and Worcester Casino Proprietary Limited which has subsequently been cancelled.

The facility pricing with the group's existing consortium of banks remains competitive, however, the capital structure is being assessed, including the possibility of a REIT, to reduce the cost of funding.

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

	2015	2014
Gaming		
✤ Reward club membership contribution to gaming revenue	**72%**	71%
✤ Guest satisfaction – gaming	**76%**	75%
✤ Slot machine average age	**5.4 years**	5.3 years
Hotels		
✤ Reward club membership contribution to hotel revenue	**29%**	28%
✤ Guest satisfaction – hotels	**87%**	87%
✤ Hotel property audits	**No material deviations from brand standards**	No material deviations from brand standards
Hygiene audits	**No significant issues noted**	No significant issues noted
Maintenance capital spend	**R749 million**	R769 million

2015 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. It is important that our casinos provide an aspirational setting in which customers can feel encouraged to wager. Therefore, we have committed to investing significantly in the regular maintenance and refurbishment of our properties in order to keep the experiences attractive and relevant to our customers. Slot machines are replaced on an approximate seven to ten-year cycle and the current average age of slot machines is 5.4 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 are no material deviations from the relevant brand standards.

Product development

Development of the casino and hotel real estate is a critical component of the group's business and its plans for organic growth. On average over the past five years, R1 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,

Sustainable strategy in action continued

Product relevance to customer experience continued

design concept, budgetary control and project execution during construction and ongoing property maintenance are the core skills required. Key personnel are employed on a permanent basis to deliver these core skills that safeguard and mentor this knowledge.

These skills are augmented by a network of experienced professionals that have worked with the business for a number of years but who are regularly supplemented with new professional firms with the objective of introducing change and fresh ideas to established methods, concepts and systems.

Information technology

Information technology strategy and governance 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.

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 replacement of the legacy gaming management systems at the six properties where it was required has been completed.

Tsogo Sun master brand

Subsequent to the merger of the gaming and hotel division under one market-facing brand in 2012, the group has been diligent in its focus to build the master brand with all relevant stakeholders. To date, Tsogo Sun has achieved strong recognition within both the corporate and consumer markets in South Africa. This has enabled the brand values to permeate the business internally, aligning the group's employees and creating a consistency of culture. In support of the group's purpose to create great experiences for our guests, Tsogo Sun's marketing emphasises:

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

The group's retail marketing spend is predominantly directed towards its hotel offerings (mainly billboards, radio and print), albeit with a focus on supporting the Tsogo Sun master brand at all times. This is complemented by dedicated Tsogo Sun group exposure, which includes targeted partnerships and sponsorships and a dedicated group television campaign. Marketing spend in the casino business is largely focused on prize promotions, such as cars and cash. By having a centralised marketing department and plan, marketing spend at individual units can be redirected, and in some cases rationalised, to focus on marketing initiatives that are beneficial across the group's entire portfolio. In recent years this has enabled efficiencies to be made in the group's marketing efforts, reducing cost and improving brand alignment.

A clear brand portfolio strategy supported by structured brand management principles, which include the consistent application of Tsogo Sun's 'Sunburst' across properties as well as the use of a common endorsement, has become essential in ensuring that each of the brands in the group are aligned with the Tsogo Sun master brand's brand values. In this way each product brand contributes to the growth of the Tsogo Sun master brand.

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. This is integral to our success and sustainability. The group 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 guest satisfaction for Tsogo Sun hotels averaged at 87% this year which is equal to the result last year. The high guest satisfaction score at Tsogo Sun hotels is a result of enhanced awareness of our guests' needs and our ability to respond to them efficiently and effectively. The eGuestSurv tool has also been successfully entrenched into the casinos with an annual overall average of 76% guest satisfaction.

Customer reward 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.

Last year the new rewards programme replaced the Frequent Guest programme in hotels; and the Club Festival and Strike it Rich programmes in casinos. 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.

Key components of the programme include:

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

Tsogo Sun gaming – rewards programme segmental analysis

Tsogo Sun gaming had 310 475 active gaming cardholders during the year. The contribution to total gaming revenue for the year from active members of the reward programme is as follows:

Segment	**2015 % active customers**	**2015 contribution %**	2014 % active customers	2014 contribution %
Black	**8**	**46**	7	45
Platinum	**15**	**15**	11	14
Gold	**77**	**11**	82	12
	100	**72**	100	71

Tsogo Sun hotels – rewards programme segmental analysis

Launched in the last quarter of the previous year, the Tsogo Sun hotels' rewards programme has shown tremendous growth in the number of members, with 24 506 new members who have signed up. Tsogo Sun hotels had 87 666 active reward programme members during the 2015 financial year. The contribution to total hotel revenue for the year from active members of the reward programme is as follows:

Segment	**2015 % active customers**	**2015 contribution %***	2014 % active customers	2014 contribution %*
Black	**5**	**7**	4	7
Platinum	**16**	**7**	13	9
Gold	**79**	**15**	83	12
	100	**29**	100	28

** Systemwide*

Sustainable strategy in action continued

Product relevance to customer experience continued

Customer safety

Tsogo Sun recognises that the health, safety and wellbeing of our 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 be on using the programme to influence behaviour and ultimately hotel and casino revenue. Using SunRands in hotels and FreePlay in casinos, as well as a variety of entertainment and dining offers, customers will continue to be encouraged to increase their spend and frequency of visits to our hotels and casinos.

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

	2015	2014
Gaming regulation breaches	**Nil**	Nil
Fines imposed for other regulatory breaches	**Nil**	Nil
Fines imposed for breaches of law	**Nil**	Nil

2015 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 the Financial Intelligence Centre Act. With the exception of the review of the Financial Intelligence Centre Act, which may cause more onerous regulatory obligations on casinos and which is still under consideration, the group's participation resulted in favourable outcomes.

The group also participated in industry comments through the CASA to government on the proposed National Gambling Policy and National Liquor Policy, which may in future have an impact on operations.

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 are being included in the combined assurance framework which will be completed during the year to ensure that all relevant legislation and regulations continue to be applied and adhered to.

Sustainable strategy in action continued

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

	2015	2014
Employment equity score	**11.0/15**	10.9/15
Training spend as a % of payroll	**4.2%**	4.1%
Staff resignations	**11.2%**	8.7%

2015 performance

Human capital management

We believe that the sustainable growth of our group depends as much on our people as it does on our operational expertise. Our employment policies are designed to empower and develop employees, and create an environment in which each employee can perform and grow to his or her fullest potential regardless of ethnic background or gender. 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 20 800 combined direct and indirect jobs (including contract staff employed by third-party service providers) within the communities in which our operations are situated in South Africa.

Staff resignations at 11.2% remain low for the hospitality industry and are testimony to the favourable employee engagement and values-based leadership process within the group.

Employee development

Training spend for the year at R107 million, which is at 4.2% of payroll, has increased from the prior year. The group spent R95.1 million on training and development initiatives provided to its black staff during the year, which is 3.4% of payroll in accordance with the DTI's BBBEE targets. The group's BBBEE score for skills development is 12.8 out of 15 and decreased from the prior year due to reduced training of disabled people during the year.

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

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

The Tsogo Sun Academy is now fully integrated, providing a development and skills training service to gaming, hotels and corporate office, but at the same time providing specialist gaming, hotel, and food and beverage and other functional skills training where required by the business. This integration strategy has borne fruit during the year with a more focused and efficient approach to learning and development, specifically linked to identified business needs and challenges. A new e-learning portal was launched during the year, making learning more accessible to all staff and resulting in more 'just in time' learning, linked to immediate business needs.

Satellite academy facilities are now fully functional in Gauteng, Western Cape and KwaZulu-Natal, providing integrated learning and development opportunities and skills transfer across the country.

Employee engagement

Further to the implementation of a single engagement programme for the group, reflecting the values, culture and behaviours common to the business, an engagement survey was undertaken during the year. The purpose of the engagement survey was to establish the efficacy of the livingTSOGO values. 7 561 employees submitted completed questionnaires. The overall outcome of the survey was positive and well received.

livingTSOGO is simple and straightforward – from the concept of attaching values to our company name to the values themselves. Employees participate enthusiastically in the different components designed to bring them to life. The components include: livingTSOGO World which incorporates the group's induction programme and livingTSOGO Moments which includes recognition and rewards.

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 48 000 primary healthcare consultations were provided at our employee clinics located at our casino complexes and this has contributed positively to the management of absenteeism within the group. 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 0.03. This equates to the number of injuries which rendered an employee unfit for duty for one shift or longer per 200 000 hours worked.

Employment equity

The principles of empowerment and diversity are entrenched into the ethos of Tsogo Sun. The table below includes South Africa only and excludes the approximately 8 000 contract staff employed by third-party service providers and 1 389 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	**3 023**	**500**	**380**	**603**	**3 067**	**360**	**444**	**611**	**60**	**31**	**9 079**
Executives	4	4	–	32	2	–	2	1	2	1	48
Management	379	187	91	367	296	107	87	329	29	16	1 888
Supervisors and skilled	1 215	191	167	149	1 119	165	209	234	17	11	3 477
Other employees	1 425	118	122	55	1 650	88	146	47	12	3	3 666
Operational support	**1 401**	**48**	**86**	**35**	**1 921**	**55**	**134**	**65**	**10**	**13**	**3 768**
Executives	–	–	–	1	–	–	–	–	–	–	1
Management	–	1	1	6	–	–	2	6	2	3	21
Supervisors and skilled	620	26	28	20	852	37	55	42	4	6	1 690
Other employees	781	21	57	8	1 069	18	77	17	4	4	2 056
Total 2015	**4 424**	**548**	**466**	**638**	**4 988**	**415**	**578**	**676**	**70**	**44**	**12 847**
Total 2014	**4 538**	**567**	**451**	**697**	**4 925**	**440**	**551**	**683**	**75**	**45**	**12 972**

Sustainable strategy in action continued

Human resources continued

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

While there has been no change of significance to the group's headcount since last year, the percentage of female employees continues to increase, representing 52.2% of the workforce in 2015 (2014: 51.2%).

We ensure that our workforce reflects our focused employment equity philosophy. In this regard, in accordance with our verified employment equity results, presently black representation at senior management level is 33.3%, at middle management level it is 60.5% and at junior management level it is 85.6%. The representation of black employees throughout the group is currently 89.2%, which is slightly below the updated economically active population ('EAP') percentage of 89.4%.

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 five unions in South Africa and 2 468 (27%) of our permanent employees are union members. There has been a 4pp reduction in union membership from the 2 912 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

With the fully integrated Tsogo Sun Academy now up and running, continued focus will be placed on the 'back to basics' approach to learning and development for line staff, as well as ensuring a steady pipeline of management talent throughout the business, with the ultimate objective of creating a differentiating factor of superior guest experiences at all of our properties. Specifically, a gaming skills training facility is planned for the Academy. Initially, this will concentrate primarily on the labour-intensive area of casino tables. This facility will also provide a centralised service for recruitment and assessment of gaming staff throughout the group.

The Tsogo Sun Academy strategy of building a productive learning culture will be accelerated, focusing on three key performance areas, namely learning opportunity, learning capability, and the creation of an optimal learning environment throughout the business.

Employee engagement

The findings of the employee engagement survey conducted during the year were communicated throughout the business and action plans have been formulated to address issues arising out of the survey. The focus during the year will be on implementation of the action plans arising out of the survey as well as on the employee rewards programme which recognises employee behaviour in line with the values.

Growth strategy in action

GROWTH

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

The capitals that generate these cash flows include physical assets such as property, plant and equipment and employees as well as intangible capitals such as licences, brands, trademarks, technology and systems, supported by adequate financial capital to pursue growth opportunities and underpinned by quality relationships with key stakeholders. Execution of a robust strategy informed by and responding to material risks and opportunities will lead to optimal utilisation of capitals and generation of cash flows and ultimately value.

Growth in cash flow over time is generated through the optimal operation of the group's capitals (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.

Growth strategy in action

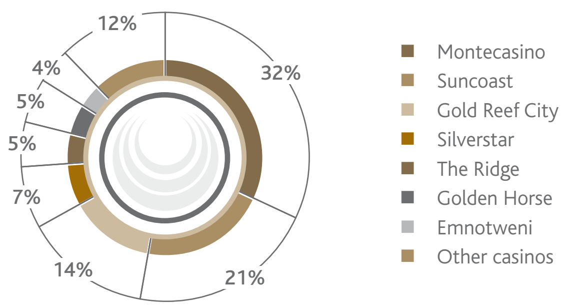
Organic growth

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

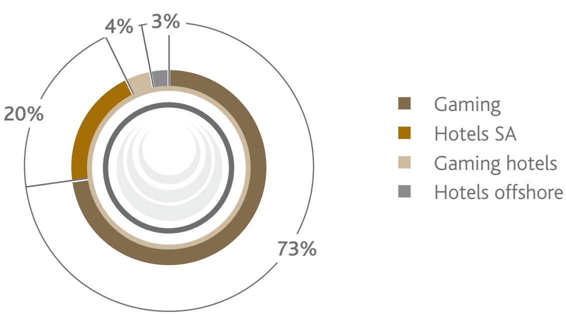
Operational overheads must be reviewed and measured for efficiency and to ensure each Rand spent is either in support of the objective of sustainability or growth.

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

Gaming F'15 Ebitdar by property (%)



Group F'15 Ebitdar by source (%)



Key performance indicators

	2015	2014
Organic income growth	**2%**	6%
Organic Ebitdar growth	**(3%)**	6%
Free cash flow	**R1.8 billion**	R1.8 billion
Maintenance capital expenditure	**R749 million**	R769 million
Adjusted HEPS growth	**(1%)**	18%

2015 performance

Segmental operating performance

	Income		Ebitdar		Ebitdar margin	
Year ended 31 March	**2015 Rm**	2014[2] Rm	**2015 Rm**	2014[2] Rm	**2015 %**	2014[2] %
Montecasino	**2 510**	2 415	**1 133**	1 088	**45.1**	45.1
Suncoast	**1 581**	1 517	**732**	717	**46.3**	47.2
Gold Reef City	**1 270**	1 298	**479**	514	**37.7**	39.6
Silverstar	**676**	648	**248**	263	**36.7**	40.6
The Ridge	**415**	400	**188**	186	**45.2**	46.5
Emnotweni	**367**	328	**154**	144	**42.0**	44.0
Golden Horse	**334**	318	**148**	146	**44.3**	46.1
Hemingways	**310**	336	**109**	138	**35.1**	41.1
Garden Route	**188**	179	**79**	78	**42.0**	43.7
Blackrock	**152**	139	**58**	54	**38.1**	38.8
The Caledon	**149**	135	**38**	35	**25.5**	25.7
Mykonos	**145**	132	**64**	57	**44.1**	43.1
Goldfields	**138**	142	**51**	57	**37.1**	40.3
Other gaming operations[2]	**100**	92	**(216)**	(211)		
Total gaming operations	**8 335**	8 079	**3 265**	3 266	**39.2**	40.4
South African hotels division[1][2]	**2 506**	2 184	**830**	752	**33.1**	34.4
Offshore hotels division	**552**	550	**116**	186	**21.0**	33.8
Pre-foreign exchange losses/gains			***137***	*153*	***24.8***	*27.8*
Foreign exchange (losses)/gains			***(21)***	*33*		
Corporate[1]	**(50)**	(46)	**12**	10		
Group	**11 343**	10 767	**4 223**	4 214	**37.2**	39.1

All casino units are reported pre-internal gaming management fees

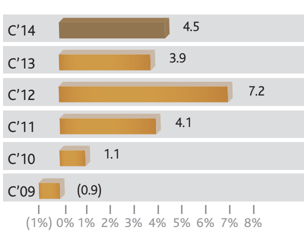
[1] *Includes R50 million (2014: R48 million) intergroup management fees*

[2] *The StayEasy Century City hotel, previously included in other gaming operations, was transferred to the South African hotels division during the year and generated income of R35 million and Ebitdar of R16 million. (The 2014 comparatives have been restated comprising income of R31 million and Ebitdar of R15 million being reallocated between segments.)*

Growth strategy in action continued

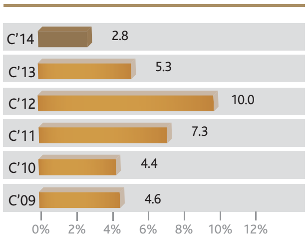
Organic growth continued

Gauteng



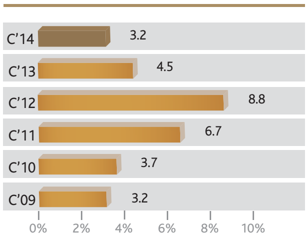
Gaming win growth*

KwaZulu-Natal



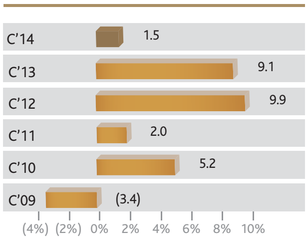
Gaming win growth*

Mpumalanga



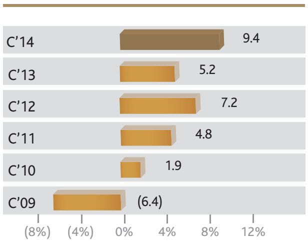
Gaming win growth*

Eastern Cape



Gaming win growth*

Western Cape



Gaming win growth*

Based on gambling board statistics (calendar year)

Tsogo Sun gaming

Gaming win for the year in both slots and tables grew by a disappointing 2% on the prior year.

	31 March 2015 Rm	31 March 2014 Rm	% change on 2014
Gaming win	**6 976**	6 819	2
Tables	**1 573**	1 542	2
Slots	**5 403**	5 277	2
Win % – tables	**21.8**	22.0	(0.2pp)
Hold % – slots	**5.2**	5.2	–

Gauteng recorded provincial growth in gaming win of 3.6% for the year. Gaming win growth of 4.3% was achieved at Montecasino and 1.7% at Silverstar with Gold Reef City 4.6% down on the prior year. Silverstar and Gold Reef City were adversely impacted by the disruptions as a result of the expansion and refurbishment programmes and the gaming system changes.

KwaZulu-Natal provincial gaming win grew by 4.2% for the year. Gaming win growth of 4.2% was achieved at Suncoast Casino and Entertainment World, 6.3% at Blackrock Casino and 0.6% at Golden Horse Casino.

Mpumalanga reported growth in provincial gaming win of 4.7% for the year. Gaming win growth of 3.5% was achieved at The Ridge Casino in Emalahleni and 9.2% at Emnotweni Casino in Nelspruit following the expansion and redevelopment during the prior year.

The Eastern Cape provincial gaming win grew by 2.2% for the year. Hemingways gaming win was 7.5% down on the prior year due to the poor economic conditions in East London.

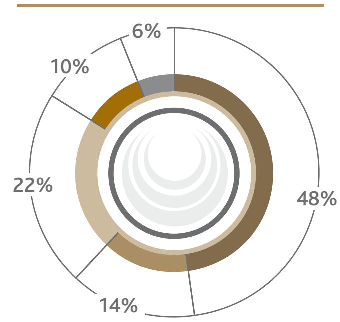
The Western Cape reported growth in provincial gaming win of 10.3% for the year. The Caledon Casino, Hotel and Spa, Mykonos Casino in Langebaan and Garden Route Casino in Mossel Bay reported growth of 8.7%, 10.6% and 4.2% respectively.

The Goldfields Casino in Welkom in the Free State experienced difficult conditions with gaming win 2.1% down on the prior year.

Other gaming operations consisting of the Sandton Convention Centre and head office costs reflected a net Ebitdar loss of R216 million, R5 million adverse to the prior year. The StayEasy Century City hotel, previously included in other gaming operations, was transferred to the South African hotels division during the year. The 2014 comparatives in the segment analysis included on page 57 have been restated accordingly.

Overall revenue for the gaming division increased 3% on the prior year to R8.3 billion. Ebitdar was unchanged on the prior year at R3.3 billion at a margin of 39.2%, 1.2pp below the prior year due to the slow growth in gaming win and the opening of additional profitable lower margin businesses.

Group revenue by nature (%)



- Slots
- Tables
- Rooms
- Food and beverage
- Other

Tsogo Sun hotels

The hotel industry in South Africa, excluding the government segment, continues to experience a recovery from the dual impact of depressed demand and oversupply. Overall industry occupancies have improved marginally to 62.5% (2014: 62.0%) for the year. As a result of the strong sales and distribution channels and the superior product and service quality available within the group, Tsogo Sun hotels continues to achieve an occupancy and rate premium in the segments in which the group operates, albeit at a reduced level as a result of the high exposure of the group to government travel.

Trading for the group's South African hotels for the year recorded a systemwide revenue per available room ('Revpar') growth of 4% on the prior year due mainly to an increase in average room rates by 6% to R953, with occupancies below the prior year at 62.8% (2014: 63.9%) impacted by the post-election and fiscal austerity impacts on government travel. Overall revenue for the South African hotel division increased 15% on the prior year to R2.5 billion assisted by the inclusion of the additional Cullinan hotels offset by the sale of Garden Court Sandton in December 2013 and the closure of Garden Court De Waal for four months during the year for refurbishment. Ebitdar improved 10% to R830 million at a margin of 33.1% (2014: 34.4%).

The offshore division of hotels achieved total revenue of R552 million, unchanged on the prior year due to the closure of Southern Sun Maputo for five months during the year for refurbishment and particularly the impact of the Ebola pandemic on trading and the uncertain political environment in certain countries. This was offset by the acquisition of Southern Sun Ikoyi on 29 June 2013, giving a full 12 months trading in 2015, and the weakening of the Rand against both the US Dollar and the Euro. Ebitdar (pre-foreign exchange losses or gains) decreased by 10% to R137 million. Foreign exchange losses of R21 million (2014: R33 million gain) were incurred on the translation of offshore monetary items.

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

	31 March 2015	31 March 2014
Occupancy (%)	**61.6**	63.6
Average room rate (R)	**945**	897
Revpar (R)	**583**	570
Rooms available ('000)	**4 209**	3 892
Rooms sold ('000)	**2 595**	2 476
Rooms revenue (Rm)	**2 453**	2 221

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

Maintenance capital expenditure

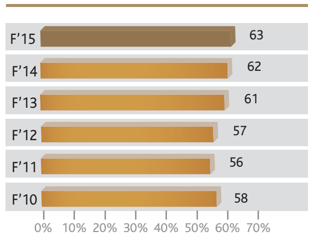
The group invested R749 million on maintenance capex group-wide, including gaming system replacements and major hotel refurbishments, ensuring our assets remain best in class.

Looking ahead

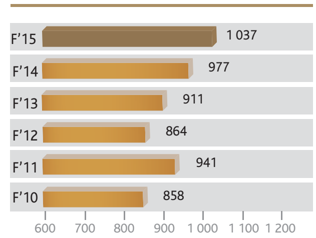
The underlying operations of the group remain highly geared towards the South African consumer (in gaming) and the corporate market (in hotels) with both sectors still experiencing difficult economic conditions and increased administered costs. The high level of operational gearing still presents significant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

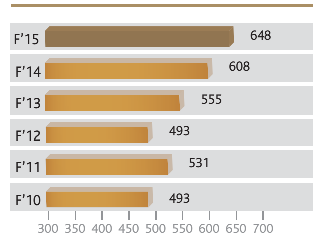
SA occupancy*



SA average rate*



SA Revpar*



**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

	2015	2014
Investment activity expenditure	**R2 045 million**	R1 643 million

2015 performance

Tsogo Sun has continued to allocate capital in terms of its stated growth strategy and accordingly has invested R2.0 billion during the year as follows:

- concluded agreements with Liberty Group Limited ('Liberty') for a 10% increase in the group's equity interest in The Cullinan Hotel Proprietary Limited ('Cullinan') to 60% and the acquisition by Cullinan of various hotel businesses from Liberty. The net investment by the group is R762 million and the effective date of the transaction was 30 April 2014;
- acquired a 25% interest in Redefine BDL Hotel Group Limited for R145 million, a leading independent hotel management company in the United Kingdom with approximately 60 hotels under management, with effect from 1 May 2014;
- acquired the remaining 49% interest in Tsogo Sun One Monte Proprietary Limited, the Pivot office development, for R144 million with effect from 19 May 2014;
- completed the R206 million expansion of Emnotweni Casino, which included the construction of an expanded casino floor, additional gaming positions, additional covered parking, a conference and eventing area and restaurants. R18 million was spent during the year;
- completed the US$30 million expansion of Southern Sun Maputo, including the addition of 111 rooms and conference facilities, the expansion of the existing restaurant, lobby and back-of-house facilities and the refurbishment of the existing 158 rooms. The hotel was closed from April 2014 and the refurbishment was completed during August 2014. R207 million was spent during the year;
- completed the R560 million expansion and redevelopment of Silverstar Casino, which includes additional dining options, an outdoor events area, cinemas, 10-pin bowling alley, laser tag games, an expanded and enhanced casino floor and parking. R321 million was spent during the year and the project was completed during October 2014;
- acquired the remaining 15% minority shareholding in the Garden Route Casino for R51 million during October 2014;
- acquired the Garden Court Polokwane land and buildings for R80 million with effect from 31 March 2015;
- continued the R630 million refurbishment and expansion of Gold Reef City Casino and Theme Park which will include an increased casino offering, cinemas and additional restaurants at the casino and additional food and beverage outlets and improved access systems at the Theme Park with an improved linkage to the casino complex and an expansion of the Apartheid Museum. R142 million was spent during the year; and
- commenced the planning phase for the expansion of the Suncoast Casino and Entertainment World following receipt of the requisite regulatory approvals. The expansion includes a destination retail mall, additional restaurants and entertainment offerings, a multipurpose venue, resort style roof-top swimming pools, additional parking, an expansion of the casino floor to incorporate an additional 900 gaming machines and 16 gaming tables. Construction is expected to commence in 2016 with three years to completion. R141 million was paid during the year including the R100 million to the KwaZulu-Natal Gaming and Betting Board to be spent on charitable or social infrastructural developments in the KwaZulu-Natal province.

In addition to the capital invested in the growth strategy, the group managed the exit of SABMiller from its long-term 39.6% shareholding in the group, including a specific repurchase of 133.6 million Tsogo Sun ordinary shares for R2.8 billion on 28 August 2014. The shares were acquired at a price of R20.96 per share representing an 18.6% discount to the final book build price achieved on the sale of the SABMiller investment of R25.75 per share.

The group opened the 353-room Southern Sun Abu Dhabi under management contract in the United Arab Emirates on 30 April 2014 and concluded a management agreement for a 150-room hotel in Tete Mozambique to be opened in the first quarter of 2016.

Investment activity expenditure

	31 March 2015 Rm	31 March 2014 Rm
Silverstar redevelopment	**321**	160
Southern Sun Maputo expansion	**207**	111
Gold Reef City redevelopment	**142**	22
Suncoast redevelopment	**141**	8
Emnotweni expansion	**18**	154
SUN1 expansions	**16**	–
Hemingways expansion	**6**	50
Blackrock expansion	**3**	33
Mpumalanga fourth licence bid	**1**	5
Other	**6**	13
Expansion capex	**861**	556
Liberty hotels	**762**	–
Redefine BDL hotels	**145**	–
Pivot office minorities	**144**	–
Garden Court Polokwane	**80**	–
Garden Route minorities	**51**	–
Southern Sun Ikoyi equity(1)	**–**	505
Suncoast minorities	**1**	406
Southern Sun Hyde Park	**–**	67
Monte Circle and Signature Square land	**–**	45
Cinemas	**–**	20
Garden Route Hotel	**–**	6
Other	**–**	14
Acquisitions and minorities	**1 183**	1 063
Loans and investments	**1**	24
Investment activity expenditure	**2 045**	1 643

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

Looking ahead

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

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

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

In hotels we remain opportunistic in South Africa and will acquire properties if they are well located, align with our business model and are realistically priced. Although occupancies are improving they are not yet at long-term averages and there should not be significant hotel stock being added to the market at this stage of the cycle. We would, however, actively seek opportunities to land bank, 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 transaction entered into with Sun International Limited and Grand Parade Investments Limited for the acquisition of a 40% equity interest in each of SunWest International Proprietary Limited and Worcester Casino Proprietary Limited for an aggregate R2 185 million has been cancelled. The revised implementation date of 31 August 2015 could not be achieved.

The Mpumalanga Gaming Board withdrew the second request for proposal for the fourth casino licence. The group is pursuing a legal challenge in this regard, following the submission of a bid proposal in response to the request.

The group has announced a new 500-room hotel complex in the Cape Town city centre, with the opening scheduled for the third quarter of 2017.

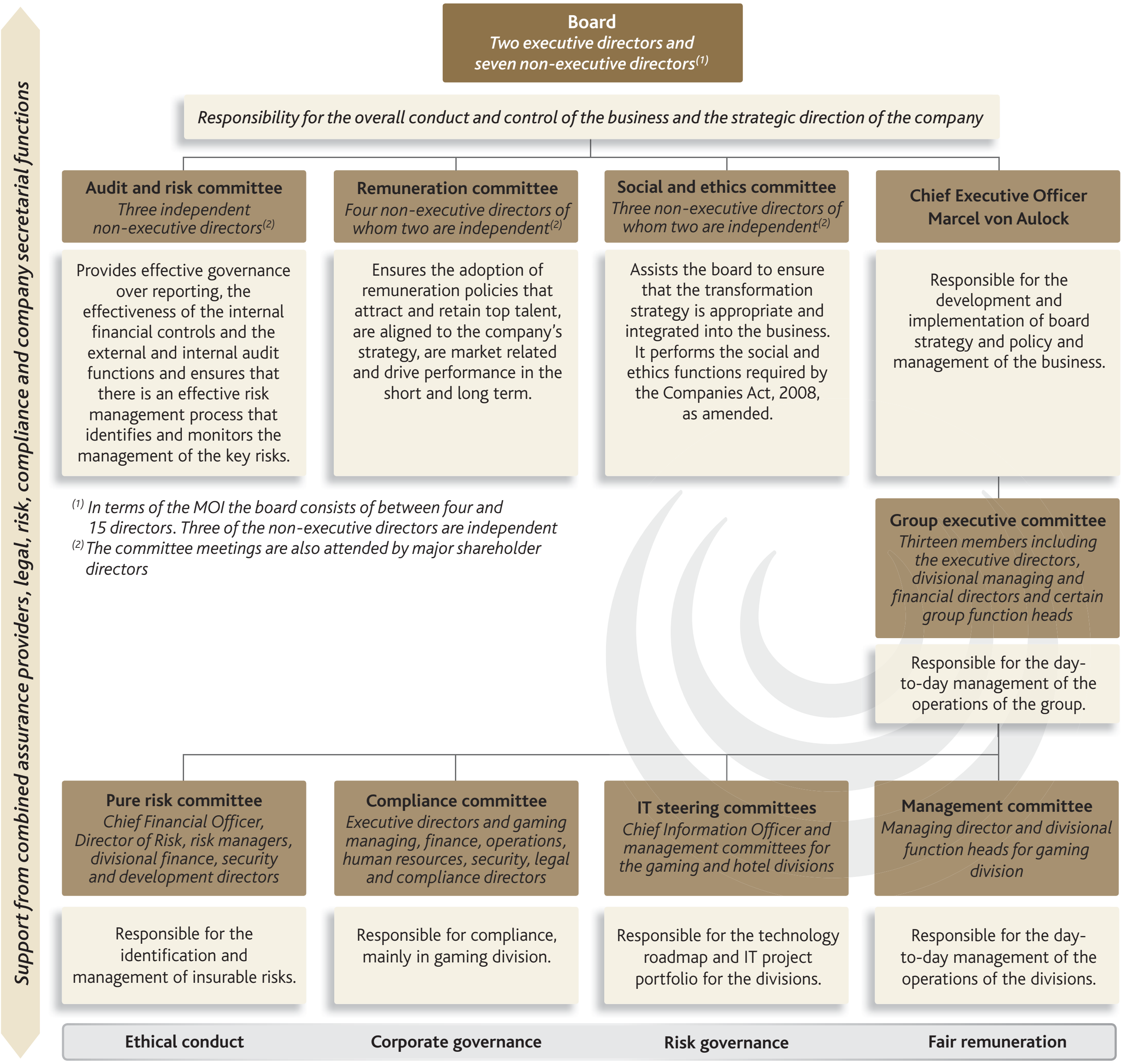
The group is considering creating an entertainment and hospitality-focused Real Estate Investment Trust ('REIT'), into which it would transfer its extensive owned hotel, retail and office property portfolio. Evaluation of this opportunity continues and no firm decision has been made in this regard.

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.

GOVERNANCE AND REMUNERATION

Corporate governance

Our governance framework



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 and the board committees is entrenched in the board charter and terms of reference and is carried out annually.

Corporate governance continued

Our board

1. MN **VON AULOCK** (41)
CA(SA)
Executive Director – Chief Executive Officer

Date appointed: 1 April 2009

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** (46)
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.

3. JA **COPELYN** (65)
BA(Hons), BProc
Non-executive Chairman and member of the remuneration committee

Date appointed: 13 August 2003

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** (55)
BA(Hons)
Non-executive Director

Date appointed: 30 April 2004

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.

5. VE **MPHANDE** (57)
Elec Eng (Dip)
Non-executive Director

Date appointed: 3 February 2005

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

6. Y **SHAIK** (57)

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 Executive Chairman in 2014.

7. RG **TOMLINSON** (52)

BCom, HDip Personnel Management

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

Date appointed: 24 February 2011

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

8. BA **MABUZA** (51)

BA MBA

Independent Non-executive Director, member of the audit and risk 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.

9. JG **NGCOBO** (64)

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.

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

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

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

Board composition and attendance

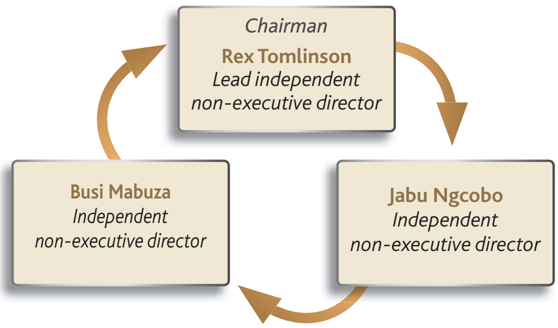
The composition of the board and of the audit and risk, remuneration and the social and ethics committees is determined by the majority shareholder. Following the disposal of SABMiller of its shareholding, J Davidson, JS Wilson, MI Wyman and JA Mabuza resigned and BA Mabuza was appointed as a director. No independent director has served for more than nine years and the average length of service of independent directors is 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 six 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	6/6				✔
Rob Huddy	6/6				✔
Non-executive directors					
Chairman					
John Copelyn	6/6		2/2		✔
Deputy Chairman					
Jabu Mabuza	3/3				
Lead independent					
Rex Tomlinson	6/6	3/3	2/2	2/2	
Independent					
Busi Mabuza	5/5	2/2			
Jabu Ngcobo	6/6	3/3	2/2	2/2	
Non-independent					
John Davidson	3/3		1/1		
Marcel Golding	5/6				
Elias Mphande	6/6				
Yunis Shaik	6/6	1/1	2/2	2/2	✔
Jamie Wilson	2/3				
Malcolm Wyman	3/3				

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.

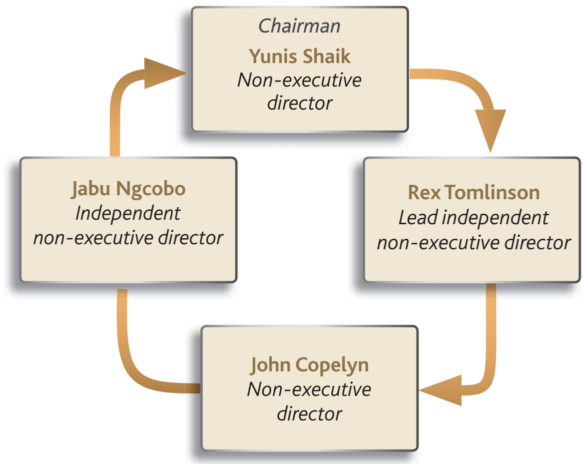
The committee met three times during the year. The Chief Executive Officer, the Chief Financial Officer, the group's Director of Risk, the Chief Information Officer and directors from the majority shareholder attend the meetings as permanent invitees, along with external audit and the outsourced internal 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 landscape to which the group is exposed in relation to the group's risk tolerance and risk appetite levels and evaluation of the appropriateness of management's responses to the risks;
- oversight of the implementation of the combined assurance model;
- review of IT risks in relation to core operational systems, systems projects and security initiatives;
- review of material legal, legislation and regulatory developments;
- review of and recommendation to the board for approval of the interim and annual results announcements and the annual financial statements and integrated annual report;
- approval of the external audit and internal audit plans;
- evaluation of the independence and effectiveness of, and the fees and terms of engagement of the external auditors;
- evaluation of the effectiveness of the outsourced internal audit function;
- assessment of the internal control environment, particularly in relation to the group's system on internal financial controls;
- evaluation of the group's whistle-blowing systems; and
- assessment of the expertise and experience of the Chief Financial Officer.

Refer to the report of the audit and risk committee on page 3 of the consolidated financial statements for the year ended 31 March 2015.

Remuneration committee



Key objective:

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

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

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

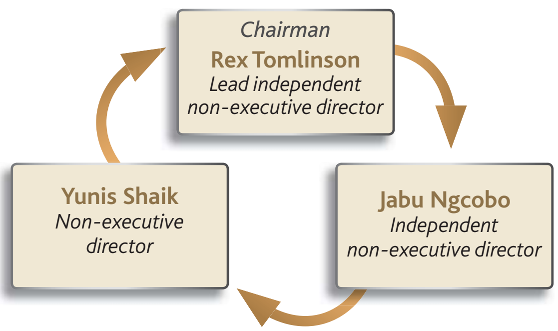
- monitoring and providing guidance in matters relating to organisational culture, structures and processes that support the development and retention of people, and the optimisation of their potential;
- ensuring that the priorities of employment equity and skills retention form part of the business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

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

Corporate governance continued

Our board continued

Social and ethics committee



Key objective:

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

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

The work of the social and ethics committee during the year focused on:
- the revisions to the BBBEE codes;
- disputes with government or legislation;
- compliance with regulations;
- socio-economic development and enterprise development;
- environmental management and certification;
- customer satisfaction, loyalty and health and safety and consumer protection;
- job creation, employee health and safety, employee development and employment equity; and
- preferential procurement.

The matters considered during the year are included in the deliver to our beneficiaries section on page 37 to page 45, the product relevance to customer experience section on page 47 to page 50, the regulatory compliance section on page 51 and the human resources section on page 52 to page 54.

The main area of concern discussed by the committee during the year was on the potential impact of the revisions to the BBBEE codes on the current achievements and potentially on casino licences. Refer to the transformation section on page 45 for more information. The committee discussed matters of dispute with various regulatory bodies and 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 application

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

The principles required by King III where application is currently 'in progress' are as follows:
- a regulatory universe has been defined and a compliance framework is in the process of being incorporated into the combined assurance plan; and
- adoption of the group governance framework will be minuted at subsidiary board meetings.

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 major shareholder exercised their prerogative to appoint John Copelyn as the Chairman, representing their interests. As a compensating control, a Lead Independent Director was appointed, namely Rex Tomlinson.
✤ The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	The major shareholder exercised their prerogative to appoint the directors representing their interests. The majority of the directors are non-executive with three of the non-executive directors being independent.
✤ Directors should be appointed through a formal process.	Directors are nominated by the major shareholder 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 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 2015 were:

Marcel von Aulock
Chief Executive Officer

Jacques Booysen *Managing Director gaming*	**Jaco Boshoff** *Financial Director hotels*	**Noeleen Bruton** *Marketing Director*
Vusi Dlamini *Group Human Resources Director*	**Laurelle Fick** *Corporate Finance and Treasury Manager*	**Rob Huddy** *Chief Financial Officer*
Zibusiso Kganyago *Development Director gaming*	**Greg Lunga** *Financial Director gaming*	**Kevin Page** *Director of Development*
Henry Parrymore *Chief Information Officer*	**Graham Tyrrell** *Group Legal Director and Company Secretary*	**Richard Weilers** *Chief Operating Officer and Managing Director hotels offshore*

IT governance

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

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

Corporate governance continued

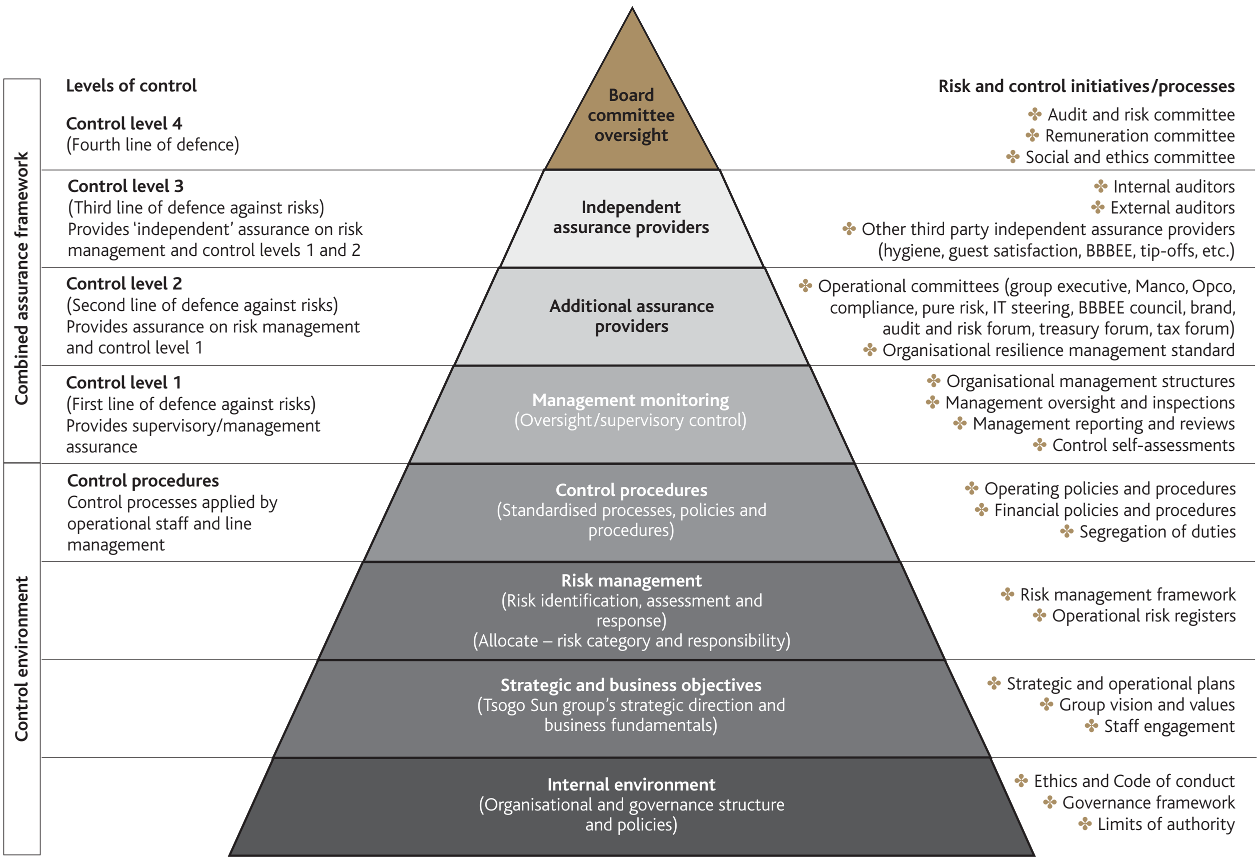
Risk management process

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

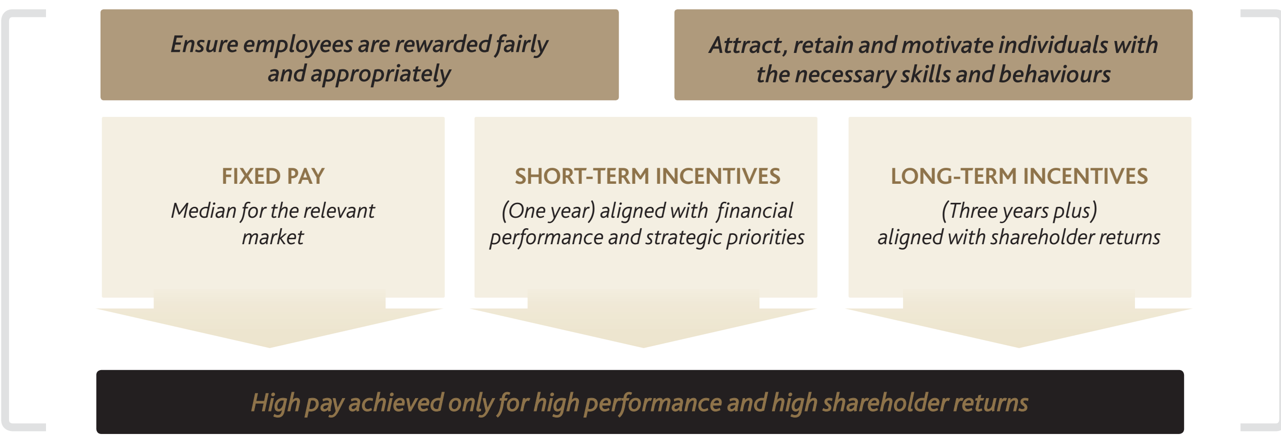
Key tenets of our remuneration philosophy are that we act fairly and responsibly in our approach to employee remuneration and benefits at all times, ensuring our actions are sustainable, that they underscore our objective of being an employer of choice, and are aligned with the strategic and operational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



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 their approval, taking into account fees payable to non-executive directors of comparable companies and the importance attached to the attraction and retention of high-calibre individuals as non-executive directors. Levels of fees are also set by reference to the responsibilities assumed by the non-executive directors in chairing the board and in chairing or participating in its committees	**Retirement fund membership** Retirement funding for management, who are remunerated on a total package basis, is non-contributory and is included in their total cost of employment. For staff, retirement funding consists of employer and employee contributions dependent on fund membership. The group offers a pension fund (Tsogo Sun Group Pension Fund) and two provident funds (Alexander Forbes Retirement Fund (Provident Section) and Gold Reef Resorts Provident Fund). Other approved funds include union-negotiated funds and funds to which members have historically belonged	**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 4 660 principal members (10 188 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>Short-term incentives</th><th colspan="3">Long-term incentives</th></tr>
<tr><th>Annual bonus plan</th><th colspan="3">Executive facility and share appreciation plan
Share appreciation plan</th></tr>
<tr><td>Rewards the achievement of annual financial performance balanced with other specific strategic priorities and ensures that above-market pay cannot be achieved unless challenging performance targets are met. The non-financial element ensures that the achievement of short-term financial performance is not at the expense of future opportunities</td><td colspan="3">Long-term incentives are utilised to reward long-term sustainable group performance improvement, retain senior management expertise and ensure that executives and key talent share a significant level of personal risk and reward with the company’s shareholders to align executive pay and long-term value creation for shareholders</td></tr>
<tr><td>All executives and senior management and selected middle management</td><td>Senior executives</td><td>Tsogo Sun and ex-Gold Reef (post-merger) executives and selected managers</td><td>Pre-merger Gold Reef executives and selected senior managers</td></tr>
<tr><td rowspan="2">Annual cash incentive
Potential bonus earnings are reviewed periodically by the remuneration committee with minimum and maximum bonus percentages of total package set for each broadband level for the achievement of ‘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. The remuneration committee approves the scheme’s targets and hurdles annually</td><td rowspan="2">On 12 August 2014, a R200 million facility was made available to senior executives for the sole purpose of acquiring shares in the company at R25.75 per share

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>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 during the 2015 financial year resulted in a charge of R76 million with a R1 change in the Tsogo Sun share price impacting the charge by R24 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 2015 is reflected on page 74. Refer to note 36.2 on page 54 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 53 of the annual financial statements for more information on this scheme</td></tr>
</table>

Remuneration report continued

Long-term incentive liability – cash-settled

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

Tsogo Sun Share Appreciation Bonus Plan

	Appreciation units granted and still outstanding		Strike price[1]	**Appreciation units vested and still outstanding**			**Liability 2015**	Liability 2014
Grant date	**2015**	2014	R	**2015**	2014	Expiry date	**Rm**	Rm
1 April 2007	**–**	307 452	19.87	**–**	307 452	31 March 2015	**–**	10
1 April 2009	**–**	922 643	15.10	**–**	922 643	31 March 2015	**–**	46
1 April 2010	**935 811**	1 545 064	15.08	**935 811**	1 545 064	31 March 2016	**52**	77
1 April 2011	**3 403 053**	4 731 076	15.06	**3 403 053**	4 731 076	31 March 2017	**53**	67
1 October 2011	**1 783 841**	1 890 337	18.78	**1 783 841**	–	30 September 2017	**20**	15
1 April 2012	**7 245 201**	7 726 516	17.66	**7 245 201**	–	31 March 2018	**89**	56
1 October 2012	**253 678**	263 825	19.71	**–**	–	30 September 2018	**2**	1
1 April 2013	**7 964 198**	8 401 905	24.56	**–**	–	31 March 2019	**25**	9
1 October 2013	**221 480**	221 480	25.51	**–**	–	30 September 2019	**1**	*
1 April 2014	**8 903 555**	–	25.72	**–**	–	31 March 2020	**8**	–
1 October 2014	**154 738**	–	25.85	**–**	–	30 September 2020	*****	–
Liability at 31 March							**250**	281
Gold Reef Share Appreciation Bonus Plan							**8**	12
Total long-term incentive liabilities as at 31 March							**258**	293
Share price utilised to value the liability at 31 March							**R27.60**	R27.00

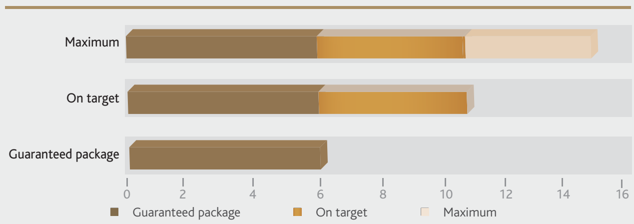
(1) *Grants prior to merger (24 February 2011) converted based on swap ratio of 3.553 Gold Reef shares for each TSH share*

* *Amount less than R1 million*

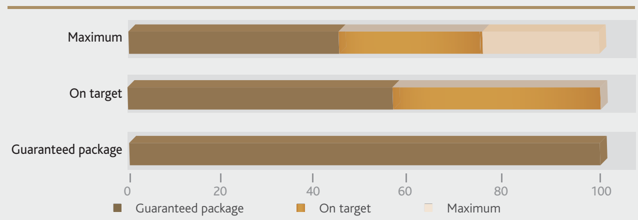
Composition of total remuneration package – executive directors

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

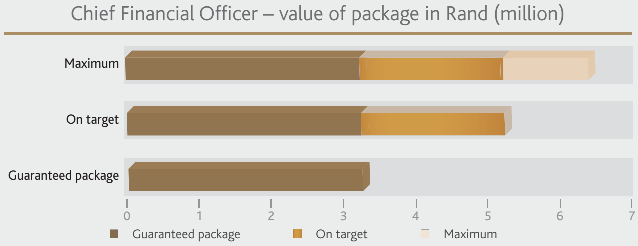
Chief Executive Officer – value of package in Rand (million)



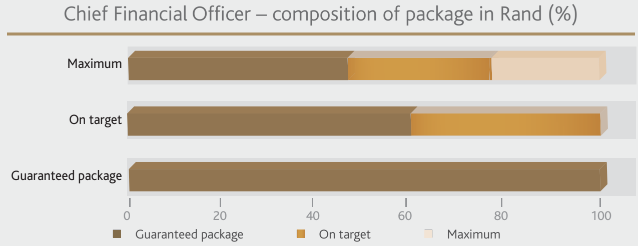
Chief Executive Officer – composition of package in Rand (%)



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



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



The scenario charts assume:

- Guaranteed package – fixed pay and benefits for the year ended 31 March 2015
- Short-term incentives – based on scheme rules with maximum bonus paid at maximum performance and nil bonus below threshold performance
- Long-term incentives – excluded from the charts as issued at market price and participants are rewarded through variable share price increases

Employment agreements

Mr JA Mabuza retired from his position as Chief Executive Officer on 30 September 2011. The group entered into a three-year restraint of trade contract that expired on 30 September 2014. In terms of this contract, Mr Mabuza was paid an amount of R8.5 million per annum, in quarterly instalments. In terms of the restraint, Mr Mabuza was prohibited from acting for, consulting to, or advising any other party in the hotel or gaming industry and made himself available to the group for consultation and assistance where required. In addition, although no further long-term incentive allocations were made, his existing allocations vested over that period. There are no other 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, with the exception of Mr JA Mabuza whose existing share appreciation rights vested over the shorter of the vesting period or his restraint of trade ending on 30 September 2014.

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 2014 R'000	**Proposed 2015 R'000**
Chairman of the board	855	**905**
Chairman of the audit and risk and social and ethics committees	490	**535**
Chairman of the remuneration committee	375	**400**
Non-executive director and member of a board committee	310	**330**
Non-executive director	245	**260**

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

Fees and services	**Directors' fees (R'000)**	**Other benefits (R'000)**	**2015 Total (R'000)**	Directors' fees (R'000)	Other benefits (R'000)	2014 Total (R'000)
Paid by subsidiaries						
JA Copelyn	**814**	**–**	**814**	762	–	762
J Davidson(1)	**145**	**–**	**145**	–	–	–
JA Mabuza(2)	**–**	**28 198**	**28 198**	–	21 526	21 526
BA Mabuza(3)	**135**	**–**	**135**	–	–	–
MJA Golding	**234**	**–**	**234**	219	–	219
EAG Mackay(4)	**–**	**–**	**–**	275	–	275
JS Wilson(5)	**115**	**–**	**115**	111	–	111
VE Mphande	**234**	**–**	**234**	219	–	219
MI Wyman(2)	**115**	**–**	**115**	219	–	219
RG Tomlinson	**468**	**–**	**468**	438	–	438
JG Ngcobo	**295**	**–**	**295**	275	–	275
Y Shaik	**356**	**–**	**356**	331	–	331
	2 911	**28 198**	**31 109**	2 849	21 526	24 375

(1) *Appointed 17 January 2014 and resigned 28 August 2014*
(2) *Resigned 28 August 2014*
(3) *Appointed 3 June 2014*
(4) *Deceased 18 December 2013*
(5) *Appointed 2 April 2013 and resigned 28 August 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)	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**

	Basic remuneration (R'000)	Benefits (R'000)	Short-term incentives[2] (R'000)	Long-term incentives (R'000)	2014 total (R'000)
Paid by subsidiaries					
MN von Aulock	4 798	1 033	5 313	3 048	14 192
RB Huddy	2 500	574	2 175	329	5 578
	7 298	1 607	7 488	3 377	19 770

[1] *Short-term incentives paid relate to the achievement against target for 2014*
[2] *Short-term incentives paid relate to the achievement against target for 2013*

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)	Termination benefits (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**

	Basic remuneration (R'000)	Benefits (R'000)	Short-term incentives[2] (R'000)	Long-term incentives (R'000)	Termination benefits (R'000)	2014 Total (R'000)
Paid by subsidiaries						
J Booysen	3 092	526	2 706	347	–	6 671
RA Collins[3]	1 381	247	2 841	21 716	22 315	48 500
RF Weilers	4 241	456	2 411	3 422	–	10 530
GI Wood[3]	1 180	190	2 148	11 861	16 363	31 742
	9 894	1 419	10 106	37 346	38 678	97 443

[1] *Short-term incentives paid relate to the achievement against target for 2014*
[2] *Short-term incentives paid relate to the achievement against target for 2013*
[3] *Resigned 31 August 2013*

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

	2015 (R'000)	2014 (R'000)
MN von Aulock	**53 859**	–
J Booysen	**26 348**	–
RB Huddy	**15 415**	–
FV Dlamini	**13 118**	–
GD Tyrrell	**9 060**	–
	117 800	–

Refer note 36.1 on page 53 of the annual financial statements for further information.

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

Notes to the summarised consolidated financial statements

1 Basis of preparation

The summarised consolidated annual financial statements for the year ended 31 March 2015 are prepared in accordance with the JSE Limited Listings Requirements, and the requirements of the Companies Act applicable to summarised financial statements. The Listings Requirements require summarised consolidated annual financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards, 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*.

The accounting policies applied in the preparation of the audited consolidated financial statements, from which the summarised consolidated financial statements were derived, are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous audited consolidated financial statements other than as mentioned below. The summarised consolidated annual financial statements should be read in conjunction with the audited annual financial statements for the year ended 31 March 2015 which were approved by the board on 30 July 2015 and are available online or can be requested directly 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 2015, dated 30 July 2015, 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 2014, none of which had a material impact on the group, except for the change noted below.

Amendments to IAS 32 *Financial Instruments: Presentation* clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. The financial impact to the group to the 31 March 2014 balance sheet is to gross up cash and cash equivalents by R247 million, which were previously reported net of bank overdrafts and to restate borrowings by an additional R247 million. Likewise, the financial impact to the group to the 1 April 2013 balance sheet is to gross up cash and cash equivalents and borrowings by an additional R1 088 million respectively. This change in accounting interpretation has been applied retrospectively and has no impact on earnings per share.

Other than the above mentioned change in accounting interpretation, the accounting policies have been consistently applied with those of the annual financial statements for the year ended 31 March 2014, as described in those annual financial statements.

3 Acquisition of businesses

The following business acquisition was concluded during the year under review:

Acquisition of businesses by The Cullinan Hotel Proprietary Limited

The Cullinan Hotel Proprietary Limited ('Cullinan'), a group subsidiary, concluded agreements with Liberty Group Limited ('Liberty') and Southern Sun Hotel Interests Proprietary Limited ('SSHI'), also a group subsidiary, for the acquisition by Cullinan of various hotel assets from SSHI and Liberty. The net investment by the group is R762 million and the effective date of the transaction was 30 April 2014.

The acquired hotels were previously managed by SSHI and the acquisition thereof is in line with management's strategy to own its operations. The fair values of the net assets acquired equate to the fair values of the considerations paid at the date of acquisition, and therefore no goodwill has arisen and no intangible assets have been identified on these acquisitions. In line with the group's accounting policies, the fair value of the assets acquired was obtained by applying a valuation technique performed on a discounted cash flow basis. The acquired businesses contributed incremental revenues of R256 million and adjusted earnings of R33 million to the group for the period from acquisition to 31 March 2015. As part of the agreements with Liberty, the Garden Court Kings Beach property was purchased by Cullinan and accounted for as an asset purchase. Had the acquisition occurred on 1 April 2014, group income would have increased by an additional R22 million and adjusted earnings would have increased by an additional R4 million. These amounts have been calculated excluding the funding impact of the acquisition and using the group's accounting policies.

3 Acquisition of businesses continued

The fair values of net assets acquired is as follows:	Rm
Hotel property, plant and equipment	1 343
Current assets	16
Deferred tax liabilities	(208)
Current liabilities	(9)
Total identifiable net assets acquired	1 142
Asset purchase	128
Purchase consideration (R762 million paid in cash, R508 million loan)	(1 270)
Goodwill	–

4 Financial instruments

The group fair values its interest rate swaps as shown below. 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 liability of R90 million (2014: R48 million asset) is calculated as the present value of the estimated future cash flows based on observable yield curves.

Put option

Together with the business acquisition referred to in note 3, 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 values of the shares. A financial liability for the put option of R493 million 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 R485 million at the year end with the decrease of R8 million recognised in finance costs. A discounted cash flow valuation was used to estimate the liability.

5 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 other than the reallocation of StayEasy Century City from other gaming operations to the South African hotels division. 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 measures also exclude all headline adjustments, impairments and fair value adjustments on non-current assets and liabilities. Interest income and finance costs are not included in the result for each operating segment as this is driven by the group treasury function which manages the cash and debt position of the group.

6 Capital commitments

The board has committed a total of R4.2 billion for maintenance and expansion capital items at its gaming and hotel properties of which R2.0 billion is anticipated to be spent during the next financial year. R525 million of the committed capital expenditure has been contracted for.

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

Summarised consolidated income statement

for the year ended 31 March

	Change %	2015 Rm	2014 Rm
Net gaming win	2	**6 976**	6 819
Rooms revenue	10	**2 453**	2 221
Food and beverage revenue	13	**1 203**	1 063
Other revenue		**711**	664
Income	5	**11 343**	10 767
Gaming levies and Value Added Tax		**(1 450)**	(1 411)
Property and equipment rentals		**(276)**	(291)
Amortisation and depreciation		**(733)**	(648)
Employee costs		**(2 816)**	(2 604)
Other operating expenses		**(3 026)**	(2 691)
Operating profit	(3)	**3 042**	3 122
Interest income		**79**	21
Finance costs		**(760)**	(394)
Share of profit of associates and joint ventures		**25**	–
Profit before income tax		**2 386**	2 749
Income tax expense		**(680)**	(776)
Profit for the year		**1 706**	1 973
Profit attributable to:			
Equity holders of the company		**1 672**	1 877
Non-controlling interests		**34**	96
		1 706	1 973
Number of shares in issue (million)		**957**	1 098
Weighted average number of shares in issue (million)		**1 014**	1 098
Basic and diluted earnings per share (cents)	(4)	**164.9**	170.9

Summarised consolidated statement of comprehensive income

for the year ended 31 March

	2015 Rm	2014 Rm
Profit for the year	**1 706**	1 973
Other comprehensive income for the year, net of tax		
Items that may be reclassified subsequently to profit or loss:	**(13)**	178
Cash flow hedges	**(138)**	128
Currency translation adjustments	**86**	86
Income tax relating to items that may subsequently be reclassified	**39**	(36)
Items that may not be reclassified subsequently to profit or loss:	**1**	4
Actuarial gains on post-employment benefit liability	**1**	5
Income tax relating to items that may not subsequently be reclassified	**–**	(1)
Total comprehensive income for the year	**1 694**	2 155
Total comprehensive income attributable to:		
Equity holders of the company	**1 660**	2 059
Non-controlling interests	**34**	96
	1 694	2 155

Supplementary information

for the year ended 31 March

	Change %	2015 Rm	2014 Rm
Reconciliation of earnings attributable to equity holders of the company to headline earnings and adjusted earnings[1]			
Earnings attributable to equity holders of the company		**1 672**	1 877
Loss on disposal of property, plant and equipment		**3**	2
Impairment of property, plant and equipment		**7**	14
Fair value loss on revaluation of previously held interest in associate		**–**	6
Headline earnings	(11)	**1 682**	1 899
IFRS 2 *Share-based Payment* expense – equity-settled		**118**	–
Other exceptional items (net) included in operating profit		**1**	39
Gain on remeasurement of put liability		**(6)**	–
Share of joint venture's exceptional item		**(20)**	–
Adjusted headline earnings	(8)	**1 775**	1 938
Number of shares in issue (million)		**957**	1 098
Weighted average number of shares in issue (million)		**1 014**	1 098
Basic and diluted HEPS (cents)	(4)	**165.9**	173.0
Basic and diluted adjusted HEPS (cents)	(1)	**175.0**	176.5
Reconciliation of operating profit to Ebitdar[2]			
Group Ebitdar pre-exceptional items is made up as follows:			
Operating profit		**3 042**	3 122
Add:			
Property rentals		**210**	221
Amortisation and depreciation		**733**	648
Long-term incentive expense		**95**	150
		4 080	4 141
Add: Exceptional losses		**143**	73
Loss on disposal of property, plant and equipment		**4**	3
Impairment of property, plant and equipment		**10**	16
Fair value loss on revaluation of previously held interest in associate		**–**	6
Settlement fee paid/(received), net of expenses on termination of tenant leases		**1**	(21)
Transaction costs		**2**	9
Impairment of financial instruments, net of recoveries		**3**	2
Restructuring costs		**8**	58
Write off of marketing fee income raised previously from joint venture		**16**	–
Pre-opening expenses		**19**	–
IFRS 2 *Share-based Payment* expense – equity-settled		**118**	–
Gain recognised on the change in other long-term employee benefits		**(38)**	–
Ebitdar	–	**4 223**	4 214

(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

	2015 Rm	2014 Rm
Cash flows from operating activities		
Operating profit	**3 042**	3 122
Non-cash movements	**1 312**	1 139
Increase in working capital	**(488)**	(497)
Cash generated from operations	**3 866**	3 764
Interest received	**74**	20
Finance costs paid	**(789)**	(396)
	3 151	3 388
Income tax paid	**(537)**	(756)
Dividends paid to shareholders	**(939)**	(878)
Dividends paid to non-controlling interests	**(8)**	(19)
Dividends received	**7**	3
Net cash generated from operations	**1 674**	1 738
Cash flows from investment activities		
Purchase of property, plant and equipment	**(1 610)**	(1 337)
Proceeds from disposals of property, plant and equipment	**5**	11
Purchase of intangible assets	**(136)**	(37)
Development and purchase of investment property	**(7)**	(45)
Acquisition of subsidiaries, net of cash acquired	**–**	(507)
Acquisition of businesses	**(762)**	(67)
Acquisition of interest in associate	**(145)**	(6)
Other loans and investments repaid	**4**	3
Other loans and investments made	**(5)**	(21)
Net cash utilised for investment activities	**(2 656)**	(2 006)
Cash flows from financing activities		
Borrowings raised	**5 155**	2 407
Borrowings repaid	**(1 810)**	(797)
Shares repurchased	**(2 819)**	–
Treasury shares acquired	**(200)**	–
Acquisition of non-controlling interests	**(196)**	(419)
Decrease in amounts due by share scheme participants	**15**	6
Net cash generated from financing activities	**145**	1 197
Net (decrease)/increase in cash and cash equivalents	**(837)**	929
Cash and cash equivalents at beginning of the year, net of bank overdrafts	**1 715**	750
Foreign currency translation	**5**	36
Cash and cash equivalents at end of the year, net of bank overdrafts	**883**	1 715

Summarised consolidated balance sheet

as at

	31 March 2015 Rm	31 March 2014 Restated[1] Rm	31 March 2013 Restated[1] Rm
ASSETS			
Non-current assets			
Property, plant and equipment	**13 470**	10 939	9 123
Investment property	**109**	102	7
Goodwill and other intangible assets	**6 596**	6 467	6 330
Investments in associates and joint ventures	**311**	149	171
Non-current receivables	**88**	91	79
Derivative financial instruments	**22**	67	–
Deferred income tax assets	**180**	120	179
	20 776	17 935	15 889
Current assets			
Inventories	**108**	103	85
Trade and other receivables	**601**	524	633
Current income tax assets	**99**	137	73
Cash and cash equivalents	**3 048**	1 962	1 838
	3 856	2 726	2 629
Total assets	**24 632**	20 661	18 518
EQUITY			
Capital and reserves attributable to equity holders of the company			
Ordinary share capital and premium	**4 576**	4 771	4 768
Share-based payment reserve	**121**	3	3
Other reserves	**(563)**	16	(453)
Retained earnings	**2 917**	5 000	3 997
Total shareholders' equity	**7 051**	9 790	8 315
Non-controlling interests	**635**	732	807
Total equity	**7 686**	10 522	9 122
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings	**8 559**	5 062	3 386
Derivative financial instruments	**538**	–	45
Deferred income tax liabilities	**1 868**	1 603	1 449
Provisions and other liabilities	**501**	493	503
	11 466	7 158	5 383
Current liabilities			
Interest-bearing borrowings	**3 700**	1 339	2 032
Derivative financial instruments	**59**	19	37
Trade and other payables	**1 144**	1 044	984
Provisions and other liabilities	**456**	525	921
Current income tax liabilities	**121**	54	39
	5 480	2 981	4 013
Total liabilities	**16 946**	10 139	9 396
Total equity and liabilities	**24 632**	20 661	18 518

[1] Restated for change in accounting policy – refer note 2

Summarised consolidated statement of changes in equity

for the year ended 31 March

	Total Rm	Non-controlling interests Rm	Total equity Rm
Balance at 1 April 2013	**8 315**	807	**9 122**
Total comprehensive income	**2 059**	96	**2 155**
Profit for the year	**1 877**	96	**1 973**
Other comprehensive income	**182**	–	**182**
Shares issued to share scheme participants	**4**	–	**4**
Share options lapsed	**(1)**	–	**(1)**
Non-controlling interests arising on business combinations	**–**	163	**163**
Transactions with non-controlling interests	**291**	(315)	**(24)**
Ordinary dividends	**(878)**	(19)	**(897)**
Balance at 31 March 2014	**9 790**	732	**10 522**
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**

Segmental analysis

for the year ended 31 March

	Income		Ebitdar		Ebitdar margin		Amortisation and depreciation	
	2015 Rm	2014[2] Rm	**2015 Rm**	2014[2] Rm	**2015 %**	2014[2] %	**2015 Rm**	2014[2] Rm
Montecasino	**2 510**	2 415	**1 133**	1 088	**45.1**	45.1	**100**	95
Suncoast	**1 581**	1 517	**732**	717	**46.3**	47.2	**109**	104
Gold Reef City	**1 270**	1 298	**479**	514	**37.7**	39.6	**73**	65
Silverstar	**676**	648	**248**	263	**36.7**	40.6	**58**	39
The Ridge	**415**	400	**188**	186	**45.2**	46.5	**19**	25
Emnotweni	**367**	328	**154**	144	**42.0**	44.0	**30**	15
Golden Horse	**334**	318	**148**	146	**44.3**	46.1	**31**	34
Hemingways	**310**	336	**109**	138	**35.1**	41.1	**40**	45
Garden Route	**188**	179	**79**	78	**42.0**	43.7	**14**	14
Blackrock	**152**	139	**58**	54	**38.1**	38.8	**11**	9
The Caledon	**149**	135	**38**	35	**25.5**	25.7	**6**	6
Mykonos	**145**	132	**64**	57	**44.1**	43.1	**7**	6
Goldfields	**138**	142	**51**	57	**37.1**	40.3	**9**	9
Other gaming operations[2]	**100**	92	**(216)**	(211)			**9**	7
Total gaming operations	**8 335**	8 079	**3 265**	3 266	**39.2**	40.4	**516**	473
South African hotels division[1][2]	**2 506**	2 184	**830**	752	**33.1**	34.4	**171**	153
Offshore hotels division	**552**	550	**116**	186	**21.0**	33.8	**40**	18
Pre-foreign exchange losses/gains			***137***	*153*	***24.8***	*27.8*		
Foreign exchange (losses)/gains			***(21)***	*33*				
Corporate[1]	**(50)**	(46)	**12**	10			**6**	4
Group	**11 343**	10 767	**4 223**	4 214	**37.2**	39.1	**733**	648

All casino units are reported pre-internal gaming management fees

[1] *Includes R50 million (2013: R48 million) intergroup management fees*

[2] *The StayEasy Century City hotel, previously included in other gaming operations, was transferred to the South African hotels division during the year and generated income of R35 million and Ebitdar of R16 million. (The 2014 comparatives have been restated comprising income of R31 million and Ebitdar of R15 million being reallocated between segments.)*

SHAREHOLDER INFORMATION AND ADMINISTRATION

Analysis of shareholdings

as at 31 March 2015

	Number of shareholders[3]	%	Number of shares[3]	%
Portfolio size				
Range				
1 – 1 000	1 386	34.62	628 671	0.06
1 001 – 5 000	1 213	30.29	3 118 382	0.30
5 001 – 10 000	344	8.59	2 499 719	0.24
10 001 – 50 000	456	11.39	10 636 807	1.01
50 001 – 100 000	155	3.87	11 129 975	1.06
100 001 – and more	450	11.24	1 021 167 835	97.33
	4 004	100.00	1 049 181 389	100.00
Shareholder spread				
Public	3 995	99.80	501 107 037	47.76
Individuals	2 435	60.83	59 369 248	5.66
Banks and insurance companies	226	5.64	138 738 660	13.22
Pension funds and medical aid societies	267	6.67	51 799 758	4.94
Collective investment schemes and mutual funds	313	7.82	160 529 426	15.30
Other corporate bodies	754	18.84	90 669 945	8.64
Non-public	9	0.20	548 074 352	52.24
Directors[1]	3	0.07	4 556 124	0.43
Subsidiary companies[2]	3	0.07	83 632 695	7.97
Gold Reef Share Scheme[2]	1	0.02	392 834	0.04
Majority shareholder (10% of issued share capital or more)	1	0.02	453 013 124	43.18
Fellow subsidiary of majority shareholder	1	0.02	6 479 575	0.62
	4 004	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			21 877 789	2.09
Liberty Life Association of Africa Limited			20 812 683	1.98
State Street Corporation			19 907 202	1.90
Citibank New York NA			18 532 613	1.77
Maxim Krok			14 643 558	1.40
Aldiss Investments Proprietary Limited[2]			14 427 602	1.38
Allan Gray Balanced Fund			10 906 600	1.04

(1) *At 31 March 2015, 167 775 (2014: 167 775) shares were held directly by JA Copelyn, non-executive director and Chairman, 3 339 806 (2014: nil) directly by MN von Aulock, executive director and Chief Executive Officer and 1 048 543 (2014: nil) directly by RB Huddy, executive director and Chief Financial Officer. JA Mabuza, who resigned as Non-Executive Director and Deputy Chairman on 30 September 2014, held 40 000 (2014: 40 000) shares at that date. No other director holds shares in the company or any of its subsidiaries. There has been no other change to directors' shareholdings between the balance sheet date and the date of these annual financial statements*

(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
BSLA	Business Leadership SA
the board	The board of directors of Tsogo Sun Holdings Limited
CASA	Casino Association of South Africa
CDP	Carbon disclosure project
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 and rentals
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 Racing Board, the Gauteng Gambling Board, the KwaZulu-Natal Gambling Board, the Western Cape Gambling and Racing Board and the Mpumalanga Gambling Board
GEC	Group executive committee
Gold Reef	Gold Reef Resorts Limited
GRI	Global Reporting Initiative
HCI	Hosken Consolidated Investments Limited
HEPS	Headline earnings per share
Heritage	Heritage Environmental Management Company
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
REIT	Real Estate Investment Trust
Revpar	Revenue per available room
SABMiller	SABMiller Plc
SABSA	SABSA Holdings Limited
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	14 October 2015
Next financial year end	31 March 2016

Reports

Announcements	
Interim results for six months to September	November 2015
Preliminary announcement of annual results	May 2016
Annual financial statements published	September 2016

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 ('AGM') 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, 14 October 2015 at 12:00 for the purpose of considering the following business to be transacted and, if deemed fit, passing with or without amendment, the ordinary and special resolutions and the advisory endorsement set out hereunder, and considering any other matters raised by shareholders at the AGM:

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 2015, 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 2015, and tabled at the meeting at which this resolution was proposed."

2 Reappointment of auditors

Ordinary resolution 2

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

3 Re-election of directors

3.1 Ordinary resolution 3.1

"Resolved as an ordinary resolution that Mr MA Golding, who retires by rotation in terms of the company's memorandum of incorporation, and who is eligible and available for re-election, be and is hereby re-elected as a director of the company."

3.2 Ordinary resolutions 3.2

"Resolved as an ordinary resolution that Mr VE Mphande, who retires by rotation in terms of the company's memorandum of incorporation, and who is eligible and available for re-election, be and is hereby re-elected as a director of the company."

3.3 Ordinary resolutions 3.3

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

Summarised *curricula vitae* in respect of each director standing for re-election are set out on pages 64 and 65 of the integrated annual report.

4 Appointment to audit and risk committee

4.1 Ordinary resolution 4.1

"Resolved as an ordinary resolution that Mr RG Tomlinson 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."

4.2 Ordinary resolutions 4.2

"Resolved as an ordinary resolution that Ms BA Mabuza 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."

4.3 Ordinary resolutions 4.3

"Resolved as an ordinary resolution that, subject to the passing of ordinary resolution 3.3, Mr JG Ngcobo 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."

Summarised *curricula vitae* in respect of each director standing for election to the audit and risk committee are set out on page 65 of the integrated annual report.

Notice of Annual General Meeting continued

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 AGM. The essence of this endorsement is to enable the shareholders to express their views on the remuneration policies and accordingly, the shareholders are requested to endorse the company's remuneration policy.

Advisory endorsement

"Resolved through a non-binding advisory vote, 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 page 71 to page 76 of the integrated annual report for the financial year ended 31 March 2015, 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, in respect of the period from 1 October 2015 until the next Annual General Meeting of the company, as proposed in the remuneration report on page 75 of the integrated annual report for the financial year ended 31 March 2015, and tabled at the meeting at which this resolution was proposed, be and is hereby approved."

The reason for and the effect of special resolution 1, if passed and becoming effective, is that in terms of sections 66(8) and (9) of the Companies Act, remuneration may only be paid to directors for their service 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.

7 General authority to repurchase shares

Special resolution 2

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

- any such acquisition shall only be made in compliance with the provisions of section 48 read with section 46 of the Companies Act, No 71 of 2008, as amended or replaced from time to time ('Companies Act');
- any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);
- authorisation for the repurchase is given by the company's memorandum of incorporation;
- 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 Limited should be consulted for a ruling if the company's ordinary shares have not traded in such five business day period;
- 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 authorise 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; and

- the company and its subsidiaries passes the solvency and liquidity test as contemplated in the Companies Act and within the time frame contemplated in the Companies Act and that, since the solvency and liquidity test was applied, no material change has occurred in the financial position of the group."

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

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

The board has 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 JSE Listings Requirements, being the maximum acquisition in terms of this special resolution 2, and after such consideration, the directors are satisfied in such circumstances that for a period of 12 months after the date of this notice of AGM:

- the company and the group will be able, in the ordinary course of business, to pay its debts;
- the assets of the company and the group 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 board of 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 board of directors have passed a resolution authorising the repurchase, resolving that the company and its subsidiary/ies, as the case may be, have satisfied the solvency and liquidity test as contemplated in the Companies Act and since the solvency and liquidity test had been applied, there had been no material changes to the financial position of the 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.

For the purpose of considering special resolution 2, and in compliance with JSE Listings Requirements, the information listed below has been included in the annual financial statements of the company for the financial year ended 31 March 2015, or the integrated annual report in which this notice of AGM is incorporated, at the places indicated:

- major beneficial shareholders – page 5 and page 86 of the integrated annual report; and
- share capital of the company – note 13 on page 73 of the annual financial statements of the company for the financial year ended 31 March 2015.

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 2; and
- certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, that all reasonable enquiries to ascertain such facts have been made and that this notice of AGM contains all information in relation to special resolution 2 required by the JSE Listings Requirements.

As at 20 August 2015, 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 since 31 March 2015 other than the facts and developments reported on in the integrated annual report.

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

Special resolution 3

"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 ('the 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 3, and subject to compliance with the requirements of the Companies Act, the company's memorandum of incorporation and the Listings Requirements of the JSE Limited, each as presently constituted, and as amended from

Notice of Annual General Meeting continued

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 inter-related company or corporation of the company, or
- any director or prescribed officer of the company, or of its present or future subsidiaries and/or any other company or corporation that is or becomes a related or inter-related company or corporation, or
- any member of its present or future subsidiaries and/or any other company or corporation that is or becomes a related or inter-related company or corporation, or
- any person related to any such company, corporation, director, prescribed officer or member,

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 3, 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 inter-related 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 inter-related 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 this special resolution 3.

Section 45 of the Companies Act permits financial assistance to be provided to a related or inter-related company or corporation of the company; to a director or prescribed officer of the company, or of a related or inter-related company or corporation; to a member of a related or inter-related company or corporation; or to a person related to any such company, corporation, director, prescribed officer or member, 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.

The effect of special resolution 3, if passed and becoming effective, is to grant the directors of the company 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 inter-related company or corporation of the company, to any director or prescribed officer of the company, or of its present or future subsidiaries and/or any other company or corporation that is or becomes a related or inter-related company or corporation of the company, to any member of its present or future subsidiaries and/or any other company or corporation that is or becomes a related or inter-related company or corporation of the company or to any person related to any such company, corporation, director, prescribed officer or member, for the ensuing two years, subject to the requirements of the Companies Act, the company's memorandum of incorporation 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 of directors of the company 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.

Further, and pursuant to the adoption of special resolution 3, shareholders and interested and affected parties are advised to take note that the board of directors of the company will from time to time consider terms for, and generally authorise, the provision by the company of direct or indirect financial assistance, as envisaged in section 45 of the Companies Act that may be required or deemed appropriate in the ordinary course of business and consistent with standard practice, to any entity or individual contemplated in special resolution 3.

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

Special resolution 4

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

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

- the provision by the company of direct or indirect financial assistance (whether by way of loan, guarantee, the provision of security or otherwise) in connection with the subscription of any option or any securities issued or to be issued by the company or by a related or inter-related company or for the purchase of any securities of the company or of a related or inter-related company, at any time and from time to time during the period of two years commencing on the date of the adoption of this special resolution, to the Gold Reef Share Scheme or to a director, future director, prescribed officer or future prescribed officer of the company or to a person related or inter-related to the company or to a director or prescribed officer of the company or to their respective nominees, in accordance with the provisions of the Gold Reef Share Scheme and/or in accordance with the provisions of any other share-based incentive scheme established by the company,

be and are hereby approved."

The reason for and effect of special resolution 4, 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) section 44 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 of the company have determined that the date on which a shareholder must be registered in the company's register of shareholders in order to:

- receive notice of the AGM is Friday, 4 September 2015; and
- participate in and vote at the AGM is Friday, 9 October 2015. The last day to trade in order to be registered in the company's register of shareholders to be able to participate in and vote at the AGM will, therefore, be Friday, 2 October 2015.

VOTING

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

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

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

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

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

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

Notice of Annual General Meeting continued

PROXIES

Shareholders holding certificated shares and shareholders holding dematerialised shares registered in such shareholders' own name and who are registered as such on Friday, 9 October 2015 are entitled to attend, participate in and vote at the AGM and may appoint a proxy or proxies (acting in the alternative) to attend, participate in, speak and vote at the AGM in such shareholders' stead. A proxy need not be a shareholder of the company. The completion and lodging of a form of proxy will not preclude a shareholder from attending, participating in, speaking and voting at the AGM to the exclusion of the proxy/ies so appointed.

The attached form of proxy should be completed and returned to the transfer secretaries of the company, Link Market Services South Africa Proprietary Limited, at their address below, in accordance with the instructions contained therein so as to be received by the transfer secretaries, by no later than 12:00 on Tuesday, 13 October 2015.

IDENTIFICATION

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

AVAILABILITY OF DOCUMENTS

Copies of the consolidated financial statements and the integrated annual report of the company and the group for the year ended 31 March 2015, containing the report of the directors, the independent auditors, the audit and risk committee, the social and ethics committee and the remuneration committee referred to in ordinary resolution 1, 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, 10 September 2015 up to and including Wednesday, 14 October 2015, or from the company's website, www.tsogosun.com.

ELECTRONIC COMMUNICATION

Should any shareholder (or a representative or proxy for a shareholder) wish to participate in the AGM by way of electronic participation, that shareholder should make an application in writing (including details as to how the shareholder or its representative (including its proxy) can be contacted) to so participate, to the transfer secretaries, at their address below, to be received by the transfer secretaries at least seven business days prior to the AGM (i.e. by Monday, 5 October 2015) in order for the transfer secretaries to arrange for the shareholder (or its representative or proxy) to provide satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act and for the transfer secretaries to provide the shareholder (or its representative or proxy) with details as to how to access the AGM by means of electronic participation. Shareholders participating electronically will not be able to vote electronically and must follow the standard voting arrangements indicated above. The company reserves the right not to provide for electronic participation at the AGM in the event that it determines that it is not practical to do so, or an insufficient number of shareholders (or their representatives or proxies) request to so participate.

ENQUIRIES

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

RESULTS OF THE AGM

The results of the AGM will be posted on SENS as soon as practically possible after the AGM.

By order of the board

Graham David Tyrrell
Company Secretary

20 August 2015

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

TSOGO SUN

Form of proxy

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

This form of proxy is for use by shareholders registered as such who hold certificated shares in the company and shareholders who hold 'own-name' dematerialised shares in the company, to appoint a proxy or proxies for the Annual General Meeting of the company to be held at 12:00 on Wednesday, 14 October 2015 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, 13 October 2015. 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 – Reappointment of auditors			
Ordinary resolution 3.1 – Re-election of Mr MA Golding as a director			
Ordinary resolution 3.2 – Re-election of Mr VE Mphande as a director			
Ordinary resolution 3.3 – Re-election of Mr JG Ngcobo as a director			
Ordinary resolution 4.1 – Appointment of Mr RG Tomlinson to the audit and risk committee			
Ordinary resolution 4.2 – Appointment of Ms BA Mabuza to the audit and risk committee			
Ordinary resolution 4.3 – Appointment 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 fees proposed for non-executive directors			
Special resolution 2 – General authority to repurchase shares			
Special resolution 3 – General approval of the provision of financial assistance in terms of section 45 of the Companies Act			
Special resolution 4 – Approval of the issue of shares or options and the grant of financial assistance in terms of the company's share-based incentive schemes			

Any shareholder entitled to participate in, attend, speak and vote at the Annual General Meeting may appoint a proxy or proxies (acting in the alternative) to attend, speak and vote in his/her stead. A proxy need not be a 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 2015

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 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, 13 October 2015 (or 24 hours before the date of any adjourned or postponed Annual General Meeting which date, if necessary, will be notified on the Securities Exchange News Service of the JSE Limited and in the press).

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.

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