

# Welcome to Tsogo Sun

# ABOUT THIS REPORT

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## Reporting approach

We are pleased to present our integrated annual report to our stakeholders. This report provides a consolidated review of our financial, economic, social and environmental performance on matters material to our strategy, our ability to create and sustain value and of interest to our key stakeholders. The process we utilised in determining and applying materiality is included on page 22 of the report.

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

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

## Scope and boundaries

The financial scope and boundaries of this document have been set in accordance with IFRS. The integrated annual report includes all our subsidiaries, associates and joint ventures and covers the period from 1 April 2013 to 31 March 2014. Non-financial disclosures focus on the South African operations, except for environmental disclosures, which generate 95% of our earnings.

## Financial statements

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

## Board approval

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

**John Copelyn**  
Chairman

**Marcel von Aulock**  
Chief Executive Officer



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## Forward looking statements

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



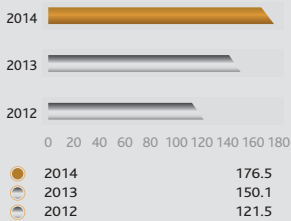
# Performance highlights

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

**livingTSOGO**  
values programme  
launched



Adjusted HEPS (cents)



# > 14 200

hotel rooms  
across all market  
sectors

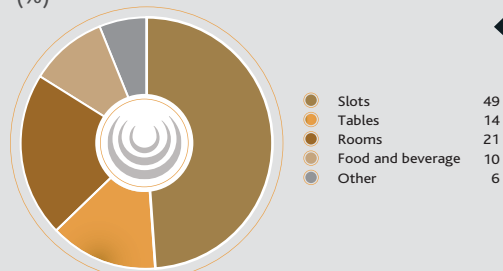
**Tsogo Sun** Moves For Life  
national chess programme introduced  
to **16 719** learners and  
**455** educators

**Level 2**  
BBBEE contributor



Acquisition post-year end of  
**10%** of Cullinan and additional hotels;  
**40%** of SunWest and Worcester casinos; and  
**12%** of Tsogo Sun shares in buy-back

Group revenue by nature (%)





# 14 gaming and entertainment destinations

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

Income (Rm)
Ebitdar (Rm)
Ebitdar margin (%)
Adjusted headline earnings per share (cents)
Dividend for the year per share (cents)
Free cash flow (Rm)
Maintenance capital expenditure (Rm)
Investment activities (Rm)

2014	2013	% change
10 767	9 910	9
4 214	3 886	8
39.1	39.2	(0.1pp)
176.5	150.1	18
89.0	75.0	19
1 825	1 932	(6)
769	579	
1 643	639	

# 13 000 direct employees in South Africa



**71%** of gaming revenue from loyalty club members

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

## Chairman's statement

# DEAR STAKEHOLDERS



**John Copelyn**  
Chairman

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

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

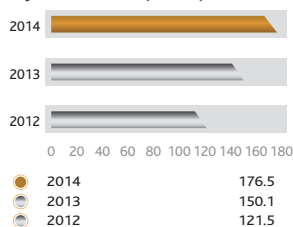
### Overview

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

### Operating environment

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

### Adjusted HEPS (cents)





Regulatory challenges are the only other real substantive risks to the group and we remain vigilant to these, constructively engaging and challenging the various government departments to ensure that the value created by the group, and the benefits offered in terms of positive commercial contribution towards employment creation and tax revenues, are fully understood by all stakeholders.

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

### Performance and dividend

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

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

This integrated annual report has set out the key strategic priorities of the group (see our strategy in action on page 38 to page 61), and seeks to describe the programmes that will be required to achieve them. In the Chief Executive Officer's review it is described how every activity of the group is aimed at meeting these strategic priorities of ensuring the sustainability of the business and growing free cash flow.

### BBBEE and CSI

Our 2014 BBBEE rating has been reaffirmed at level 2. This achievement is the result of a continued dedicated effort and focus on all areas of the business and an operating philosophy that ensures the BBBEE impacts of each decision the business makes are taken into account.

There continues to be significant uncertainty as to what the group's BBBEE rating will be under the new codes as a result of the uncommercial nature in which they have been drafted, particularly with regard to the sub-minimum demotions and the change in scoring scales. The group continues to litigate against attempts by various gambling boards to impose the achievement of defined levels of empowerment, as measured against the codes, as a licence condition due to the uncertainty and the extent to which the levels achieved are moved out of the group's control. We remain committed

to enhancing the group's BBBEE credentials in every commercially reasonable way, but cannot expose our licences to regulatory risk against uncertain moving targets.

The CSI activities are an ongoing focus of the group. The deliver to our stakeholders section on page 39 to page 46 sets out the Tsogo Sun SunCares programme in more detail.

### Appreciation

I wish to extend my appreciation to both management and the board for their successful efforts during the year and the significant step change transactions achieved in the first half of the 2015 financial year. With the exit of SABMiller, the representatives of SABMiller on our board have resigned and I thank them for their contributions to the group, particularly Malcolm Wyman who served on the board together with Graham Mackay and Meyer Kahn for over 20 years.

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

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

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



**John Copelyn**  
Chairman

29 August 2014