OUR PERFORMANCE

Chief Executive Officer's review

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

Marcel von Aulock
Chief Executive Officer

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

Major acquisitions

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

F2011
- Gold Reef merger

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

F2014
- 10% of Suncoast (R400 million)
- 75.5% of Southern Sun Ikoyi (R695 million)

F2015
- 10% increase in interest in Cullinan and acquisition of hotel assets (R762 million)
- 25% of RedefineBDL (R145 million)
- 40% of SunWest and Worcester casinos (R2 185 million)
- Buy-back of 12% of Tsogo Sun ordinary shares (R2 800 million)

Sustainability

In order to take advantage of commercial opportunities that are presented, a business needs to first and foremost stay in business. The discussion on sustainability is about the five major pillars of focus for ensuring the long-term survival and prosperity of Tsogo Sun. The group continues to make good progress in each of these areas.

Financial strength and durability

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

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

Chief Executive Officer's review continued

Deliver to our stakeholders

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

It will always be important who owns us and who enjoys the economic benefit of the group's activities through dividends, employment, taxes and social programmes.

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

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

Product relevance to customer experience

Some two years after our rebranding, Tsogo Sun continues to build on its success and its journey towards being an established household name, in both the corporate and consumer markets in South Africa. The essence of the group's products remain onsite experiences, as in order for our customers to consume our product they need to physically visit our properties, be it for theatre, dining, gaming or hospitality.

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

The current focus of expanding and refreshing our casino properties assists in ensuring that they remain relevant in the market in which they operate. During the 2014 financial year we completed the R206 million expansion and renovation of the Emnotweni Casino in Nelspruit and commenced works on the R560 million redesign and expansion of the Silverstar Casino and the R630 million redevelopment of the Gold Reef City Casino and Theme Park.

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

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

Regulatory compliance

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

While we respect the important role that the various regulatory bodies play in society and business in general and towards the affairs of the group specifically, we have been, and are still, forced to challenge elements of law and regulation that we believe are misguided or will have unintended consequences on the group and its customers. We will continue to defend our commercial rights while maintaining a cordial and cooperative relationship with various levels of government.

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

Human resources

Tsogo Sun aims to recruit staff with the best skills and attitudes available. We then provide an enabling and positive work environment. The launch of a single group employee engagement programme during the year, together with the Tsogo Sun Academy, which controls all aspects of the group's employee training and development programmes, is a significant step to further ensure a proper work environment for employees. We firmly believe that engagement is often as important to derive the best performance from a workforce as are the levels of remuneration.

Staff turnover, which has reduced substantially over the last decade, remains within acceptable levels. The remuneration report on page 71 to page 75 highlights the group's philosophy towards remuneration and incentivisation, ensuring we retain valuable talent.

Growth

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

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

Organic growth

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

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

The group's financial results for the 2014 financial year reflect an income growth of 9%, translating to a growth in Ebitdar of 8%, assisted by the acquisitions implemented in the prior and current year. Operating, finance and taxation costs are strictly monitored and benchmarked across the group, and maintenance capital expenditure, as discussed above, is vital to maintaining and improving the group's asset base.

Inorganic growth

Inorganic growth is pursued through a combination of expanding our existing facilities, new developments and acquisitions. The group invested capital in significant projects during the year as follows:

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

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

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

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

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

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

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

Marcel von Aulock
Chief Executive Officer

29 August 2014

Chief Financial Officer's review

We measure our creation of shareholder value through the increase in adjusted headline earnings per share and the generation of free cash, our efficiency through Ebitdar margin and our financial risk through our net debt:Ebitdar ratio and unutilised net facilities. The financial position should be read in conjunction with the inorganic growth section on page 60 as the transactions concluded post-year end will result in a step change in our gearing levels.

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

RB Huddy
Chief Financial Officer

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

Overview

This summarised report should be read in conjunction with the summarised consolidated financial statements on page 76 to page 83 and the consolidated financial statements available separately on our website which set out the financial position, results and cash flows for the group for the financial year ended 31 March 2014.

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

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

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

Chief Financial Officer's report continued

Income statement comparison for the year ended

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

* *Variance not meaningful*

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

Trading performance

Trading during the financial year was satisfactory in a tough economic environment. Year-on-year growth was achieved in both casino and hotel revenues assisted by the merger and acquisition activity undertaken as part of the group's growth strategy.

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

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

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

Long-term incentives

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

Rentals, amortisation and depreciation

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

Exceptional items and adjustments

Exceptional losses for the year of R73 million relate mainly to property, plant and equipment and loan impairments, fair value adjustment to the value of a previously held interest in an associate and transaction and retrenchment costs on the restructure of various departments in the business offset by a lease termination recovery. Exceptional losses for the prior year of R19 million relate mainly to goodwill, property, plant and equipment and loan impairments, hotel pre-opening costs, and transaction and restructure costs offset by the settlement fees on termination of the Dubai hotel management contracts.

Net finance costs

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

Share of profits of associates and joint ventures

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

Taxation

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

Non-controlling interests

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

Earnings

Group adjusted headline earnings for the year ended 31 March 2014 at R1.9 billion are 18% above the prior year. The number of shares in issue is largely unchanged year-on-year and thus adjusted headline earnings per share increased by 18% to 176.5 cents per share.

Cash flow

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

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

Dividends

A final gross cash dividend of 60.0 cents per share in respect of the company's 2014 year end was declared and the dividend was paid on 17 June 2014. There were no STC credits. The number of ordinary shares in issue was 1 098 158 501 (excluding treasury shares). The dividend was subject to a local dividend withholding tax rate of 15% which resulted in a net dividend of 51.0 cents per share to those shareholders who were not exempt from paying dividend tax. The company's tax reference number is 9250039717.

The total dividends declared in respect of the 2014 financial year amounted to 89.0 cents per share which is 19% up on the 75.0 cents per share declared in respect of the 2013 financial year and which equates to 50% of fully diluted adjusted HEPS.

Subsequent events

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

Looking ahead

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

RB Huddy
Chief Financial Officer

29 August 2014

Our strategy in action

SUSTAINABILITY

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

Deliver to our stakeholders

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

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

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

Key performance indicators

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

2014 performance

Shareholders

As mentioned in the group overview on page 10 the nature of the HCI shareholding is of particular importance as it provides the bulk of the 55.99% broad-based empowered ownership at group level. HCI and SABMiller have provided the stable shareholder base for a number of years that has allowed the group to grow and take advantage of opportunities.

Community

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

Community development

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

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

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

Tsogo Sun Sports Academy

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

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

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

SunCares

✤ Tsogo Sun Sports Academy – soccer

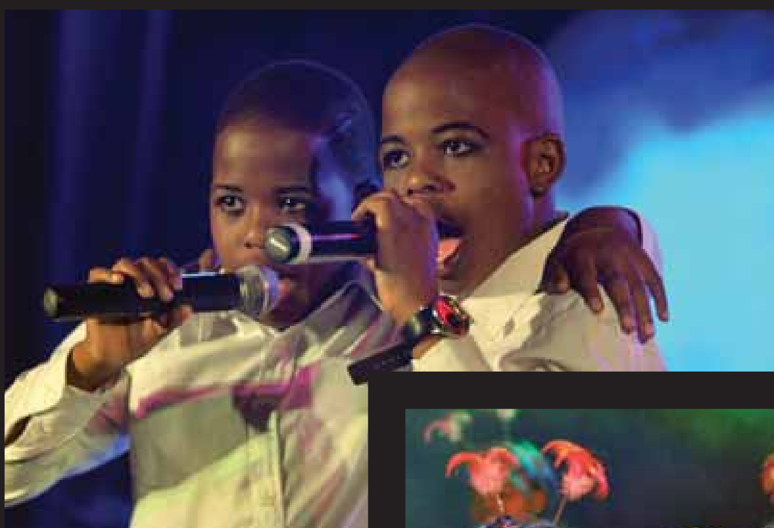
✤ Miss Earth South Africa finalist – environmental education

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

✤ Tsogo Sun Sports Academy – soccer

SUNCARES

Tsogo Sun Moves For Life – chess



Tsogo Sun Arts Academy

Tsogo Sun Arts Academy

Sustainable strategy in action continued

Deliver to our stakeholders continued

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

Tsogo Sun Arts Academy

Our Arts Academy develops the artistic talent of learners from underprivileged backgrounds to provide them essential life skills development. The programme supports the educational framework through the provision of extracurricular activities and enables learners to participate in a carefully designed full-year curriculum that uses the arts as a catalyst to give young people in our communities a chance to bring about change in their lives.

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

Tsogo Sun Learning Academy

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

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

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

Enterprise development

Tsogo Sun is committed to the development of small businesses in South Africa with a specific focus on skills-based entrepreneurial development and the provision of preferential procurement opportunities to black-owned qualifying small enterprises and emerging micro-enterprises. The group's spend on enterprise development for the year ended 31 March 2014 is R132 million or 6.7% of net profit after tax, which is 3.7pp above the DTI's BBBEE target.

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

Tsogo Sun Book-a-Guesthouse

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

The guesthouses range between two and 30 rooms. A total of 35 (41%) of the entrepreneurs have graduated to the Alumni phase and have undergone training to become mentors to the new entrepreneurs that enter the programme. Of the 50 entrepreneurs in the active development phases of the programme, 10 are in year two, 11 are in year three and 29 new entrepreneurs were enrolled in September 2013. A total of 22 guesthouses in the Alumni phase have expanded their operations as a result of the programme, and each guesthouse employs between one and 15 staff and reaches up to 30 people in the value chain. A total of 71 entrepreneurs have successfully completed the UCT Guesthouse Management Course funded by the programme, with 27 having done so during the last year. Tsogo Sun held the 8th annual Book-a-Guesthouse entrepreneurs' conference at the Riverside Sun Resort, which was attended by 150 delegates, and represented the largest gathering of black female guesthouse owners in the hospitality industry in South Africa.

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

Transformation

Tsogo Sun has always been a pioneer in transformation and the organisation continues to be a leader in the empowerment of previously disadvantaged people, businesses and communities in South Africa. The group currently holds a Level 2 BBBEE contributor status, with 56% broad-based black empowerment ownership, measured against the DTI's generic scorecard, and complies with guidelines outlined in the BBBEE Codes of Good Practice. The group's casinos are in addition individually measured against the same scorecard and Tsogo Sun hotels is measured against the tourism scorecard. The formal verification audits are performed annually by Empowerdex (an accredited economic empowerment rating agency), covering the year ended 31 March, with the results being as follows:

	Target score	**2014**	2013
Ownership	23	**23.00**	23.00
Management control	10	**6.68**	4.44
Employment equity	15	**10.86**	10.91
Skills development	15	**14.20**	13.45
Preferential procurement	20	**18.76**	18.38
Enterprise development	15	**15.00**	15.00
Socio-economic development	5	**5.00**	5.00
Overall	100+3	**93.50**	90.18
Rating level		**2**	2

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

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

Responsible gaming

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

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

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

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

Industry bodies

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

Tenants

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

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

Our group's real estate department manages this important element of our business, as well as ensuring that our buildings are maintained, refurbished, upgraded and renovated on an ongoing basis to ensure that our offerings remain fresh and current. Our philosophy with regards to selecting tenanting partners is centred on owner-run outlets that will deliver the required experiences at appropriate prices.

Suppliers

The group has developed long-term, mutually beneficial relationships with our suppliers of goods and services. Through these supplier relationships many more indirect jobs are created and wealth is

Sustainable strategy in action continued

Deliver to our stakeholders continued

generated in the economy. A growing portion of our procurement is centrally managed which allows for enhanced consistency in standards and pricing and closer relationships with our suppliers. We ensure that our hotels and casinos procure products from vendors who are located in their areas, where practical.

Tsogo Sun is committed to encouraging diversity within its commercial associations, particularly through the involvement of previously disadvantaged persons and local businesses where it operates. The group supports black businesses in South Africa through a focused procurement strategy. Verified total procurement spend on black economically empowered businesses amounted to R3.2 billion during the year. The group's BBBEE score for preferential procurement is 18.76 out of 20. Procurement from black women-owned businesses and further opportunities to establish and support enterprise development initiatives through procurement are focus areas of the group.

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

Third-party owners

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

Environment

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

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

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

To ensure the objectives of our environmental programme are met, a partnership with the Heritage group was in place for the past four years and we have developed property-specific environmental management systems at all of our casinos and hotels aimed specifically at energy, water, waste management and responsible procurement.

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

Energy

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

Water

The majority of our properties are in urban areas and use potable water provided by local municipalities. One resort property utilises surface water for irrigation, two resort properties are fully reliant on river water and one property primarily utilises ground water due to continuous supply problems from the local municipality. Municipal water consumption at the group's owned properties decreased during the year by 3% to 2.8 million kilolitres (2013: restated to 2.9 million kilolitres including owned properties outside South Africa) due to ongoing conservation and reduction measures at all properties.

LPG

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

Diesel

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

Waste management

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

Biodiversity

The majority of our properties are in urban areas and are thus not in close proximity to sensitive environments. There are four resort properties in rural environments where management of biodiversity is more important and no new facilities were developed at these properties during the year. Where applicable the properties have programmes in place to replace alien vegetation with indigenous plants.

Environmental education

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

Looking ahead

Shareholders

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

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

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

Community development

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

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

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

Enterprise development

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

Sustainable strategy in action continued

Deliver to our stakeholders continued

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

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

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

Transformation

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

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

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

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

Suppliers

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

Environment

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

Financial strength and durability

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

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

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

Key performance indicators

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

2014 performance

Net interest-bearing debt

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

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

Net debt to Ebitdar as at 31 March 2014 was 1.1 times with unutilised net facilities (including available cash on hand) of R3.4 billion. The weighted average number of months to expiry of the debt facilities (excluding 364-day revolving credit facilities) was 39 months.

Interest rate and currency risk management

The group has hedged a significant proportion of debt facilities to maturity to lock in the current historically low interest rate environment. In order to limit income statement volatility, the group does not normally enter into speculative hedges. As at 31 March 2014, 67% of net debt was hedged through fixed interest rate swaps and other fixed rate instruments.

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

Looking ahead

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

Further future dated interest rate swaps will be concluded due to the extension of the tenure of the group's facilities and due to the increased requirement for the level of debt. In the event of a significant spike in interest rates the group would be protected until March 2021 and could restrict investment to ensure debt levels would not cause financial distress.

Sustainable strategy in action continued

Product relevance to customer experience

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

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

Key performance indicators

	2014	2013
Gaming		
Reward club membership contribution to gaming revenue	**71%**	63%
Slot machine average age	**5.3 years**	5.0 years
Guest satisfaction – gaming	**75%**	n/a
Hotels		
Reward club membership contribution to hotel revenue	**28%**	26%
Guest satisfaction – hotels	**87%**	86%
Hotel property audits	**No material deviations from brand standards**	No material deviations from brand standards
Hygiene audits	**No significant issues noted**	No significant issues noted
Maintenance capital spend	**R769 million**	R579 million

2014 performance

Product relevance

In order for the group to deliver the hospitality, gaming, dining and entertainment experiences that our customers desire, it is important that our physical product and service delivery are relevant to our customers at appropriate price points, are consistent in standard and delivery, provide the variety of experiences that will encourage repeat visits and make it easy for our customers to do business with the group. Consumer expectations range from technology preferences to the look and feel of the physical product, the location of buildings, concepts for restaurants and bar offerings, types of entertainment and travel patterns.

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

Product development

Development of the casino and hotel real estate is a critical component of the group's business and its plans for organic growth. On average over the past five years, in excess of R800 million has been invested annually in the expansion, refurbishment and maintenance of the group's existing casinos and hotels, excluding the acquisition of new properties. The ability to develop and maintain relevant physical products is a key competency required in the business and the location selection, design concept, budgetary control and project execution during construction and ongoing property maintenance are the core skills required. Key personnel are employed on a permanent basis to deliver these core skills that safeguard and mentor this knowledge. These skills are augmented by a network of experienced professionals that have worked with the business for a number of years but who are regularly supplemented with new professional firms with the objective of introducing change and fresh ideas to established methods, concepts and systems.

Information technology

Information technology strategy and governance is driven centrally with divisional teams delivering operational system-specific solutions to meet the business requirements. Both divisions predominantly utilise third-party packaged solutions which have been purpose built for the industry. Key focus areas are gaming and hotel property management systems, customer relationship management to provide relevant benefits and rewards to customers, business intelligence to drive efficiencies and digital platforms to interact with and provide connectivity to customers.

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

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

Tsogo Sun master brand

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

The group's marketing emphasises:

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

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

Customer satisfaction

Guest satisfaction is important to us and delivering consistent experiences is integral to our success and sustainability. The experiences of our guests create loyalty to our brands and properties, and guest retention is one of our primary priorities. In an effort to ensure that our guests are satisfied, after they have had an experience at one of our properties, we provide them with channels for communication that enable them to engage us so that we can collect information about our performance and proactively respond to their feedback.

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

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

Sustainable strategy in action continued

Product relevance to customer experience continued

Customer reward programmes

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

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

Key components of the programme include:

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

Tsogo Sun gaming – rewards programme segmental analysis

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

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

For the period prior to the launch of the new programme:
(1) *Includes Club Festival platinum and Strike it Rich black diamond and gold*
(2) *Includes Club Festival gold and Strike it Rich silver*
(3) *Includes Club Festival red and Strike it Rich bronze*

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

Tsogo Sun hotels – rewards programme segmental analysis

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

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

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

Customer safety

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

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

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

Looking ahead

Customer reward programmes

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

Sustainable strategy in action continued

Regulatory compliance

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

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

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

Key performance indicators

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

2014 performance

Regulatory compliance

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

The casino operations are regulated by the provincial gambling boards and, from an oversight perspective, by the National Gambling Board. The standards of regulation within the industry are in line with global best practice. Gaming regulation compliance, which is of particular importance in retaining casino licences, is achieved through the implementation of internal control procedures and compliance policies, compliance committees, an anonymous tip-off system, interventions with regulators and law enforcement agencies, centralised specialist understanding of the interpretation and application of legislation, internal and external compliance audits and by creating a compliance culture through training. Compliance with the terms of a licence is monitored by the relevant provincial gambling board on an ongoing basis and certain provinces may conduct quarterly, bi-annual and annual inspections.

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

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

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

Looking ahead

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

Human resources

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

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

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

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

Key performance indicators

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

2014 performance

Human capital management

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

Based on independent research by the Corporate Research Foundation Institute, Tsogo Sun has been certified as a Best Employer for several consecutive years for its outstanding HR policies and working conditions, excellent reputation, impressive training and development opportunities and highly engaged workforce.

Job creation and employee stability

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

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

Employee development

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

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

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

Employee engagement

Tsogo Sun has implemented a single engagement programme, reflecting the values, culture and behaviours common to our integrated hotels and gaming business. More than 2 500 employees across the broader group were engaged, either face-to-face or online, in order to obtain their views on what they believe should be the basis for a new value system for the group. In October 2013, the group's new organisational values were introduced – called livingTSOGO.

The livingTSOGO values:

Teamwork
Service
Opportunity
Growth
Ownership

Sustainable strategy in action continued

Human resources continued

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

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

Employee wellness

Tsogo Sun is committed to the wellness of our employees and provides services to them through employee clinics in Tsogo Sun gaming, an employee assistance helpline, wellness days and executive medicals. During the year a total of 44 380 primary healthcare consultations were provided at our employee clinics located at our casino complexes and this has contributed positively to the management of absenteeism within the group.

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

Health and safety

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

No employee fatalities as a result of health and safety incidents occurred at any of our properties. The group maintained an average lost-time injury frequency rate of 0.77, which is below our target of 1.0. This equates to the number of injuries which rendered an employee unfit for duty for one shift or longer per 200 000 hours worked.

Employment equity

The principles of empowerment and diversity are entrenched into the ethos of Tsogo Sun. The table below includes South Africa only and excludes the approximately 7 000 contract staff employed by third-party service providers and 1 320 staff employed outside South Africa:

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

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

Employment numbers have increased year-on-year primarily due to new food and beverage outlets opened during the year. Female employees increased marginally to 51.2% (2013: 50.5%) of the workforce.

We ensure that our workforce reflects our focused employment equity philosophy. In this regard, in accordance with our verified employment equity results, presently black representation at senior management level is 31.8%, at middle management level it is 60.1% and at junior management level it is 84.5%. The representation of black employees throughout the group is currently 87.7%, which is slightly below the updated economically active population ('EAP') percentage of 88.9%.

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

Unions

Tsogo Sun recognises the right to freedom of association of employees and we recognise that collective bargaining forms an integral part of labour relations. Tsogo Sun has recognition agreements with four unions and 2 912 of our employees are union members. There has been a 5% reduction in union membership from the 3 076 members in the prior year.

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

Looking ahead

Employee development

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

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

Employee engagement

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

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

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

Growth strategy in action

GROWTH

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

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

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

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

Organic growth

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

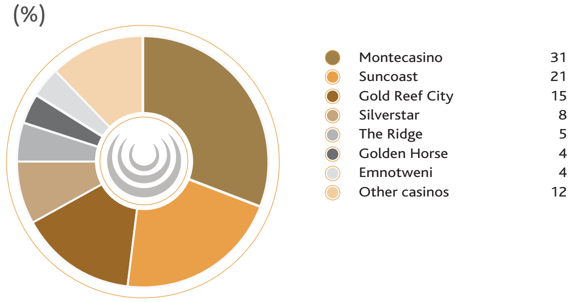
Operational overheads must be reviewed and measured for efficiency and to ensure each Rand spent is either in support of the objective of sustainability or growth.

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

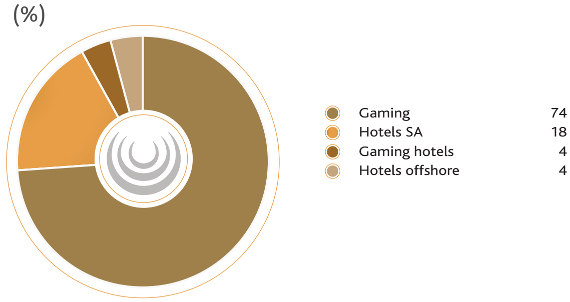
Key performance indicators

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

Gaming F'14 Ebitdar by property (%)



Group F'14 Ebitdar by source (%)



2014 performance

Segmental operating performance

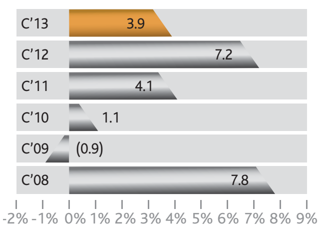
	Income		Ebitdar		Ebitdar margin	
	2014	2013	**2014**	2013	**2014**	2013
Year ended 31 March	**Rm**	Rm	**Rm**	Rm	**%**	%
Montecasino	**2 415**	2 266	**1 088**	1 026	**45.1**	45.3
Suncoast	**1 517**	1 440	**717**	692	**47.2**	48.1
Gold Reef City	**1 298**	1 218	**514**	479	**39.6**	39.3
Silverstar	**648**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

All casino units are reported pre-internal gaming management fees
[(1)] *Includes R48 million (2013: R39 million) intergroup management fees*
[(2)] *Restated for R2 million changes in accounting policies – refer note 2 on page 77 of the summarised consolidated financial statements*

Growth strategy in action continued

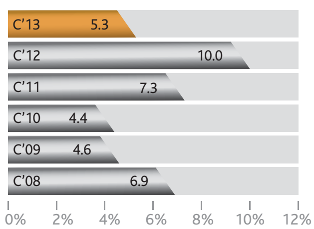
Organic growth continued

Gauteng



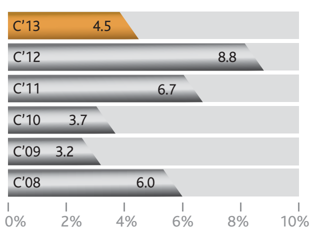
Gaming win growth*

KwaZulu-Natal



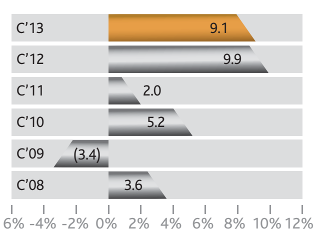
Gaming win growth*

Mpumalanga



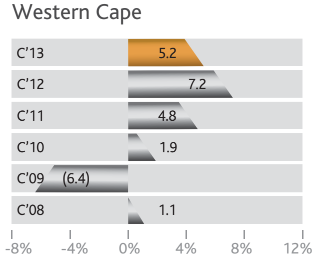
Gaming win growth*

Eastern Cape



Gaming win growth*

Western Cape



Gaming win growth*

*Based on gambling board statistics (calendar year)

Tsogo Sun gaming

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

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

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

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

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

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

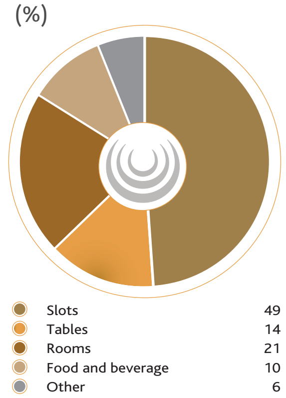
The Western Cape reported growth in provincial gaming win of 4.8% for the year. The Caledon Casino, Hotel and Spa and Garden Route Casino in Mossel Bay reported growth of 4.3% and 1.4% respectively while gaming win at Mykonos Casino in Langebaan reduced by 1.8%.

The Goldfields Casino in Welkom in the Free State experienced difficult conditions with growth in gaming win of 1.3% on the prior year.

Other gaming division operations consisting of the Sandton Convention Centre, the StayEasy Century City hotel and head office costs reflected a net expense of R196 million, R11 million adverse to the prior year.

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

Group revenue by nature (%)



Tsogo Sun hotels

The hotel industry in South Africa continues to experience a recovery from the dual impact of depressed demand and oversupply. Overall industry occupancies have improved to 62.0% (2013: 60.9%) for the year. As a result of the strong sales and distribution channels and the superior product and service quality available within the group, Tsogo Sun hotels continues to achieve an occupancy and rate premium in the segments in which the group operates.

Trading for the group's South African hotels for the year has been more buoyant recording a systemwide revenue per available room growth of 10% on the prior year due mainly to an increase in average room rates by 11% to R900, with occupancies below the prior year at 63.9% (2013: 64.1%) impacted by the non-repeat of the BRICS conference in Durban and with no Easter public holidays in the 2014 financial year. Overall revenue for the South African hotels division increased 11% on the prior year to R2.2 billion assisted by the inclusion of 54 on Bath and Southern Sun Hyde Park offset by the closure of Garden Court Sandton. Ebitdar improved 20% to R737 million at a margin of 34.2% (2013: 31.6%).

The offshore division of hotels achieved total revenue of R550 million representing a 52% improvement on the prior year, driven by the acquisition of Southern Sun Ikoyi, effective from 29 June 2013, and the weakening of the Rand against both the US Dollar and the Euro. Ebitdar (pre-foreign exchange gains) improved 65% to R153 million. The Rand weakness resulted in a R33 million (2013: R37 million) foreign exchange gain on the translation of offshore monetary items.

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

	31 March 2014	31 March 2013
Occupancy (%)	**63.6**	64.7
Average room rate (R)	**897**	782
Revpar (R)	**570**	506
Rooms available ('000)	**3 892**	3 780
Rooms sold ('000)	**2 476**	2 445
Rooms revenue (Rm)	**2 221**	1 914

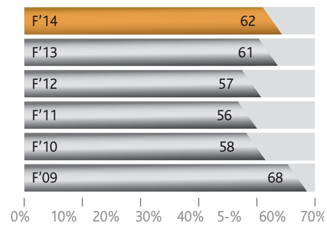
The increase in average room rate is positively impacted by the inclusion of Southern Sun Ikoyi from 29 June 2013 and the effect of the Rand weakness on the offshore portfolio.

Looking ahead

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

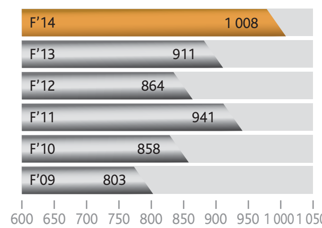
The continued improvement in trading performance across the group's operations during the year remains encouraging. However, the sustainability of this growth is uncertain due to the weaker second half trading, ongoing macro-economic pressure and weak consumer sentiment.

SA occupancy



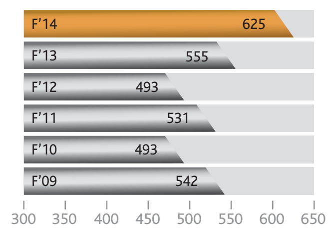
Systemwide*

SA average rate



Systemwide*

SA Revpar



Systemwide*

Based on STR Global statistics

Growth strategy in action continued

Inorganic growth

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

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

Key performance indicators

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

2014 performance

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

- acquired an additional 8.7% effective interest in Tsogo Sun KwaZulu-Natal Proprietary Limited in May 2013 at a cost of R363 million and the remaining 1.3% effective interest in November 2013 for R37 million with the resultant shareholding in Suncoast being 100%;
- completed the R400 million redevelopment of the Hemingways Casino in East London;
- spent R154 million during the year on the R206 million expansion of the Emnotweni Casino, which included the construction of an expanded casino floor, additional gaming positions, additional covered parking, a conference and eventing area and restaurants. The project was completed during May 2014;
- commenced construction of the US$30 million expansion of Southern Sun Maputo including the addition of 111 rooms and conference facilities, the expansion of the existing restaurant, lobby and back-of-house facilities and the refurbishment of the existing 158 rooms. The hotel closed with effect from 1 April 2014 and the project was completed during August 2014;
- completed the acquisition of a 75.5% stake in Ikoyi Hotels Limited in Lagos, Nigeria on 29 June 2013 for US$50.6 million and the refinancing of US$19.7 million debt in the business. The property was previously managed by the group on behalf of the third-party owners;
- acquired shares in various properties during the year for an aggregate R73 million;
- acquired additional effective interests from non-controlling interests and in associates in various cinemas and hotels during the year for an aggregate R41 million;
- completed the expansion project at Blackrock Casino including an additional 50 slot machines and three tables and an expansion of the Garden Court Blackrock hotel by an additional 40 rooms;
- commenced construction on the R560 million expansion and redevelopment of the Silverstar Casino which includes additional dining options, an outdoor events area, cinemas, ten-pin bowling alley, laser tag games, an expanded and enhanced casino floor and parking. R160 million was spent during the year and the project is scheduled for completion by September 2014;
- commenced the R630 million refurbishment and expansion of the Gold Reef City Casino and Theme Park which will include an increased casino offering, cinemas and additional restaurants at the casino and additional food and beverage outlets and improved access systems at the Theme Park with an improved linkage to the casino complex and an expansion of the Apartheid Museum. R22 million was spent during the year on the project; and
- in addition to these acquisitions and expansion projects, the group also invested R769 million on maintenance capex group-wide, including gaming system replacements and major hotel refurbishments, ensuring our assets remain best in class.

Investment activity expenditure

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

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

Looking ahead

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

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

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

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

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

The potential to bid for the relocation of one of the smaller casinos in the Western Cape to the Cape Metropole remains an opportunity for the group, although the increase in provincial taxes in the Western Cape has made this a less attractive opportunity than before.

The group is also exploring a variety of projects, including the expansion of the Suncoast Casino and related entertainment facilities, as well as a number of potential acquisitions which are at various stages. The group has closed a number of acquisitions subsequent to year end as follows:

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

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

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

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

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

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