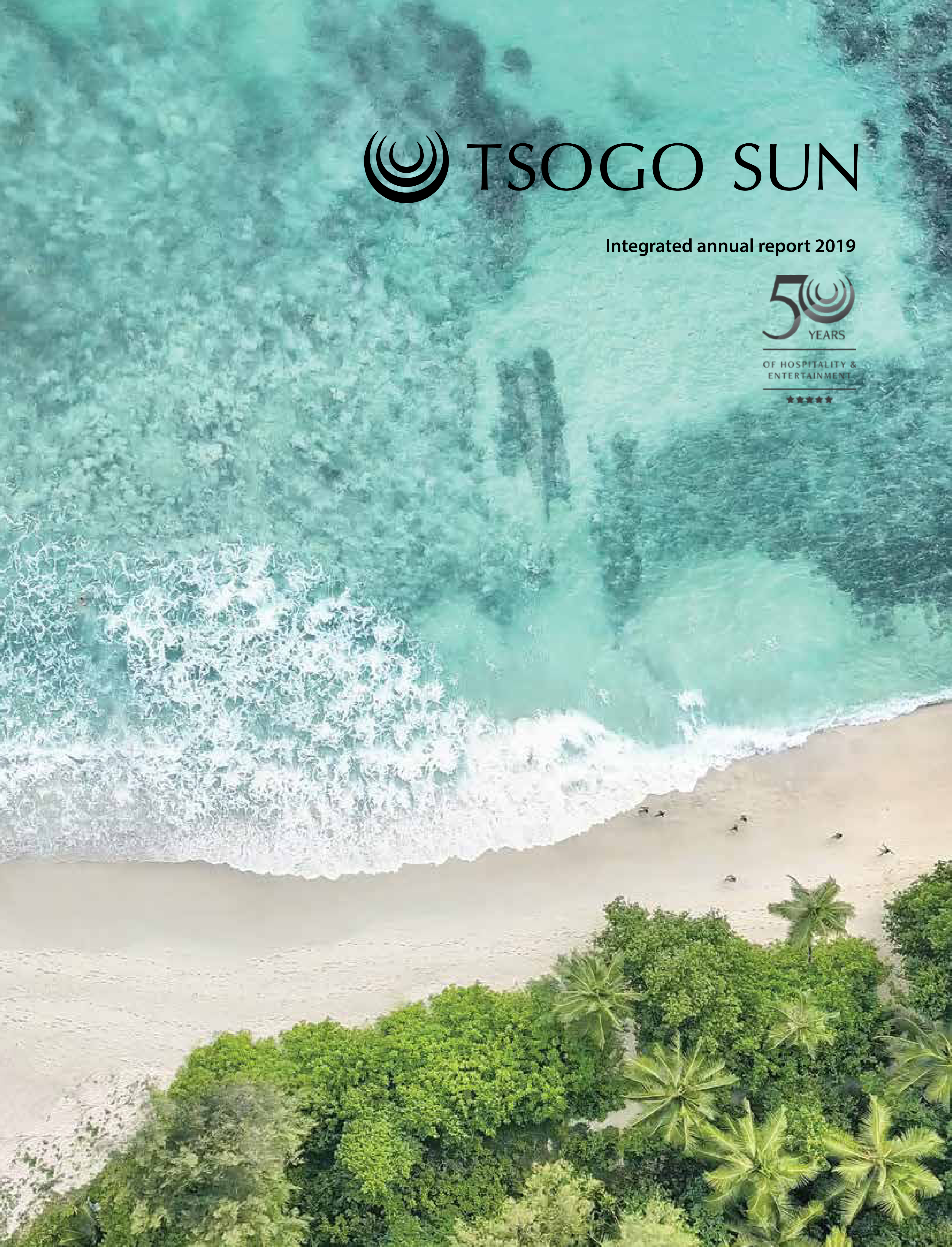

TSOGO SUN

Integrated annual report 2019

50 YEARS OF HOSPITALITY & ENTERTAINMENT

Contents

FORWARD LOOKING STATEMENTS

Certain statements in this document may constitute 'forward looking statements'. Such forward looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Tsogo Sun Gaming Limited (previously Tsogo Sun Holdings Limited) and its subsidiaries to be materially different from the future results, performance or achievements expressed or implied by such forward looking statements.

The company undertakes no obligation to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after the date of this document, or to reflect the occurrence of anticipated events. These have not been reviewed or reported on by the group's auditors.

About this report

REPORTING APPROACH

We are pleased to present our integrated annual report to our stakeholders. This report provides a consolidated review of our financial, economic, social and environmental performance on matters material to our strategy and our ability to create and sustain value into the future.

The financial and other information has been prepared in accordance with the requirements of International Financial Reporting Standards ('IFRS'), the South African Companies Act 2008, the JSE Listings Requirements, King IV™* and the international <IR> framework as applicable.

The group is continuously improving its combined assurance model. Assurance for elements of this integrated annual report has been provided through a combination of external and internal sources which will become more formalised in line with future guidance from the IIRC.

SCOPE AND BOUNDARIES

The contents of this document relate to Tsogo Sun Holdings Limited for the 2019 financial year and to both Tsogo Sun Gaming Limited and Tsogo Sun Hotels Limited for the 2020 financial year and beyond, except where specifically indicated as relating to either gaming or hotels. The matters included address material issues for all our subsidiaries, associates and joint ventures and covers the year ended 31 March 2019 except where material transactions have occurred post-year end. The process we utilised in determining and applying materiality is included on page 27 of the report. Non-financial disclosures, except for environmental disclosures, focus on the South African operations, which generate 96% of our income. The scope and boundaries of environmental disclosures are defined on page 51.

FINANCIAL STATEMENTS

The full set of consolidated annual financial statements, including the report from our audit and risk committee and directors' report, are available online or can be requested directly from our Company Secretary at companysecretary@tsogosun.com.

BOARD APPROVAL

The board is ultimately responsible for overseeing the preparation, presentation and integrity of the integrated annual report. The directors confirm that they have collectively reviewed the output of the reporting process and the content of the integrated annual report. The directors believe that this integrated annual report addresses the material issues, is a fair presentation of the integrated performance of the group and offers a balanced view of the group's strategy and how it relates to its ability to create value in the short, medium and long term. The board believes this report has been prepared in accordance with the international <IR> framework and approves the report for release. We welcome any feedback at investors@tsogosun.com.

John Copelyn
Chairman

Chris du Toit
Chief Executive Officer

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Icons for further digital information within the report:

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

Social platforms to link to us via other media:

Like our Facebook page to connect with Tsogo Sun on a regular basis ***www.facebook.com/TsogoSun***	
Link to our Twitter account to follow the latest news regarding Tsogo Sun ***https://twitter.com/tsogosun***	
View Tsogo Sun images on Instagram ***https://instagram.com/tsogosun***	

Group overview

OUR VISION

Our vision is to provide quality hospitality and leisure experiences at every one of our destinations.

WHO WE ARE

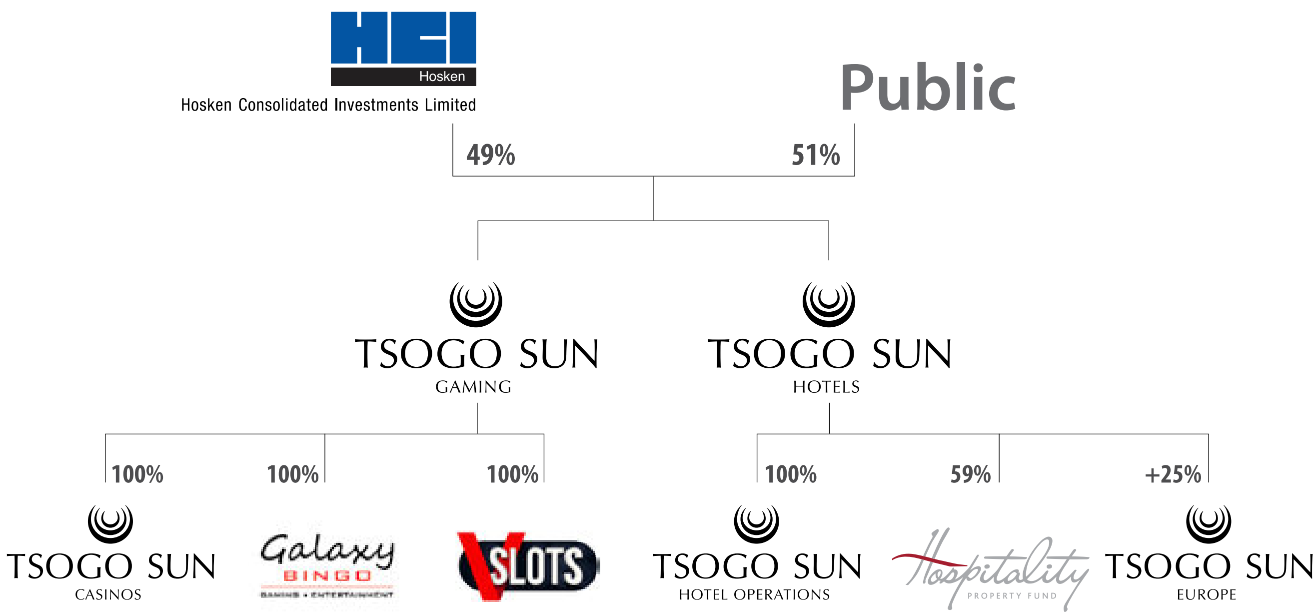
Tsogo Sun Gaming is southern Africa's premier gaming and entertainment group.

As at 31 March 2019, Tsogo Sun Gaming owned and operated 13 premier casino and entertainment destinations in six provinces of South Africa, 23 Galaxy Bingo sites (21 bingo, one casino and one ISO) in six provinces of South Africa, 1 144 VSlots limited payout machine (LPM) sites with 6 058 machines across all provinces; theatres, cinemas, restaurants and bars; and over 60 operated conference and banqueting facilities, including the Sandton Convention Centre.

Tsogo Sun Hotels is southern Africa's premier hotel group.

As at 31 March 2019, Tsogo Sun Hotels operated, owned and managed portfolio, including associates, comprises 153 hotels with more than 24 900 hotel rooms across all sectors of the market, from luxury to budget with operations in South Africa, Nigeria, Kenya, Tanzania, Zambia, Mozambique, the United Arab Emirates, Seychelles and the United Kingdom, restaurants and bars and over 300 operated conference and banqueting facilities.

OUR GROUP STRUCTURE (POST-UNBUNDLING)



OUR OWNERS

Our key shareholder at 31 March 2019 was Hosken Consolidated Investments Limited, a JSE listed investment holding company which directly and indirectly owned 49.1% of the shares, excluding treasury shares.

The HCI shareholding is of particular importance to the sustainability of the group as it provides the bulk of the 63% broad-based empowered ownership at group level, significantly simplifying our group structure as local empowerment is not required at individual property level, except where specifically required by provincial legislation.

WHERE IT ALL BEGAN

South African Breweries Limited ('SAB Limited') and hotel magnate, Sol Kerzner, partnered to create Southern Sun Hotels ('Southern Sun'), the largest hotel group in the southern hemisphere at the time. Southern Sun commenced operations with six hotels, including the iconic Beverly Hills hotel in Umhlanga Rocks, Durban, and was subsequently involved in the development of many of the most prestigious hotels of the era, including the Cape Sun, Sandton Sun and Sun City.

1969

1983

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

1985

Southern Sun had expanded to 26 hotels. It then acquired the Holiday Inn South Africa hotel group, thereby establishing a countrywide distribution of 49 hotels, in both the upmarket and mid-market segments.

1991

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

1995

Tsogo Sun Holdings Proprietary Limited (as it was then known) ('Tsogo Sun Holdings') was constituted as a bidding consortium between Southern Sun and numerous black empowerment corporates, associations and individuals (via TIH) and the consortium was successful in obtaining five casino licences.

1997 – 1998

The group opened the Emnotweni Casino which in 1997 was the first casino within the new regulated environment in post-apartheid South Africa.

In the following year the group opened The Ridge Casino.

1999

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

Tsogo Sun through the years

2000 – 2002

Montecasino opened during 2000, Hemingways Casino opened during 2001 and the Suncoast Casino and Entertainment World followed in 2002.

During 2002, SABMiller (via SABSA Holdings Limited) and TIH concluded a landmark BBBEE transaction which resulted in TIH acquiring control of Tsogo Sun Holdings, including the hotel business, and the dilution of SABMiller's ownership interest to 49%. HCI first acquired a 10% interest in TIH during 2002 and has subsequently obtained control of TIH.

2009 – 2011

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

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

The group merged with Gold Reef incorporating an additional seven casinos into the group's portfolio – Gold Reef City Casino, Silverstar Casino, Golden Horse Casino, Garden Route Casino, Mykonos Casino, Goldfields Casino and an associate investment in Queens Casino. The group was reverse listed into Gold Reef and subsequently renamed Tsogo Sun Holdings Limited. An additional 16.5% of the shares in the Suncoast Casino were acquired from non-controlling interests, increasing the group's holding to 90%.

2012 – 2013

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

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

2014

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

2015 – 2016

The group acquired 55% of the Hospitality Property Fund B-linked units in anticipation of acquiring a controlling stake in the fund. The expansion of Gold Reef City Casino was completed. The group acquired 26% of International Hotel Properties Limited, a hotel owning company in the United Kingdom. The group acquired a 20% interest in the GrandWest and Worcester casinos. The group acquired an additional two hotels and the 40% shareholding Liberty had in Cullinan. The group acquired a controlling stake in Hospitality Property Fund.

2017

The group acquired Gameco incorporating the VSlots LPM and Galaxy Bingo businesses.

2018 – 2019

50 YEARS OF HOSPITALITY & ENTERTAINMENT

The group investigated various options for unlocking value for shareholders which culminated in the separate listing of the hotel business during June 2019.

GROWTH

INORGANIC

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

Investment activity expenditure
R1.0 billion

ORGANIC

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

	2019	2018	% change
Income (Rm)	**15 955**	13 975	14
Ebitdar (Rm)	**5 562**	5 271	6
Ebitdar margin (%)	**34.7**	37.7	(3.0pp)
Adjusted headline earnings per share (cents)	**188.1**	197.8	(5)
Dividend for the year per share (cents)	**188.0**	102.0	84
Free cash flow (Rm)	**2 320**	1 929	20
Maintenance capital expenditure (Rm)	**942**	675	

SUSTAINABILITY

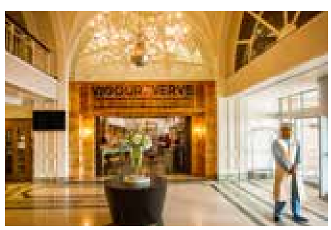
The nature of the shareholders and those to whom economic benefits flow are an important protection

DELIVER TO OUR BENEFICIARIES

Level 1
BBBEE contributor

Black ownership **63%**

R10.0 billion
value added to black economic empowered businesses and government



259 beneficiaries supported through Tsogo Sun Entrepreneurs programme

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

FINANCIAL STRENGTH AND DURABILITY

Net debt:Ebitda
2.7 times

Unutilised net facilities
R3.2 billion

21-month weighted average expiry of debt facilities

47%
of net debt hedged

HOW WE CREATE LONG-TERM SUSTAINABLE VALUE

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

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

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

PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE

25 000
hotel rooms across all market segments

13
casino and entertainment destinations

23 Galaxy sites and
1 144 LPM sites

77%
gaming guest satisfaction

88%
hotels guest satisfaction

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

REGULATORY COMPLIANCE

No significant gaming regulation breaches

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

HUMAN RESOURCES

15 800
direct **employees**
in South Africa

24 200
combined direct and indirect jobs in South Africa

Training spend
7% of payroll

Tsogo Sun Gaming

Strategic priorities

SUSTAINABILITY

DELIVER TO OUR BENEFICIARIES

- Current shareholding, corporate social investment and enterprise development programmes are effective

REGULATORY COMPLIANCE

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

FINANCIAL STRENGTH AND DURABILITY

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

HUMAN RESOURCES

- Adequate resources and skills
- Engaged workforce

PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE

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

GROWTH

ORGANIC

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

INORGANIC

- New projects

Future growth drivers

① **SIGNIFICANT UPSIDE POTENTIAL FROM ECONOMIC RECOVERY**

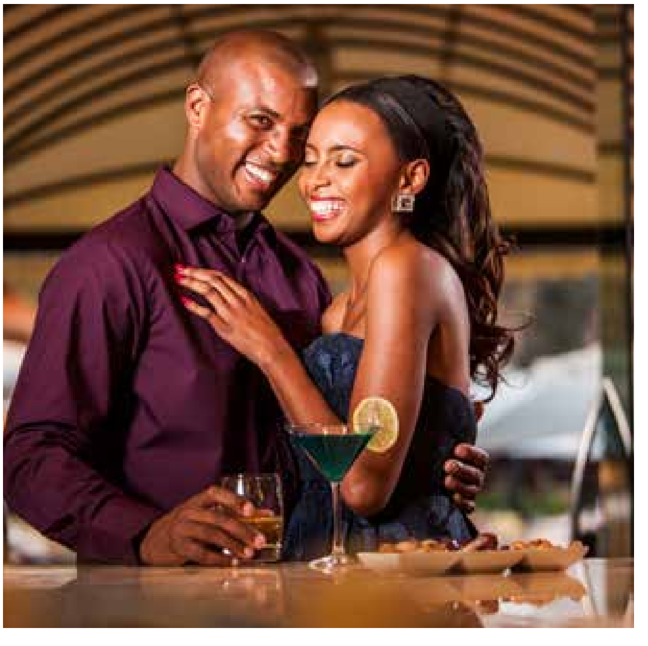
- Growth in gaming win as economy improves
- Focus on costs to protect margins

② **EXPANSIONS/REFURBISHMENTS SHOULD DRIVE ADDITIONAL GROWTH**

- Suncoast expansion and refurbishment completed in December 2018
- Additional licensed positions available at most casinos
- Refurbishment and expansion of bingo sites
- Optimisation of VSlots sites and machines

③ **NEW GAMING OPPORTUNITIES**

- Western Cape metropole/Mpumalanga fourth casino licence
- Potential additional Bingo licences in provinces where it is not yet licensed
- Growth in number of VSlots sites



Tsogo Sun Hotels

Strategic priorities

SUSTAINABILITY

DELIVER TO OUR BENEFICIARIES

- Current shareholding, corporate social investment and enterprise development programmes are effective

FINANCIAL STRENGTH AND DURABILITY

- Judicious use of gearing and adequate facilities
- Own most of our assets through the controlling stake in HPF

HUMAN RESOURCES

- Adequate resources and skills
- Engaged workforce

PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE

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

GROWTH

ORGANIC

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

INORGANIC

- New projects

Future growth drivers

① **SIGNIFICANT UPSIDE POTENTIAL FROM ECONOMIC RECOVERY**

- Growth in Revpar as economy improves through improved occupancies and the resultant rate increase and yielding opportunities
- Focus on costs to protect margins

② **CONTINUED INVESTMENT IN SA HOTELS**

- Property acquisition in HPF
- Management contracts in South Africa

③ **EXPANSION IN OFFSHORE HOTELS**

- Management contracts in Africa and Europe

Strategic review and impact on priorities

STRATEGIC REVIEW

Subsequent to year end, on 14 June 2019, the group unbundled the hotel business and distributed the shares to its shareholders. The hotel business has been separately listed and it is anticipated that this should unlock value for shareholders.

POTENTIAL IMPACT ON STRATEGIC PRIORITIES

Deliver to our beneficiaries

The HCI shareholding post the listing and unbundling was 49% in both Tsogo Sun Gaming and Tsogo Sun Hotels and thus it remains important from a BBBEE perspective. It is intended that the majority of the existing community, supplier development and environmental programmes will continue.

Financial strength and durability

Gearing levels following the listing and unbundling will need to be carefully managed to reduce risk. Tsogo Sun Gaming will be more heavily geared than it has been before as it has taken on the bulk of the group debt due to its strong cash flows and low earnings volatility and it will need to apply cash generated to settling debt. Tsogo Sun Hotels gearing will be lower at listing but due to its scale and the cyclical nature of hotel trading the intention is to initially settle debt.

Product relevance to customer experience

The group will need to continue to invest in the product in order to deliver relevant experiences to our customers. The gaming and hotel customer reward programmes are currently not integrated and thus splitting the businesses will have little impact. Current group branding will be used in both businesses so there should be no impact in the short to medium term.

Regulatory compliance

The split of the group into the two businesses should have no impact on regulatory compliance, which mainly impacts the gaming business.

Human resources

The separate listing of the hotel business should not have a material impact on human resources as most employees naturally fit into either of the operating businesses. In order to retain the efficiencies achieved in the integration of the group over the past few years, some shared services will remain where relevant, at least in the short term.

Organic growth

The separate listing of the hotel business should increase focus within the businesses thus maximising returns in each operating business. There is limited commonality between the gaming and hotel operating company customers and thus no significant revenue issues are anticipated.

Inorganic growth

The separate listing of the hotel business may constrain its growth prospects as it will have limited capacity to debt fund its growth. HPF could, however, acquire hotel properties that the hotel business could operate, either through debt or issuing additional shares. The gaming business will initially be constrained due to its high-gearing levels but as debt reduces to a manageable level it will be able to fund growth through cash flows or additional debt where it is anticipated that the returns are preferable to distributing the majority of its cash through dividends.

Business model

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

INPUTS

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

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

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

Intellectual capital
- Brands
- Proprietary knowledge
- Systems and procedure

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

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

ACTIVITIES AND PROCESSES

Continuing operations – Tsogo Sun Gaming

CASINO 14

Core business
Owns, leases and operates gaming and entertainment complexes across South Africa

Key market differentiator
Integrated gaming and entertainment complexes primarily located in urban areas

- Customer experiences
- Promotions
- Customer rewards

- Licences
- Taxes

GAMING/ENTERTAINMENT AND HOTEL COMPLEXES

Regulators 62

Investors 47

Customers
Individuals 58

Partners
Tenants
Landlords
Operators
Suppliers 50

- Customer experiences
- Promotions

- Customer experiences
- Promotions

- Licences
- Taxes

BINGO 16

Core business
Owns, leases and manages EBT sites across South Africa

Key market differentiator
Wide geographic distribution of convenient gaming sites

LIMITED PAYOUT MACHINES 16

Core business
Manages LPM sites across South Africa

Key market differentiator
Wide geographic distribution of convenient gaming sites

74 GOVERNANCE

20 REGULATORY ENVIRONMENT 21 ECONOMIC ENVIRONMENT 21 INDUSTRY EXTERNAL ENVIRONMENT

Discontinued operations – Tsogo Sun Hotels

HOTELS 18

Core business
Owns, leases and manages hotels

Key market differentiator
Wide geographic distribution of quality budget to luxury hotel properties

HOTELS

Leases

Community
Corporate social investment
47

Third-party owners
50
- Management services
- Leases

Customers
Corporates
Government
Individuals
58
- Sales
- Web
- Customer rewards
- Tour operators
- Distribution channels
- Customer experiences

PROPERTY 18

Core business
Owns and leases hotels

Hospitality PROPERTY FUND

OUTPUTS

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

14 ***Gaming***
- Slots
- Tables
- Electronic bingo terminals ('EBTs')
- Limited payout machines ('LPMs')
- Restaurants
- Bars
- Events
- Theatres
- Retail
- Conferencing
- Cinemas
- Theme parks
- Entertainment

18 ***Hotels***
- Accommodation
  - Luxury
  - Full service
  - Select service
  - Budget
- Restaurants
- Bars
- Conferencing

Environmental and social impacts

- 51 Energy consumption
- 52 Water consumption
- 52 Waste
- 49 Social impact

Outcomes linked to strategic priorities

47 **Deliver to our beneficiaries**
- Stakeholder engagement
- Flow of economic benefits to:
  - Community
  - Socially beneficial organisations
- Returns to investors
- Taxation contribution to economy
- Environmental impact
- Transformation

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

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

62 **Regulatory compliance**
- Licence to trade

63 **Human resources**
- Job creation
- Employee engagement
- Employee development
- Employee wellness
- Employment equity

67 **Organic growth**
- Profit
- Improved margins
- Cash flow

72 **Inorganic growth**
- Capacity increases
- Developments and acquisitions

23 **TECHNOLOGY** 23 **CONSUMER PREFERENCES** 24 **SOCIETAL ISSUES** 24 **ENVIRONMENTAL ISSUES**

Tsogo Sun casino gaming

FOOTPRINT

	Ownership %	Tables	Slots	Hotel rooms	Group revenue contribution %	Group Ebitdar contribution %
		as at 31 March 2019				
Montecasino	100	83	1 700	619	17	21
Suncoast	100	71	1 847	165	11	13
Gold Reef City	100	51	1 600	113	9	10
Silverstar	100	31	900	34	4	4
Golden Horse	100	22	450	96	3	3
Emnotweni	100	19	425	224	2	2
The Ridge	100	19	436	175	2	3
Hemingways	65	16	507	108	2	2
Garden Route	100	12	412	43	2	2
Mykonos	100	6	320	–	1	1
The Caledon	100	8	318	95	1	1
Blackrock	100	10	300	80	1	1
Goldfields	100	9	250	–	1	1
Other gaming operations	100				1	2
Total 2019		**357**	**9 465**	**1 752**	**58**	**61**
Total 2018		342	9 240	1 752	65	65

Ebitdar is stated pre-internal management fees
Other gaming operations consist of the Sandton Convention Centre, head office and corporate costs and dividends from the GrandWest and Worcester casinos

KEY FEATURES

The casino gaming division's preference is to wholly own its operations thus creating a clearer, simpler operating structure. Empowerment shareholding is achieved at the holding company level, enabling the group empowerment shareholders to participate in all casino operations. The only exception is in the Eastern Cape where the licence conditions require local provincial-based empowerment ownership where the group has minority shareholders in Hemingways at 35%. In addition, the group has a 20% equity interest in the GrandWest and Worcester casinos which are operated by Sun International.

The sale and lease back of the casino properties proposed in the prior year is no longer being considered and security of tenure over the properties which is critical will be retained through whole ownership in most of the casino precincts.

The gaming and entertainment complexes are primarily located in urban areas and are the entertainment hubs for the communities they serve. The businesses are thus embedded within the local communities and their success is inextricably linked to the economic wellbeing of that community.

Along with the creation of local jobs and the payment of taxes, the group seeks to stimulate local enterprise and support economic development, collaborate with provincial and national government and others on shared challenges – all essential to our ongoing ability to trade.

Significant focus is placed on the nature and quality of the facilities and experiences offered at each gaming and entertainment complex. With the vast majority of customers being locally based regular customers, an important component of our operating model is to ensure the properties remain fresh, attractive and interesting to visitors on an ongoing basis.

Management of mutually beneficial relationships with quality restaurant, retail and entertainment tenants is key to retaining footfall at our properties against other leisure offerings.

The customer rewards programme in the gaming division rewards customers with status, benefits and recognition. The rewards programme is important as 80% of gaming revenue is contributed by active reward club members.

Compliance with gaming regulations is critical to the retention of the casino licences and is discussed in the regulatory compliance section on page 62.

Gauteng

Fourways
MONTECASINO

Johannesburg
Gold Reef City

Krugersdorp
SILVERSTAR

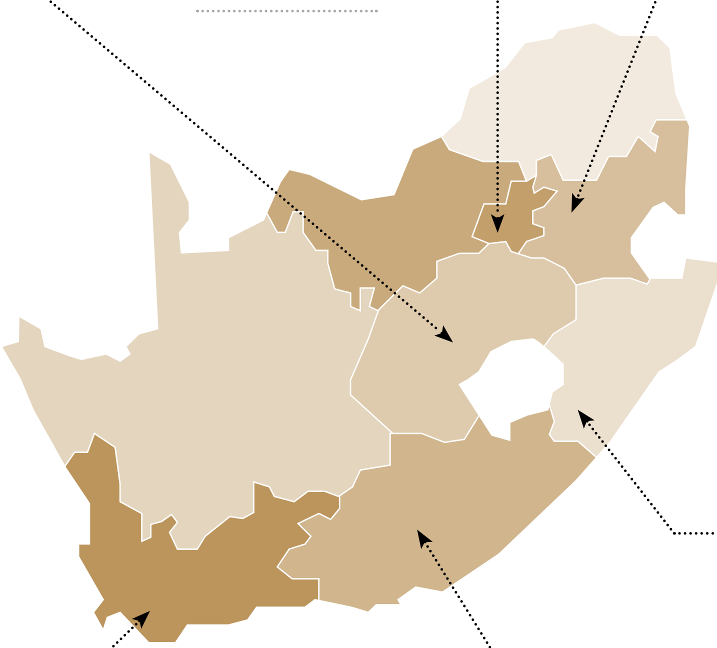
Free State

Welkom
GOLDFIELDS

Mpumalanga

Mbombela
EMNOTWENI

eMalahleni
THE RIDGE



KwaZulu-Natal

Durban
SUNCOAST

Pietermaritzburg
GOLDEN HORSE

Newcastle
BLACKROCK

Western Cape

Caledon
The Caledon

Mossel Bay
GARDEN ROUTE

Langebaan
MYKONOS

Eastern Cape

East London
HEMINGWAYS

Galaxy Bingo and VSlots limited payout machines

FOOTPRINT

	as at 31 March 2019				as at 31 March 2019		
	Galaxy EBT sites	Galaxy Casino site	Galaxy ISO site	Galaxy gaming win contribution %	VSlots sites	VSlots machines	VSlots gaming win contribution %
Gauteng	4	–	–	36	146	693	9
Eastern Cape	6	–	–	25	102	895	13
Western Cape	–	–	–	–	194	895	27
KwaZulu-Natal	4[(2)]	–	–	11	244	1 086	19
Limpopo	3[(3)]	–	–	10	143	857	13
Mpumalanga	2	–	1	7	117	589	9
North West	2	–	–	7	79	534	4
Free State	–	–	–	–	90	374	4
Northern Cape	–	1[(4)]	–	3	29	135	1
Total 2019	**21**	**1**	**1**	**100**	**1 144**	**6 058**	**100**
Total 2018	20	–	1		1 113	5 894	

	Group revenue contribution %	Group Ebitdar contribution %
Total 2019	**15**	**12**
Total 2018	4[(1)]	5[(1)]

(1) *Group revenue and Ebitdar contribution included from 20 November 2017*

(2) *Operating as a bingo site and includes LPMs*

(3) *A bingo site was opened in Tzaneen during April 2018*

(4) *The acquisition of the Grand Oasis Casino in Kuruman was subject to the approval of the Northern Cape Gambling Board and was not included at 31 March 2018 Approval was received and the casino acquired on 15 June 2018*

KEY FEATURES

Galaxy Bingo

Galaxy offers bingo through EBTs and operates the Grand Oasis Casino located in Kuruman, Northern Cape. During each of the 2017 and 2018 financial years four new bingo sites opened with one site opening during the 2019 financial year in Tzaneen during April 2018. As at 31 March 2019, Galaxy operated and managed 23 sites including 17 bingo sites with EBTs, four sites with EBTs and LPMs, one ISO with 40 LPMs and one casino. Machines under management include 3 507 EBTs (2018: 2 900), 200 LPMs (2018: 200) and 162 casino gaming positions (2018: 154). During the year electronic bingo was rolled out at the four KwaZulu-Natal sites that previously offered LPMs and paper bingo. Post-year end, during April 2019, an additional site with EBTs and LPMs opened in Pinetown.

There are an additional two licences in KwaZulu-Natal that are not yet operational. Numerous court cases that may impact the bingo licences in KwaZulu-Natal, Eastern Cape and North West remain pending.

Empowerment shareholding is at a site level which provides access to the licences and the group holds interests of between 29% and 100% in each site and runs the operations of all sites.

The bingo sites and the associated food and beverage outlets operate mainly in leased premises at shopping centres.

The majority of the EBTs are leased and these are being replaced with owned machines where appropriate.

VSlots

VSlots offers LPM gaming services and manages 6 058 (2018: 5 894) LPMs at 1 144 sites (2018: 1 113) throughout all the provinces of the country. The sites are located in pubs, bars, clubs, hotels, taverns and bookmakers and the group provides the sites with access to LPMs with a full support structure. The sites are monitored by a national central electronic monitoring system to maintain a well-regulated gaming industry for site owners and their customers.

Growth is achieved through the roll out of additional sites and the optimisation of existing sites in terms of location and product mix. There are significant barriers to entry, including the stringent requirements and time delays in obtaining the necessary licences and a limited number of licences are available for each province.

North West

Galaxy

Brits
Moruleng

VSlots

534 LPMs

Gauteng

Galaxy

East Rand Mall
Greenstone
River Square
The Marco Polo

VSlots

693 LPMs

Limpopo

Galaxy

Bochum
Musina
Tzaneen

VSlots

857 LPMs

Mpumalanga

Galaxy

Hazyview
Nelspruit[(1)]
Tonga

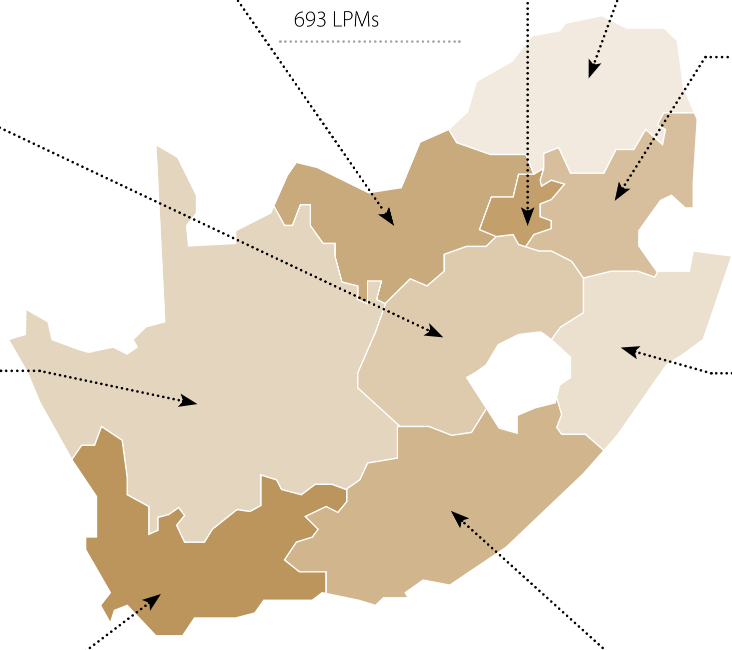
VSlots

589 LPMs

Free State

VSlots

374 LPMs



Northern Cape

Galaxy

Grand Oasis Casino

VSlots

135 LPMs

KwaZulu-Natal

Galaxy

Amanzimtoti[(2)]
Gateway[(2)]
Pavilion[(2)]
South Coast Mall[(2)]

VSlots

1 086 LPMs

Western Cape

VSlots

895 LPMs

Eastern Cape

Galaxy

Butterworth
Gonubie
King William's Town
Ngcobo
Port Elizabeth
Uitenhage

VSlots

895 LPMs

(1) Operating as an ISO (40 LPM site)
(2) Operating as a bingo and LPM site

Tsogo Sun hotels

NORTHERN CAPE	WESTERN CAPE	EASTERN CAPE
Kimberley	Cape Town	East London
	Caledon	Mthatha
	Hermanus	Port Elizabeth
	Mossel Bay	
	Plettenberg Bay	
	Beaufort West	

LUXURY BRANDS

FULL SERVICE BRANDS

SELECT SERVICE BRANDS

BUDGET BRANDS

KEY FEATURES

The hotel group owns, leases and manages hotels in South Africa as well as several sub-Saharan countries, the Seychelles and Abu Dhabi. It holds a majority interest in HPF which will remain consolidated and which provides scale to the hotel group. It also holds a minority investment in RBH and IHPL, based in the United Kingdom. It operates the hotels that have been developed as part of the various casino complexes owned by the casino gaming division under management agreements.

The components of the hotel business are land, buildings, operations, management and brand. The unbundling of HPF proposed in the prior year is no longer being considered and thus in South Africa the portfolio philosophy would remain to control the components of the business through majority ownership of the properties rather than through secure lease tenures.

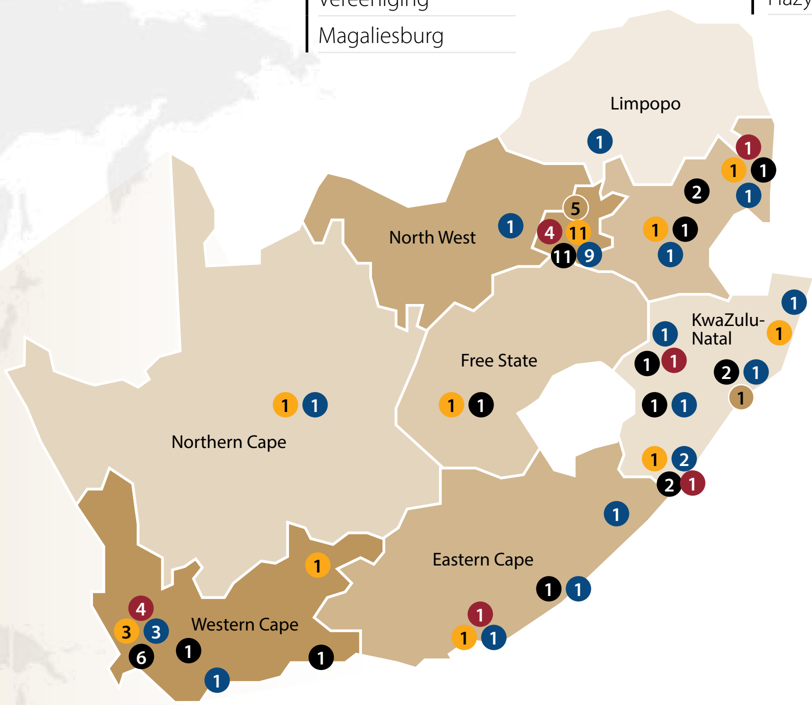
In South Africa the hotel group will only manage operations for third parties if they are strategically important (due to partner requirements or location) and where there is no option to own or lease. The hotel group will manage operations for third parties offshore as this is a low-risk option to enter new markets and operate hotels as a franchisee where necessary due to brand differentiation requirements but are not a franchisor of its brands. In addition, the division seeks to access new hotel opportunities through a variety of management contracts or new builds (on its own or via joint ventures), primarily within the markets that it already operates.

Tsogo Sun Hotels' key differentiator in South Africa is its wide distribution of quality, budget through to luxury, hotel products. In addition to quality product, consistent exceptional guest experience remains the focus at all of the hotels to differentiate in an often commoditised industry.

The majority of Tsogo Sun Hotels' occupancy depends on the business traveller, government and group and convention markets. Relationships with key customers and travel intermediaries, and access to the correct distribution networks, are critical in driving both occupancies and average room rates throughout the hotel division.

The customer rewards programme in the hotel division is important as 35% of hotel revenue is contributed by active reward club members.

FREE STATE	NORTH WEST	GAUTENG	LIMPOPO	MPUMALANGA	KWAZULU-NATAL
Bloemfontein	Rustenburg	Johannesburg	Polokwane	Mbombela	Durban
		Pretoria		eMalahleni	Pietermaritzburg
		Vereeniging		Hazyview	Newcastle
		Magaliesburg			Winterton
					Umhlanga
					Richards Bay
					Ulundi



INTERNATIONAL MARKETS

- 9 34 **United Kingdom**
- 1 **Nigeria** Lagos
- 2 1 **Zambia** Lusaka and Kitwe
- 1 2 **Mozambique** Maputo and Tete
- 1 **Tanzania** Dar es Salaam
- 1 **Kenya** Nairobi
- 2 **Seychelles** Mahé and Praslin
- 1 **UAE** Abu Dhabi

FOOTPRINT

as at 31 March 2019

	Owned/leased		Managed		Total		Group revenue contribution	Group Ebitdar contribution
Tsogo Sun operated	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	%	%
Luxury	3	410	3	695	6	1 105	1	1
Full service	27	5 524	4	854	31	6 378	12	8
Select service	25	4 563	2	516	27	5 079	7	8
Budget	22	1 741	–	–	22	1 741	1	2
South Africa	77	12 238	9	2 065	86	14 303	21	19
Offshore	8	1 162	4	746	12	1 908	4	3
Total 2019	**85**	**13 400**	**13**	**2 811**	**98**	**16 211**	**25**	**21**
Total 2018	84	13 276	12	2 588	96	15 864	28	23
Third-party operated								
HPF owned	12	2 635			12	2 635	2	5
IHPL owned[(1)]	9	1 143			9	1 143		
Redefine BDL managed[(1) (2)]			34	4 961	34	4 961		
Total 2019	**106**	**17 178**	**47**	**7 772**	**153**	**24 950**	**27**	**27**
Total 2018	105	17 046	74	11 223	179	28 269	31	30

[(1)] *Equity accounted and thus not included in revenue and Ebitdar*
[(2)] *Excludes five hotels (757 rooms) managed on behalf of IHPL*

The environment within which we operate

REGULATORY

The South African regulatory environment continues to become more complex with the ongoing introduction of new legislation, rulings, practices and policies.

Gaming

Gaming legislation remains the gaming group's primary compliance focus, although this regulatory framework is well entrenched and remains relatively stable. The main regulatory areas of risk and opportunity are potential amendments to smoking legislation, regulations regarding the maximum number of casino licences granted nationally, Gauteng provincial gaming taxes, national gambling tax, amendments to casino licensing conditions, the proliferation of new bingo licences, legal challenges to the awarding of bingo licences and the relocation of casino licences to the Western Cape metropole.

During May 2018 the Minister of Health published a draft amendment bill prohibiting smoking in public places. The total ban on smoking in public places had a significant short-term impact on gaming win in other countries where it has been implemented, although the impact in South Africa may not be as severe due to the strict smoking restrictions that are already in place. No further developments have taken place.

Following the approval by cabinet of the National Gambling Policy in October 2015 the Minister of Trade and Industry published his intention to increase the number of casino licences from 40 to 41 to include an additional licence in the North West province and it was proclaimed in the *Government Gazette* during June 2016. The additional licence was challenged by CASA. Judgment was in favour of the Minister of Trade and Industry. CASA's appeal was dismissed, as was its petition to the Supreme Court of Appeal for leave to appeal. CASA has appealed to the Constitutional Court.

During May 2018 the Gauteng Department of Economic Development published a revision of the casino tax regime for comment where the current fixed rate of 9% would be replaced with a sliding scale with a maximum marginal rate of 15%. CASA objected to the proposed increase due to, among others, its procedural illegality, gross unfairness and excessive nature. An amended version of the regulation was then published in January 2019. CASA launched a review application to set aside the amendments to the regulations. The provincial government withdrew the regulations so as to enable it to start a fresh process to consider the possible increase of gaming levies.

The 2012 national budget proposal of a 1% gambling tax was revived in the 2019 budget presented by the Minister of Finance with an indication that draft legislation will be published for public comment during 2019.

Various gaming boards are attempting to impose the achievement of a prescribed contributor status as a licence condition. The gaming group remains committed to enhancing its BBBEE credentials in every commercially reasonable way and is currently a level 1 contributor measured against the revised codes of good practice – tourism sector scorecard. The group, however, cannot expose its licences to moving targets due to the uncertainty and the extent to which the levels to be achieved are moved out of the group's control, and will continue to challenge the decisions.

During 2018 the Gauteng Gambling Board issued a draft request for proposal for comment for an additional 14 licences of 300 EBTs each. The maximum number of bingo licences is currently not regulated by the National Gambling Act which may result in the uncontrolled proliferation of licences by the provincial gambling boards which would not be good for the bingo industry.

Numerous legal challenges to the award of bingo licences in KwaZulu-Natal, the Eastern Cape and the North West continue and the outcome remains uncertain.

During February 2018 the Western Cape provincial treasury published a draft bill and regulations to permit the relocation of two outlying casinos to within the metropole. Due to a lack of any further progress the group lifted the suspension of its High Court application to declare the policy limiting the metropole to one casino licence of no force and effect and to declare the board competent to consider a relocation application, and it will continue to pursue the opportunity.

The gaming industry in South Africa is highly regulated, both at national and provincial level, and thus, unlike the hotel industry, has high barriers to entry. The National Gambling Act sets the broad framework for the licensing and regulation of gambling in South Africa, and each province has its own legislation relating to casinos, gambling and wagering. The National Gambling Act currently limits the number of casino licences that may be granted to 41 for South Africa as a whole.

The table below sets out details in respect of the number of casino licences in South Africa which are authorised to be issued, have been issued and are available to be issued:

Province	Authorised to be issued	Issued	Tsogo	Available
Gauteng	7	7	3	–
Eastern Cape	5	5	1	–
Western Cape	5	5	3	–
Mpumalanga	4	3	2	1
Limpopo	3	3	–	–
Northern Cape	3	3	–	–
Free State	4	4	1	1(1)
North West	5(2)	4	–	1(2)
KwaZulu-Natal	5	5	3	–
Total	**41(2)**	**39**	**13**	**3**

(1) *One of the existing licences will lapse upon the issue of the one available licence*
(2) *The dti intends to permit the award of an additional licence*

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

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

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

The National Gambling Act does not currently limit the number of gaming licences except for casinos.

ECONOMIC ENVIRONMENT

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

Global economic conditions have improved with economic growth across both the developed and emerging markets, although trade tensions and Brexit uncertainty increase volatility. South African-specific political, social and economic issues have constrained investment in the country relative to other emerging markets. The Rand weakened during the year as positive sentiment faded following the favourable political developments during December 2017, and this may result in an increase in interest rates and inflation which would not assist the current weak levels of economic growth. Business confidence is at record low levels, particularly due to energy supply concerns, political uncertainty, the land reform debate, low levels of economic growth and high levels of household debt. Above inflationary increases in municipal rates, electricity and water, in addition to the costs of mitigating the supply constraints, had an impact on both businesses and the consumer and consumer spending remains at low levels.

The underlying operations of the group remain highly geared towards the South African consumer (in gaming) and the corporate market (in hotels). The weakening of the Rand mainly impacts the capital cost of gaming machines and the translation of the income statement of the hotels outside South Africa.

The factors noted above mainly impact the group indirectly due to their impact on the consumer, corporate and government markets and have manifested in significant monthly trading volatility and reduced levels of growth over the past six years.

INDUSTRY

Gaming

A gaming industry has existed in South Africa since it was partially legalised in the independent homelands during the 1970s. Following the introduction of the current regulatory framework in South Africa during the late 1990s, the industry was formalised and operates in line with global best practice. The formalisation of the industry has provided substantial benefits to the country through the collection of taxes and levies, the development of gaming and entertainment complexes, hotels and tourism infrastructure including roads, the creation of employment, CSI initiatives and transformation.

The South African formal gaming market is made up of casinos, sports betting, LPMs and bingo, and generated annual revenues of approximately R29 billion during the 2018 financial year. In addition the national lottery generates revenues of approximately R3 billion.

The casino market reflected double-digit growth until 2008 when the impact of the global recession slowed growth. The industry proved to be resilient and although growth slowed to low single digits it never went significantly negative. Growth from 2010 has lagged nominal GDP but is expected to accelerate when economic conditions improve. Gaming taxes and levies vary by province on either fixed or sliding scales and average 22% of gaming win including non-recoverable VAT on gaming win.

Casino gaming accounts for approximately 66% of the gaming market and Tsogo Sun Gaming has a revenue share of 47% in the six provinces in which it operates and 42% nationally. As a result of their geographic distribution, casinos in South Africa mainly compete with providers of other leisure and entertainment activities for patronage, such as shopping centres, restaurants, sporting and concert venues, rather than with other casinos. Casinos operate in different markets, each with its own catchment area. The table below sets out the group's estimate of its share of the total casino gaming win per province:

	For the year ended 31 March 2019	
	Total casino gaming win Rm	Group share of total casino gaming win %
Gauteng	**8 262**	**48**
KwaZulu-Natal	**3 595**	**58**
Western Cape	**3 006**	**35[(1)]**
Eastern Cape	**1 175**	**20**
Mpumalanga	**735**	**80**
Free State	**471**	**28**
Other	**1 716[(2)]**	**–**
Total	**18 961**	**42**

(1) *The group's effective share of the Western Cape's casino gaming win includes 20% of the SunWest and Worcester casinos*
(2) *Estimated as the statistics are not available from the gaming boards*

LPMs continue to show double-digit growth and above inflationary growth is expected to continue until optimisation is complete. LPMs are principally located in bars, clubs, hotels, taverns and bookmakers. LPMs account for approximately 10% of the broader gambling market and growth will be driven by the roll out of additional sites and by the optimisation of individual site locations and machine mix within sites.

Bingo has shown strong double-digit growth which is expected to continue until the sites potential matures. Bingo accounts for approximately 4% of the broader gambling market and growth will be driven by expansion and improvement. Galaxy Bingo operates in six provinces.

Sports betting and horse racing make up approximately 21% of the broader gambling market and growth in sports betting is strong.

Online gaming remains illegal in South Africa and there is no indication as to when enabling legislation will be implemented.

Illegal land-based gambling sites are impacting casino, bingo and LPM revenues and impact government through reduced taxes and society through lost employment opportunities, reduced CSI initiatives, reduced economic growth and impaired consumer protection. Closing down illegal operators remains a significant challenge and more effort is required from the gambling board, dti, SARS, law enforcement agencies and banking institutions in stopping illegal gambling transactions and raiding and closing down illegal land-based sites.

The proliferation of both licensed outlets and illegal sites could negatively impact the gaming industry through negative perceptions created by widespread access to gambling. What remains of concern to the EBT industry is if the roll out of licensed EBT outlets is on an uncontrolled basis and if the maximum bet and maximum payout limits for LPMs were substantially increased.

Hotels

Following the first democratic elections in 1994 the demand for hotel rooms grew rapidly and rooms sold by the group grew by more than 6% per annum between 1994 and 1999. The market responded to the increased demand through the construction of new hotels but demand growth continued to exceed the growth in supply until 2008 with occupancies and average room rates continuing to rise. During 2008, the impact of the global recession constrained demand but construction of new hotels continued until the 2010 FIFA World Cup™ as the projects were already in progress. Market occupancies fell from 72% in 2007 to 53% in 2011 due to the combination of constrained demand and increased supply. Demand has subsequently grown, and with little growth in hotel supply, market occupancies have been recovering since 2011 but stagnated at around 64% from 2016 to 2018 and have dropped to 62% in 2019, mainly as a result of weaker trading in the Western Cape.

The fiscal austerity measures implemented by government remain in place, although government business is increasing, albeit at sub-optimal average room rates.

The visa requirements for the collection of biometric data and in-person applications, which constrained growth in prior years, has largely been resolved but the unabridged birth certificate issue remains for guests travelling with minors, although there are indications that further changes will be made.

International demand, particularly in Cape Town, remained strong until December 2017, but has subsequently been adversely impacted by the handling of the water situation in Cape Town and this adversely impacted the market in the short term. In addition, five new hotels opened in Cape Town during the prior year which placed additional pressure on the market despite the weakening of the Rand during the year offering value to international travellers. Trading in the majority of the rest of the country remains relatively flat on the prior year, with little additional hotel supply being added to the market.

Online booking channels such as Airbnb provide access to non-hotel accommodation which adds additional supply to the market that may otherwise have been provided by traditional hotels. We anticipate however, that demand will continue to grow and that additional supply will again be added to the market as occupancies approach 70%.

Tsogo Sun Hotels has a strong presence throughout South Africa and has a broad portfolio of hotels, particularly in urban centres. Of the approximately 150 000 hotel, bed and breakfast, and guesthouse rooms available in South Africa, the formal hotels contributing statistics to STR Global make up approximately 30% of the total market, with 52 339 rooms available as at 31 March 2019. The group's share of the formal market rooms available is approximately 22% for hotels that the group operates and 27% for hotels that the group owns, including HPF, and the group thus benefits from a significant presence in the South African hospitality industry and is the only hotel group in South Africa with wide distribution across all grading levels.

Trading in the majority of the African cities where Tsogo Sun Hotels operate outside South Africa remained remarkably resilient through the economic downturn mainly due to limited supply of good quality hotels. Trading between the 2015 and 2019 financial years was, however, significantly impacted by the Ebola pandemic, security concerns and more recently a weaker market attributable to the negative impact of lower commodity prices and the resultant weakening of local currencies. In the medium term it is expected that many African countries will experience strong economic growth which will drive the demand for, and supply of, new hotels but in the short term tough trading conditions are anticipated. The markets are small and the addition of a new hotel has a more significant impact on the market. It remains challenging and expensive to acquire land and build hotels in many countries in Africa which constrains supply.

TECHNOLOGY

The use of technology is important in both the gaming and hotel businesses to deliver relevant experiences to customers and to drive business efficiencies. Key technology areas are casino management, hotel property management and hotel booking and reservation systems to enable the business, customer relationship management to provide relevant benefits and rewards to customers, business intelligence to drive efficiencies and digital platforms to interact with and provide connectivity to customers.

Technology remains a key business enabler for the group and technology operating models continue to evolve and require ongoing evaluation and investment. The key areas of priority include the ways in which we work and interact with customers (including touch points and adding value to their journey), making resources more productive, and deploying relevant technology more rapidly. Significant emphasis will continue to be placed on analytics, business intelligence and digital platforms.

Technology trends most relevant to our industry being:

- availability of robust broadband;
- advanced and secure mobile functionality for transacting and communication (customers and operational staff);
- integrated tools to ensure customers are rewarded equitably based on spend/value;
- improving staff productivity and reducing costs; and
- more cost-effective IT business models.

CONSUMER PREFERENCES

In order for gaming and hotel businesses to deliver quality experiences, facilities and services must be relevant to what customers want and are prepared to pay for. Consumer preferences range from the technology preferences noted previously to the look and feel of the physical product, the location of buildings, concepts of restaurants and bar offerings, types of entertainment and travel patterns. Public recognition of brands and their associated reputation are important in attracting and retaining customers.

SOCIETAL ISSUES

The weak economic environment, along with political factors and energy supply concerns, continues to fuel disruption and uncertainty which discourages investment and impacts the high-unemployment level and low-growth rate in South Africa. The impact of labour disruptions in the gaming and hotel businesses in the markets in which the group operates is limited due to the high level of employee engagement and the location of the majority of the properties in urban areas. The group is, however, indirectly impacted through the adverse effect on the economy. The run up to the 2019 elections resulted in disruption but it is hoped that following the outcome there will be more certainty and growth may return to the country.

The gaming industry is exposed to anti-gaming sentiment, which increases the risks of excessive taxation and regulation. The reality, however, is that issues such as problem gambling are well managed and are substantially exceeded by the benefits in the highly regulated industry through significant tax contributions, infrastructure development, creation of employment, wealth distribution to black economic empowered businesses and PDI shareholders and social investment in the communities that are served. These benefits are, however, not provided by illegal land-based or online gambling sites and more effective policing and prosecution is required to achieve the benefits. In addition, the illegal sites are not regulated and the issues of problem gambling and the proliferation of gambling is not controlled.

ENVIRONMENTAL ISSUES

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

Although customer choices are not yet significantly impacted by environmental performance, behavioural changes are being driven by social responsibility. The environmental focus areas are the reduction of consumption through innovative physical property and behavioural changes and the responsible management of the supply chain and waste.

The greater challenges to the gaming and hotel industries currently are the rising utility costs and uncertainty of the current supply of energy and particularly the future supply of water. The severe drought and water shortages in the Western Cape was a significant challenge, and while the group's hotels are prepared for water supply interruptions through reverse osmosis plants, boreholes, water treatment plants and sufficient storage capacity, there was no practical solution in the event of no water availability in the region and this risk must be addressed by provincial or national government.

Our capitals

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

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

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

CAPITALS	UTILISATION OF THE CAPITALS	REFERENCE	
Financial	Our ability to generate cash flows as well as access to well-priced debt and equity funding determines our ability to fund organic and inorganic growth.	CFO's review Financial strength and durability	35 40
Social and relationship	Quality relationships with our key stakeholders is vital to the long-term sustainability of Tsogo Sun. Popular misconceptions about the gaming industry within which Tsogo Sun operates can significantly impact the group's reputation and value generation ability. Building trust and credibility with our key stakeholders is key to retaining our social and regulatory licence to operate.	Key relationships Deliver to our beneficiaries Regulatory compliance	30 47 62
Manufactured	Significant focus is placed on the quality of the facilities and experiences offered at each of Tsogo Sun's sites. To remain relevant a variety of quality experiences must be provided at appropriate price points across all market segments. Our integrated gaming and entertainment complexes are primarily located in urban areas and our hotels have a wide geographic distribution which are key to the group's competitive advantage. Significant spend is continuously invested into developing and maintaining our properties to keep them relevant and fresh.	Gaming and hotel footprints Product relevance to customer experience Organic and inorganic growth	14, 16, 18 58 66
Intellectual	Our Tsogo Sun brands underpin the quality experiences of our customers. We are consistently striving to innovate our physical product, technology, accessibility and brands to remain relevant to our customers. Our intellectual capital is largely driven by our people, processes and systems, market intelligence and specialist business partners.	Product relevance to customer experience	58
Human	People are at the core of delivering the Tsogo Sun experience, both front and back of house. A pool of qualified, trained and talented people is required to deliver these experiences, supported by empowered management and relevant support services. Employee development and engagement remain focus areas to ensure we attract and retain the highest calibre of people to drive our strategy.	Human resources	63
Natural	Our utilisation of natural capital is predominantly driven by our requirement for optimally located properties upon which we have instituted property-specific environmental management systems focused mainly on energy, water, waste management and responsible procurement.	Deliver to our beneficiaries	47

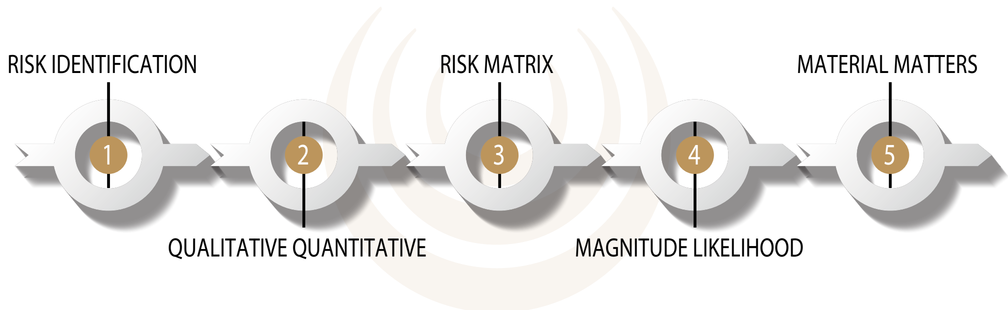
Materiality, material risks and opportunities

DETERMINATION OF MATERIALITY

The matters included in our integrated annual report are principally aimed at providers of financial capital in order to support their financial capital allocation assessments. The interests of the providers of financial capital are, however, largely aligned with other key stakeholders in that they also are focused on the creation of value in the long term.

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

The assessment of the magnitude of the impact and the likelihood of the occurrence of the group's top risks and opportunities included below informed the identification and prioritisation of the material matters for inclusion in the integrated annual report. The matters identified were compared with those being reported on by organisations in the same or similar industries to ensure that relevant matters have not been excluded from the report.

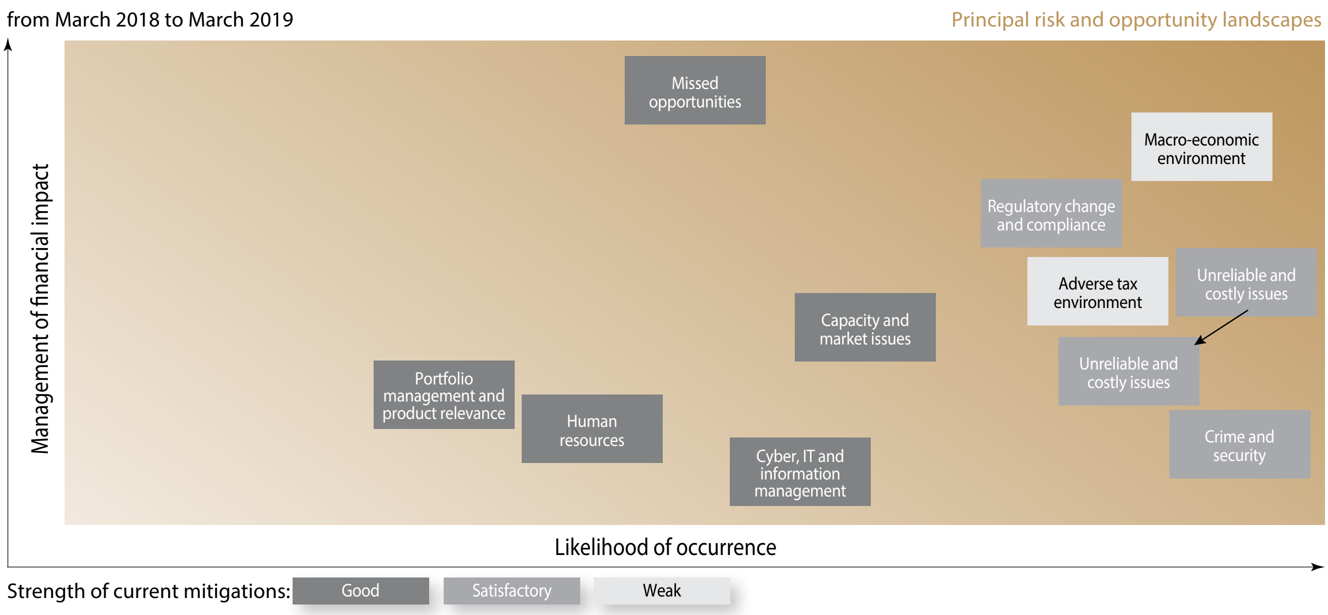


MATERIAL RISKS AND OPPORTUNITIES

The risk management process followed in identifying the group's top risks and opportunities is included on page 84. The matrix reflecting the assessment of movement in the magnitude of the impact and the likelihood of the occurrence of the group's top risks and opportunities over the year is noted below. The specific risks and opportunities within each risk landscape (in order of assessed residual risk), their potential impact and the group's risk responses are noted on pages 28 and 29.

TSOGO SUN GROUP RISK AND OPPORTUNITY LANDSCAPE MOVEMENT

from March 2018 to March 2019



PRINCIPAL RISK LANDSCAPES	Specific risks we face	Potential impact
Macro-economic environment	• Growth negatively affected by macro-economic factors • Concentration of operations in South Africa • Increased funding costs due to ratings downgrade • International geopolitics impact the economy • Constrained growth in government travel • Resources cycle in offshore operations	• Lower revenue growth and profitability • Increased funding costs
Regulatory change and compliance	• Additional casino licences or relocation of existing casino licences • Policy uncertainty • More aggressive regulatory authorities • Smoking legislation • Changes in casino licensing conditions • Bingo legislative issues and legal challenges • Changing BBBEE requirements • Increased complexity of compliance, eg POPI, CPA and FICA • Loss of casino licences	• Lower revenue, higher costs and reduced profitability • Uncertain operating environment resulting in frozen investment spend
Adverse tax environment	• Potential increased national and provincial gaming taxes • Aggressive tax authorities • Increase in personal taxes • Increased rates and property taxes • Possible additional VAT increases	• Reduced profitability • Uncertain operating environment resulting in frozen investment spend • Increased cost of compliance
Portfolio management and product relevance	• Product relevance in target markets • Increase in maximum bet and maximum payout limits at LPM sites • Customers choose other leisure options • Technology and social trends • Lack of maintenance leading to obsolete product	• Reduced income and profitability • Obsolete hotel stock • Reduced footfall and customers and thus gaming win • Disruption to operations and reduced profitability
Capacity and market issues	• Fixed cost nature of the business • Shareholder distrust negatively impacting share price • Proliferation of illegal gambling • Security of tenure on leases and management contracts • Ability to manage booking channels including OTAs and Airbnb • Hotels oversupply in certain markets • Locations of EBTs infringing on casinos	• Lower revenue growth and profitability
Missed opportunities	• New gaming opportunities • Investments in expansion not yielding expected returns • Hotels opportunities, local and offshore • Ineffective integration of acquired businesses • Optimising loyalty programmes	• Lower revenue growth and profitability • Missed revenue opportunities • Wasted investment
Human resources	• Employment equity challenges at senior levels • Changes in labour legislation • Unrealistic expectations, social pressure and/or unresolved industrial relations issues leading to violent strikes and unrest • Limited pool of qualified, trained and talented staff • Lifestyle diseases, including HIV/Aids, hypertension and diabetes	• Failure to meet BBBEE targets • Reduced customer satisfaction, disruption to operations and reduced profitability • Work stoppages, reduced profitability and reputational impacts
Unreliable and costly utilities	• Unreliable electrical supply • Unreliable water supplies • Rise in electricity and water costs	• Disruption to operations and reduced profitability • Machinery breakdown
Crime and security	• Casino and hotel robberies/follow home robberies • Major violent incidents • Fraud by employees/from external sources	• Lower revenues, increased cost and lower profitability • Reputational risk
Cyber, IT and information management	• Hacking and hacktivism • Sub-optimal online transacting • Payment card industry data security standards • POPI legislation • Social media risks	• Reputational risk • Fines and penalties • Reduced income and profitability

Risk responses	Associated strategic priorities
• Revise strategic priorities • Review organisational structures • Further focus on cost reduction • Renewed and focused marketing and promotions • Reward programmes	40 • Financial strength and durability 67 • Organic growth
• Engage authorities, including gambling boards • Submit comments to law makers through formal comment structures • Robust compliance procedures • Engage law makers through employer and industry bodies • Litigate where required • Comprehensive BBBEE programme	47 • Deliver to our beneficiaries 62 • Regulatory compliance
• Lobby government through CASA • Educate legislators regarding gaming impact through direct lobbying • Lodge of appeals on assessments and property valuations • Robust compliance procedures	47 • Deliver to our beneficiaries 62 • Regulatory compliance 67 • Organic growth
• Overview of markets • Interaction with local authorities • Investment in facilities and maintenance capex to ensure relevance • Market research to timeously spot trends • Partnerships with other leisure suppliers • Social media interaction	58 • Product relevance to customer experience 67 • Organic growth
• Review organisational structures • Further focus on cost containment • Interaction with gambling boards and city officials • Monitoring returns on new businesses • Engage with shareholders • Pressure on gaming boards and government to curtail illegal gambling	67 • Organic growth
• Proper and robust evaluation of all new opportunities • Non-financial due diligence of opportunities • Monitoring returns on new businesses	67 • Organic growth 72 • Inorganic growth
• Retention of staff through appropriate remuneration structures • Engage with and empower staff • Fast track and develop talented staff • Performance-driven culture • Focused employment equity strategy • Labour rate parity	63 • Human resources 47 • Deliver to our beneficiaries
• Demand-side management programmes to reduce consumption • Water handling/storage capacity for emergency supply • Self-reliance on generators for emergency electricity supply	58 • Product relevance to customer experience 67 • Organic growth
• Physical security and surveillance procedures and crime intelligence • Coordination with the South African Police Service • Internal control frameworks and internal audit procedures	62 • Regulatory compliance 67 • Organic growth
• IT security • Payment card industry standard compliance • Appointment of Information Officer • Review of online transaction opportunities and website rewrite • Increased IT auditing and assurance	62 • Regulatory compliance 67 • Organic growth

Key relationships

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

Interactions with our stakeholders are based on our values, included on page 64, which guide our behaviour ensuring our stakeholders know what to expect from us. We have taken our stakeholders' views into account in formulating our strategic priorities and report content.

The most significant stakeholder issue during the 2019 financial year was the concern expressed by the majority of shareholders, excluding the major shareholder, regarding the impact on the sustainability of the group if the transaction to split the group into a

STAKEHOLDER GROUP	Why it is important for us to engage
Investors and funding institutions	Investors and funding institutions are the providers of capital necessary for our growth and we need transparent communication and to understand potential concerns
Government and regulatory bodies	Government provides us with our licence to trade and the enabling regulatory framework within which to operate and we need to ensure compliance and understand the broader economic, social and environmental issues
Customers	We need to understand our customers' needs, perceptions and behaviours in order to deliver experiences relevant to them, thereby enhancing our brand value and driving revenue
Communities	Engagement assists us to focus our efforts on empowering local communities which contributes to our long-term viability
Employees and unions	Our employees are core to delivering our customer experiences and we need to understand their needs, challenges and aspirations and for them to be aligned with our strategy
Suppliers, tenants and business partners	Our suppliers, tenants and business partners enable us to deliver consistent customer experiences

property company, a gaming operating company and a hotel operating company was implemented. The transaction was abandoned and subsequently replaced with a separate listing of the hotel business, including its hotel assets. There have been no concerns expressed by shareholders regarding the revised transaction.

An overview of our key stakeholder groups, their interests and concerns and how we engage with them is provided in the table below.

How we engage with our stakeholders	Our stakeholders' key interests	Associated strategic priorities
• JSE news services • Media releases and published results • Integrated annual reports and financial statements • Annual General Meetings • Dedicated analyst and investor presentations • One-on-one meetings • Tsogo Sun website	• Sustainable growth and returns on investment • Dividends • Risks and opportunities of expansion • Transparent executive remuneration • Corporate governance and ethics • Liquidity and gearing • Security of tenure over properties • Independence of the board	56 • Financial strength and durability 67 • Organic growth
• Establish constructive relationships • Comment on developments in legislation • Participate in forums • Written responses in consultation processes • Presentations and feedback sessions • Regulatory surveillance, reporting and interaction • Membership of industry bodies, eg CASA, Fedhasa, BLSA, etc	• Taxation revenues • Compliance with legislation • Compliance with licence conditions • Job creation • Investment in public and tourism infrastructure • Investment in disadvantaged communities • Advancing transformation • Social impacts • Reduction in energy and water consumption	47 • Deliver to our beneficiaries 62 • Regulatory compliance
• Satisfaction surveys • Rewards programmes • Customer relationship managers • Call centres • Website and active Twitter and Facebook engagement • One-on-one interaction	• Quality product • Consistent quality experience • Simpler and quicker to deal with us • Value offerings • Long-term security of supply • Recognition for loyalty	58 • Product relevance to customer experience
• Events and sponsorships • Media channels • Corporate social investment initiatives • National Responsible Gambling Programme	• Investment in disadvantaged communities • Employment opportunities • Sponsorships • Responsible gaming	47 • Deliver to our beneficiaries
• Communication from executives • Internal communications and posters • Induction programmes • Ongoing training and education • Employee surveys • Performance management programmes • Anti-fraud, ethics and corruption hotline • Trade union representative meetings • Staff engagement programme 'livingTSOGO'	• Job security • Engagement • Performance management • Clear understanding of reward structures • Health and safety performance • Access to HIV counselling and wellness programmes • Career planning and skills development • Preferred employer	63 • Human resources
• One-on-one meetings • Tender and procurement processes • Anti-fraud, ethics and corruption hotline • Supplier forums and showcases	• Timely payment and favourable terms • Fair treatment • BBBEE compliance	47 • Deliver to our beneficiaries

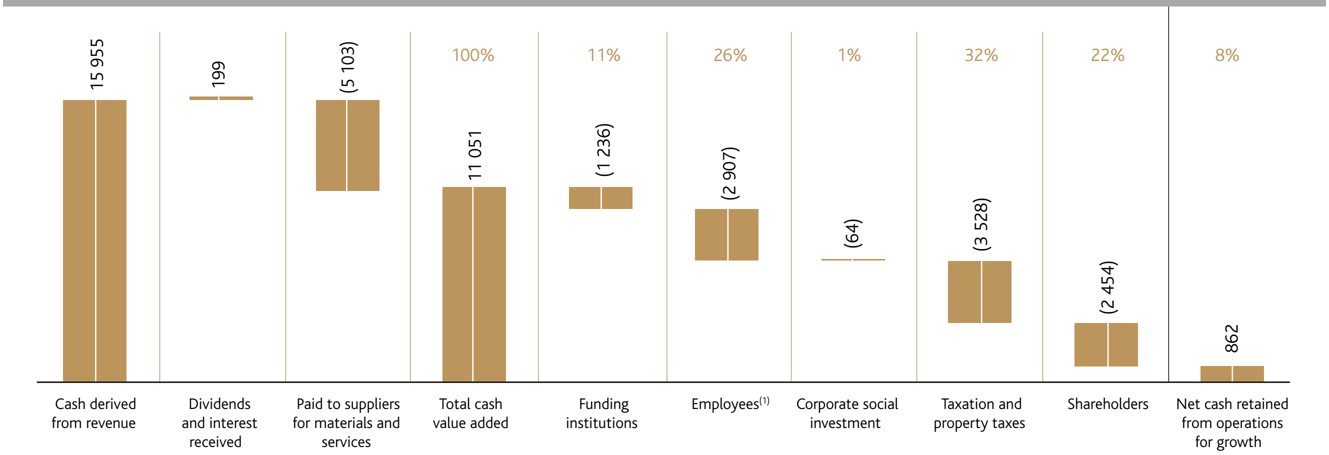
Key relationships continued

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

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

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

VALUE ADDED FOR THE YEAR ENDED 31 MARCH 2019 (Rm)



Cash derived from revenue	Dividends and interest received	Paid to suppliers for materials and services	Total cash value added	Funding institutions	Employees[1]	Corporate social investment	Taxation and property taxes	Shareholders	Net cash retained from operations for growth
13 975	182	(4 436)	9 721 100%	(1 220) 13%	(2 732) 28%	(57) 1%	(3 044) 31%	(1 176) 12%	1 492 15%

2018

VALUE ADDED TO BLACK ECONOMICALLY EMPOWERED BUSINESSES, PDIs AND GOVERNMENT FOR THE YEAR ENDED 31 MARCH 2019 (Rm)

Paid to black economically empowered businesses for materials and services*	Funding institutions*	Employees[1]	Corporate social investment*	Taxation and property taxes	Shareholders*	Paid to black economically empowered businesses for capital expenditure*	Total black economically empowered businesses, PDIs and government contribution
1 487	934	2 109	57	3 044	483	304	8 418

2018

** As per the Department of Trade and Industry tourism sector code*
(1) Net pay to employees with employees' tax included in taxation

Chairman and Chief Executive Officer's review

Over the last five decades, Tsogo Sun has played an important role in shaping the landscape of hotels, gaming and entertainment. In this, its fiftieth year, the group's anniversary coincides with the separate listing of Tsogo Sun Hotels on the JSE. This represents an exciting new era for all of our stakeholders with two focused businesses, one in gaming and entertainment (Tsogo Sun Gaming – TSG) and the other in hotels (Tsogo Sun Hotels – TGO).

John Copelyn – Chairman
Chris du Toit – Chief Executive Officer

OVERVIEW

The improved sentiment arising from the positive political developments has not translated into an improvement in the economy and trading. This is likely to continue until there is more certainty as to what can be achieved given the constraints on cash resources due to the dire status of some state-owned enterprises.

The results of casinos and hotels for the year remained disappointing, but the bingo (Galaxy Bingo) and LPM (VSlots) businesses achieved significant growth.

The board approved the separate listing of the hotels division and the reported results thus reflect the gaming business that remained within the group as continuing operations with the hotel business separately reflected as a discontinued operation. The 16 hotels located at the casino precincts will remain part of Tsogo Sun Gaming, with Tsogo Sun Hotels being the manager of the hotels.

For the continuing operations, total income for the year of R11.6 billion ended 18% above the prior year mainly due to a 21% growth in net gaming win, which was predominantly as a result of the impact of the inclusion of the bingo and LPM businesses for the first time for a full year. With revenue growth remaining weak, the group continued with its focus of containing costs without impacting the customer experience.

Adjusted headline earnings per share for the continuing operations for the year, at 160.0 cents, ended 3% below the prior year due to the 6% increase in the weighted average number of shares in issue following the acquisition of the Galaxy Bingo and VSlots businesses in the prior year.

The group's casino and hotel properties remain in good condition as a result of the ongoing refurbishment programme, and the substantial Suncoast Casino and Entertainment World expansion and refurbishment was completed during December 2018.

MAJOR ACQUISITIONS

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

F'11
- Gold Reef merger

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

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

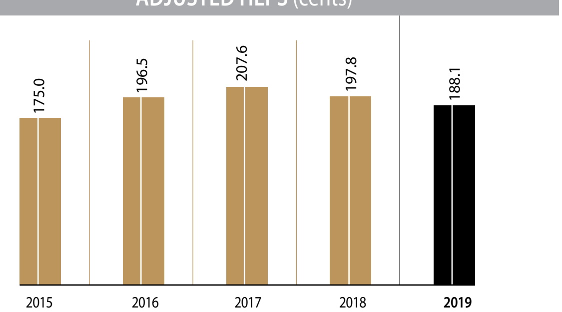
F'15
- 10% increase in interest in Cullinan and acquisition of hotel assets (R762 million)
- 25% of RBH (R145 million)
- Buy-back of 12% of Tsogo Sun ordinary shares (R2.8 billion)

F'16
- 25.9% of IHPL (R315 million)
- 55% of HPF B-linked units (R252 million)

F'17
- 20% of the GrandWest and Worcester casinos (R1.3 billion)
- 40% of Cullinan plus loans (R1.03 billion)
- Acquisition of hotel assets (R310 million)
- 30% of Mykonos (R190 million)
- Control of HPF through an asset for share transaction

F'18
- Acquisition of Galaxy Bingo and VSlots (R3.7 billion)

ADJUSTED HEPS (cents)



The gaming industry continues to face regulatory challenges, including potential gambling levies and fee increases, amendments to smoking legislation and illegal gambling. These are being addressed through constructive engagement with the decision-makers where practical to enable a stable regulatory environment.

STRATEGIC PRIORITIES DURING THE YEAR

The strategic priorities of the Tsogo Sun group during the year remained those of sustainability and growth.

The current uncertain outlook in South Africa continues to increase sustainability risks which we mitigate by applying strategies to minimise the potential negative impact of identified external risks and by taking advantage of opportunities which may arise.

Growth is measured by the increase in the group's free cash flow generated over time.

SUSTAINABILITY

Tsogo Sun's sustainability is underpinned by five major pillars of focus in which we continue to focus on enhancing our performance.

Financial strength and durability

Net debt for the continuing operations closed on R11.0 billion with R3.0 billion net debt attributed to the discontinued operations. The continuing operations net debt:Ebitda ratio of 2.8x was impacted by R2.2 billion paid in dividends to group shareholders in addition to the investment activities (predominantly at Suncoast Casino) during the year.

With the majority of the term loans maturing during 2020 and 2021, the group's facilities will be refinanced during the 2020 financial year.

Both the hotel and gaming businesses remain asset-heavy following the separate listing of hotels which significantly increases their durability. The smaller scale of the hotel group and cyclical nature of hotel trading resulted in the initially more conservative net debt:Ebitda ratio of 2.2x and the intention is to not declare a dividend during the 2020 financial year for Tsogo Sun Hotels in order to utilise the cash generated during the year to settle part of the US Dollar-denominated debt.

Deliver to our beneficiaries

HCI remains the largest shareholder in the gaming and hotel groups. HCI, with SACTWU as its largest shareholder, provide the bulk of the broad-based empowered ownership of the group.

Tsogo Sun is extremely proud of having retained a level 1 BBBEE rating under the revised codes of good practice – tourism sector scorecard. The group continues to resist attempts by various gambling boards to unilaterally impose arbitrary requirements with regard to BBBEE compliance due to the fact that achievement of such levels can be impacted by factors beyond the group's control. We remain committed to BBBEE as evidenced by our level 1 rating, but cannot expose our gaming licences to regulatory risk against uncertain moving targets.

CSI and enterprise development activities continue to be conducted as part of our citizenship, with a focus on programmes that have a positive impact in the communities in which we operate. In total, R64 million was spent during the year on CSI initiatives in the key areas of education, sport and environmental awareness. Following an assessment of the outcomes of the CSI programmes, additional emphasis is being placed on education in response to the high rate of youth unemployment and the lack of skills in technology, science, engineering and mathematics. In supplier and enterprise development the Tsogo Sun Entrepreneurs programme now supports 259 emerging businesses in the tourism sector and other industries throughout the country.

The group's activities continue to benefit a large and diverse stakeholder base including the approximately 24 200 people employed directly and indirectly by the group and the R3.5 billion in direct taxes paid per annum. We refer you to the value added statement in the key relationships section on page 32 and the community section on page 47 for further information.

Product relevance to customer experience

The essence of the group's products remain onsite experiences, as, in order for our customers to consume our projects they need to physically visit our properties, be it for accommodation, theatre, entertainment, dining, gaming or hospitality.

During the past five years, the group has spent R4.2 billion on casino and hotel refurbishments to provide world-class facilities to customers. The group's brands are well established in both the corporate and consumer markets in South Africa.

Chairman and Chief Executive Officer's review continued

Regulatory compliance

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

Human resources

Tsogo Sun aims to recruit staff with the best attitudes and skills available and provide an enabling and satisfying work environment.

In order to deliver the experiences to our guests, training and development of our employees is critical and R183 million was spent during the 2019 financial year on training. Training and development programmes are aimed at ensuring that all our employees are properly prepared and equipped for their work environment.

Engagement is as important as levels of remuneration to derive the best performance from our workforce and to this end we continue to focus on our employee engagement programme. Our remuneration philosophy is aimed at ensuring that we attract and retain talented employees.

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 utilised by that business. The most appropriate measure of growth for our business is its growth in free cash flow over time.

Net casino gaming win for the year increased by 2% on the prior year with an increase in slots win by 1% and tables win by 5%. In the short to medium term it is expected that casino gaming revenue growth will continue to be impacted by negative consumer sentiment and the macro-economy and a continued focus on costs remain an imperative.

The Galaxy Bingo and VSlots business were consolidated in the prior year from 20 November 2017. Net gaming win growth on a like-for-like full year illustrative basis was 10% for VSlots and 28% for Galaxy Bingo.

Owned occupancies in the South African hotels division decreased by 1.9pp to 61.7%, still well below normal long-term levels of approximately 67%, due mainly to weak trading in Cape Town. Occupancies are not expected to return to these levels without some positive macro-economic indicators and an improvement in business confidence. As a result of the weak trading, average room rates grew by 2% on the prior year.

Trading for the group's owned hotels outside South Africa remained under pressure with occupancies down 1.1pp on the prior year to 50.0% and average room rates 3% down in Rand terms. These hotels continue to experience weaker markets due mainly to the negative impact of low commodity prices and the subsequent collapse of the local currencies.

Continuing operations reflect income and Ebitdar growth of 18% and 11% respectively. Excluding the impact of the Galaxy Bingo and VSlots acquisition, income grew by 2% and Ebitdar decreased by 2% on the prior year.

Discontinued operations income for the year ended 1% above the prior year adversely impacted by a 13% reduction in property rental income on the third-party managed hotels in HPF. Ebitdar for the year was 6% down on the prior year.

LOOKING FORWARD

The group is more highly geared than it has historically been and is committed to reducing the net debt:Ebitdar ratio over the next number of years and in the process to reduce the cost of debt.

Regardless of the aim to reduce debt, the group continues to work on a variety of projects including the potential for the relocation of one of the smaller casinos in the Western Cape to the Cape metropole.

Cost saving initiatives and improved efficiencies at head office, regional and site level will be further explored and implemented. The focus on cost will be to position the business as a lean and efficient operation that can perform during the difficult economic times and excel during more prosperous periods.

Unprofitable business ventures or product offerings will likely be reconsidered and appropriate action taken in the best interest of the group.

Retention of our existing customer base and new customer growth will be measured against the respective costs to ensure optimal strategies are followed.

Galaxy Bingo is expected to continue on its redevelopment, expansion and repositioning path and its focus in the short term is therefore on strong growth rather than cash generation for the group.

VSlots will prioritise optimisation of sites and machines and expects strong growth to continue with the appropriate strategies being implemented.

Even though we expect a tough year for the business we are confident that, through our casino cost-saving initiatives and optimisation of bingos and LPMs as our core focus, we will continue to position the business as the most efficient gambling group in South Africa.

GOVERNANCE

Our reporting on our application of the King IV principles is integrated into our report. The board has a collective commitment to leading ethically, acting in good faith and in the best interests of the business. The board's responsibility for the governance of ethics includes the approval of the ethics policy and oversight of its implementation through the social and ethics committee.

APPRECIATION

We wish to extend our appreciation to the board, management and the staff of the group for their contributions during the year. In particular, we thank Jacques Booysen for his contribution during his 11-year tenure with the group, the last two of which as Chief Executive Officer.

John Copelyn
Chairman

25 July 2019

Chris du Toit
Chief Executive Officer

25 July 2019

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:Ebitda ratio and unutilised net facilities.

Trading for the year ended 31 March 2019 was impacted by the continued pressure on the consumer due to the macro-economic environment. The improved sentiment arising from the positive political developments has not translated into a significant improvement in trading and no change is expected before there is more certainty following the elections, held during May 2019.

Rob Huddy – Chief Financial Officer

HIGHLIGHTS

CONTINUING OPERATIONS

Income R11.6 billion	↑	18%
Ebitdar R4.1 billion	↑	11%
Ebitdar margin 35.0%	↓	2.4pp
Adjusted HEPS 160.0 cents	↓	3%
Dividends in respect of the year 188.0 cents per share	↑	84%
Free cash flow R1.9 billion	↑	13%
Net debt R11.0 billion		
Net debt:Ebitda 2.8 times		
Investment activities R1.0 billion		
Unutilised net facilities R3.2 billion		

OVERVIEW

The board approved the separate listing of the hotels division on 14 March 2019 and, in terms of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the group has accounted for the hotels division as held for distribution to owners and the group income statement and cash flow statement have been restated. The commentary that follows thus discusses separately the gaming business that will remain within the group and the discontinued operations consisting of the hotel businesses.

This report should be read in conjunction with 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 2019.

Commentary on the organic growth during the year is included in the segmental operational performance on pages 67 to 71.

Commentary on inorganic growth is included on pages 72 and 73.

Commentary on net interest-bearing debt and interest rate and currency risk management is included in the financial strength and durability section on page 56.

INCOME STATEMENT COMPARISON FOR THE YEAR ENDED – CONTINUING OPERATIONS

	31 March 2019 Rm	Restated[1] 31 March 2018 Rm	% change on 2018
Income	**11 619**	9 842	18
Gaming win	**9 821**	8 124	21
Revenue			
Rooms	**490**	473	4
Food and beverage	**648**	592	9
Other revenue	**433**	520	(17)
Property rental income	**137**	133	3
Other income	**90**	–	*
Ebitdar	**4 072**	3 681	11
Casino gaming	**3 384**	3 443	(2)
Galaxy	**247**	69	*
VSlots	**441**	169	*
Ebitdar margin	**35.0**	37.4	(2.4pp)
Long-term incentives	**(3)**	17	*
Property rentals	**(132)**	(93)	(42)
Amortisation and depreciation	**(738)**	(643)	(15)
Exceptional items	**(70)**	(197)	64
Net finance costs	**(811)**	(678)	(20)
Associates and joint ventures	**7**	8	(13)
Income tax	**(644)**	(597)	(8)
Profit for the year from continuing operations	**1 681**	1 498	12
(Loss)/profit for the year from discontinued operations	**(59)**	660	*
Profit for the year	**1 622**	2 158	(25)
Non-controlling interests			
Continuing operations	**(41)**	(21)	*
Discontinued operations	**(19)**	(166)	*
Attributable earnings	**1 562**	1 971	(21)
Adjustments			
Continuing operations	**53**	163	*
Discontinued operations	**375**	(168)	*
Adjusted headline earnings	**1 990**	1 966	1
Continuing operations	**1 693**	1 640	3
Discontinued operations	**297**	326	(9)
Weighted number of shares in issue (m)	**1 058**	994	(6)
Adjusted HEPS (cents)	**188.1**	197.8	(5)
Continuing operations	**160.0**	165.0	(3)
Discontinued operations	**28.1**	32.8	(14)

[1] *Restated for discontinued operations and reallocation between gaming win, other income, gaming VAT and LPM site owners' commissions*

* *Variance not meaningful*

REVIEW OF CONTINUING OPERATIONS

Trading for the year ended 31 March 2019 was impacted by the continued pressure on the consumer due to the macro-economic environment. The improved sentiment arising from the positive political developments has not translated into a significant improvement in trading and no change is expected before there is more certainty following the elections during May 2019. Trading has remained volatile and, while remaining weak on the prior year on a comparable basis, reflected good growth during August and September 2018 and February and March 2019. The trading results were positively impacted by the acquisition of the Galaxy Bingo and VSlots businesses on 20 November 2017. In the low-revenue growth environment cost control remained a priority during the year.

Total income for the year of R11.6 billion ended 18% above the prior year mainly due to a 21% growth in net gaming win, including the impact of Galaxy and VSlots, a 4% growth in hotel rooms revenue and a 9% 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 22% on the prior year mainly due to non-organic growth in the business as a result of acquisitions and expansions, offset by savings initiatives. Excluding the non-organic growth and the impact of the 1pp increase in the VAT rate, operating expenses increased by only 2% due to tight overhead control. Non-organic represents all new business operations commencing during the current and prior year.

Ebitdar at R4.1 billion for the year was 11% up on the prior year. Excluding the impact of the Galaxy and VSlots acquisition total income grew by 2% and Ebitdar was 2% down on the prior year, of which the 1pp increase in VAT accounts for the majority of the Ebitdar reduction. The overall group Ebitdar margin of 35.0% is 2.4pp down on the prior year due to the impact of the weak revenue growth net of cost savings of 0.8pp, the 1pp increase in VAT of 0.6% and the impact of the full year of the lower margin Galaxy and VSlots businesses of 1.0pp.

Long-term incentives

The long-term incentive charge for the year on the cash-settled incentive scheme of R3 million values the liability (including dividend adjustments) by reference to the company's share price which is adjusted for management's best estimate of the appreciation units expected to vest and future performance of the group. A share price of R23.50 was used to value the liability at 31 March 2019.

Rentals, amortisation and depreciation

Property rentals at R132 million are 42% up on the prior year mainly due to the inclusion of the Galaxy and VSlots businesses.

Chief Financial Officer's review continued

Amortisation and depreciation at R738 million is 15% up on the prior year due mainly to the capital spend during the current and prior years and the inclusion of the Galaxy Bingo and VSlots businesses.

Exceptional items and adjustments

Exceptional losses for the year of R70 million relate mainly to restructure costs of R16 million, transaction costs of R16 million, plant and equipment impairments of R21 million, share-based payment charge on the transfer of a portion of the shareholding in various Galaxy sites to BBBEE shareholders of R9 million, fair value losses on the revaluation of investment properties of R8 million and impairment of intangibles of R1 million, offset by the profit on sale of assets of R1 million.

Exceptional losses for the prior year of R197 million relate to goodwill and intangible asset impairments of R112 million, plant and equipment disposals and impairments of R70 million, mainly related to the Suncoast expansion, restructure costs of R33 million, transaction costs of R19 million, fair value losses on the revaluation of investment properties of R4 million, impairment of a loan to an associate of R7 million and interest rate swap fair value adjustments of R1 million, offset by previously impaired loans recovered net of impairments of R34 million and an additional recovery of costs from the hotels division of R15 million.

Net finance costs

Net finance costs of R811 million are 20% above the prior year due to the increase in debt resulting from the increased interim dividend and the transfer during the year of R2.2 billion debt from the hotel division to the gaming division due to the strong cash flows in the gaming division.

Note that if the debt was transferred from the hotels division on 1 April 2018, net finance costs would have increased by an additional R186 million for the year.

Share of profits of associates and joint ventures

The share of profit of associates and joint ventures of R7 million reduced by R1 million on the prior year.

Taxation

The effective tax rate for the year of 27.7% is impacted by tax exempt dividend income, offset by non-deductible expenditure such as casino building depreciation.

The effective tax rate for the prior year of 28.5% was impacted by non-deductible expenditure such as casino building depreciation and the effective interest on the SunWest and Worcester acquisition, offset by tax exempt dividend income.

Profit from continuing operations

Profit after tax for the continuing operations is R1.7 billion compared to a prior year profit of R1.5 billion.

INCOME STATEMENT COMPARISON FOR THE YEAR ENDED – DISCONTINUED OPERATIONS

	31 March 2019 Rm	Restated[1] 31 March 2018 Rm	% change on 2018
Income	**4 389**	4 364	1
Revenue			
Rooms	**2 732**	2 687	2
Food and beverage	**990**	969	2
Property rental income	**363**	416	(13)
Other income	**304**	292	4
Ebitdar	**1 490**	1 590	(6)
Hotels – South Africa	**1 346**	1 470	(8)
– Offshore	**138**	119	16
Foreign exchange gains	**6**	1	*
Ebitdar margin	**33.9**	36.4	(2.5pp)
Long-term incentives	**(3)**	7	*
Property rentals	**(208)**	(189)	(10)
Amortisation and depreciation	**(306)**	(269)	(14)
Exceptional items	**(581)**	(241)	*
Net finance costs	**(417)**	(480)	13
Associates and joint ventures	**15**	55	*
Income tax	**(49)**	187	*
(Loss)/profit for the year from discontinued operations	**(59)**	660	*

[1] *Restated for discontinued operations*

* *Variance not meaningful*

REVIEW OF DISCONTINUED OPERATIONS

Total income for the year of R4.4 billion ended 1% above the prior year with a 2% growth in both rooms revenue and food and beverage revenue assisted by a 9% growth in management fees, offset by a 13% reduction in property rental income on the third-party managed hotels in HPF.

Operating expenses including employee costs, but excluding exceptional items and long-term incentives, increased by 5% on the prior year due to non-organic growth in the business as a result of acquisitions and expansions, offset by savings initiatives. Excluding the non-organic growth and foreign exchange gains, operating expenses increased by only 1% due to tight overhead control. Non-organic represents all new business operations commencing during the current and prior year.

Ebitdar at R1.5 billion for the year was 6% down on the prior year. The Ebitdar margin of 33.9% is 2.5pp down on the prior year due to the impact of the weak revenue growth, net of cost savings.

Long-term incentives

The long-term incentive charge on the cash-settled incentive scheme of R3 million values the liability (including dividend adjustments) by reference to the company's share price which is adjusted for management's best estimate of the appreciation units expected to vest and future performance of the group. A share price of R23.50 was used to value the liability at 31 March 2019.

Rentals, amortisation and depreciation

Property rentals at R208 million are 10% up on the prior year mainly due to the opening of the SunSquare and StayEasy Cape Town City Bowl hotels on 1 September 2017.

Amortisation and depreciation at R306 million is 14% up on the prior year due mainly to the capital spend during the current and prior years, including the StayEasy in Maputo, Mozambique, which opened during April 2018.

Exceptional items and adjustments

Exceptional losses for the year of R581 million relate to fair value losses on the revaluation of investment properties of R445 million, mainly related to the non-Tsogo-leased hotels in HPF, plant and equipment disposals and impairments of R96 million, mainly related to Southern Sun Ikoyi and Garden Court Nelson Mandela Boulevard, transaction costs of R34 million, restructure costs of R7 million and pre-opening costs of R1 million, offset by interest rate swap fair value adjustments of R2 million.

Exceptional losses for the prior year of R241 million relate to fair value losses on the revaluation of investment properties of R187 million, mainly related to the non-Tsogo-leased hotels in HPF, pre-opening costs of R19 million, transaction costs of R13 million, restructure costs of R5 million, interest rate swap fair value adjustments of R1 million, fair value losses on non-current assets held for sale of R1 million and an additional recovery of costs from the hotels division of R15 million.

Net finance costs

Net finance costs of R417 million are 13% below the prior year due to the decrease in debt resulting from the transfer during the year of R2.2 billion debt from the hotels division to the gaming division.

Note that if the debt was transferred to the gaming division on 1 April 2018, net finance costs would have decreased by an additional R186 million for the year.

Share of profits of associates and joint ventures

The share of profit of associates and joint ventures of R15 million decreased by R40 million on the prior year mainly due to the group's share of the reversal of the deferred tax asset on an assessed loss which expired during the year at Maia of R25 million and losses on the revaluation of investment property in the current year compared to gains in the prior year in IHPL of R10 million, offset by termination fees received in RBH on cancelled contracts.

Taxation

The effective tax rate, which excludes the group's share of profit of associates and joint ventures, for the year of 490% is impacted by the non-deductible fair value losses on investment property referred to above and non-deductible expenditure, offset by pre-tax profits attributable to the HPF non-controlling interests due to its REIT tax status and taxation provision releases of R21 million during the year.

The effective tax rate for the prior year of 39.5% is impacted by the non-deductible fair value losses on investment property referred to above and non-deductible expenditure, offset by the release of deferred tax liabilities of R307 million on the disposal of assets to HPF and pre-tax profits attributable to the HPF non-controlling interests due to its REIT tax status.

Profit from discontinued operations

The loss after tax for the discontinued operations is R59 million compared to a prior year profit of R660 million.

REVIEW OF ADJUSTED HEADLINE EARNINGS

Non-controlling interests

Profit attributable to non-controlling interests of R60 million is R127 million below the prior year. Continuing operations' non-controlling interests are R20 million higher than the prior year due to the inclusion of Galaxy and VSlots for the whole year. Discontinued operations' non-controlling interests are R147 million lower than the prior year mainly due to higher fair value losses on investment properties in HPF in the current year.

Earnings

Group adjusted headline earnings for the year at R2.0 billion ended 1% above the prior year. Continuing operations' adjusted headline earnings for the year at R1.7 billion ended 3% above the prior year. Discontinued operations' adjusted headline earnings for the year at R297 million ended 9% below the prior year.

The adjustments include the reversal of the post-tax impacts of the exceptional gains or losses noted above, and the exceptional gains or losses in the share of profit of associates and joint ventures, net of tax and non-controlling interests. The adjustments in the prior year include the reversal of the post-tax impacts of the exceptional gains or losses noted above, in addition to the release of the deferred tax liabilities of R307 million noted in taxation above and the exceptional gains in the share of profit of associates and joint ventures, net of tax and non-controlling interests.

The number of shares in issue increased during the prior year on the acquisition of Galaxy and VSlots with the weighted average increasing by 6% and the resultant total group adjusted headline earnings per share is 5% down on the prior year at 188.1 cents per share. Continuing operations' adjusted headline earnings per share for the year at 160.0 cents ended 3% below the prior year. Discontinued operations' adjusted headline earnings per share for the year at 28.1 cents ended 14% below the prior year.

Note that if the debt was transferred from the hotels division to the gaming division on 1 April 2018, continuing operations' adjusted headline earnings for the year would have been R1.6 billion with adjusted headline earnings per share for the year at 147.4 cents and discontinued operations' adjusted headline earnings for the year would have been R431 million with adjusted headline earnings per share for the year at 40.7 cents.

CASH FLOW – CONTINUING OPERATIONS

	31 March 2019 Rm	Restated[1] 31 March 2018 Rm	% change on 2018
Cash generated from operations – continuing operations	**3 867**	3 211	20
Cash generated from operations – discontinued operations	**1 322**	1 284	3
Cash generated from operations	**5 189**	4 495	15
Net interest paid	**(814)**	(678)	
Income tax paid	**(559)**	(586)	
Operating equipment	**(18)**	(17)	
Maintenance capital expenditure	**(558)**	(425)	
Cash flow from discontinued operations	**(920)**	(860)	
Free cash flow	**2 320**	1 929	21
Dividends paid to shareholders	**(2 137)**	(1 015)	
Dividends paid to non-controlling shareholders	**(19)**	(2)	
Investment activities	**(962)**	(2 126)	
Share buy-back	**(65)**	–	
Treasury share settlement	**–**	86	
Recapitalisation of hotels	**(2 225)**	–	
Other	**14**	(1)	
Cash flow from discontinued operations	**1 869**	386	
Increase in net interest-bearing debt	**(1 205)**	(743)	
Opening net interest-bearing debt	**(12 537)**	(12 113)	
Acquired with acquisitions	**4**	191	
Accrued interest, prepaid borrowing costs and currency moves	**(208)**	128	
Discontinued operations' net interest-bearing debt	**2 963**	–	
Closing net interest-bearing debt	**(10 983)**	(12 537)	

[1] *Restated for discontinued operations*

Cash generated from continuing operations for the year increased by 20% on the prior year to R3.9 billion. Net finance costs for continuing operations increased by 20% due to the increase in net debt mainly as a result of the acquisition of Galaxy and VSlots in the prior year, the transfer during the year of R2.2 billion debt from the hotels division to the gaming division and dividends paid to shareholders and non-controlling interests increasing by 112% due to the increased interim dividend paid. Cash flows utilised for investment activities in the continuing operations of R1.5 billion consisted mainly of replacement capital expenditure and the acquisitions and investments described under the inorganic growth section on page 72.

CASH FLOW – DISCONTINUED OPERATIONS

	31 March 2019 Rm	Restated[1] 31 March 2018 Rm	% change on 2018
Cash generated from operations	**1 322**	1 284	3
Net interest paid	**(422)**	(470)	
Income tax paid	**(79)**	(104)	
Operating equipment	**(34)**	(38)	
Maintenance capital expenditure	**(384)**	(248)	
Free cash flow	**403**	424	(5)
Dividends paid to non-controlling shareholders	**(291)**	(159)	
Investment activities	**(62)**	(451)	
Recapitalisation of hotels	**2 225**	995	
Other	**(3)**	1	
Decrease in net interest-bearing debt	**2 272**	810	
Opening net interest-bearing debt	**(5 125)**	(5 831)	
Accrued interest, prepaid borrowing costs and currency moves	**(110)**	(104)	
Closing net interest-bearing debt	**(2 963)**	(5 125)	

[1] *Restated for discontinued operations*

Cash generated from discontinued operations for the year increased by 3% on the prior year to R1.3 billion. Net finance costs for discontinued operations decreased by 10% due to the decrease in net debt mainly as a result of the transfer during the year of R2.2 billion debt from the hotel division to the gaming division offset by the R291 million dividends paid to non-controlling interests. Cash flows utilised for investment activities in the continuing operations of R62 million consisted mainly of the acquisitions and investments described under the inorganic growth section on page 72.

DIVIDENDS

The board of directors declared a final gross cash dividend in respect of the year ended 31 March 2019 of 56.0 cents per share. The number of ordinary shares in issue at the date of this declaration was 1 056 059 913 (excluding treasury shares of 45 592 448). The total dividends declared in respect of the 2019 financial year amounted to 188.0 cents per share which is 84% up on the 2018 financial year and which equates to 100% of fully diluted adjusted HEPS.

SUBSEQUENT EVENTS

There are no matters or circumstances arising since 31 March 2019, not otherwise dealt with in the financial statements, that would materially affect the operations or results of the group.

LOOKING AHEAD

Given the continued weak state of the South African economy trading is expected to remain under pressure. Growth will depend on how the economy performs going forward and the level of policy certainty that the South African government is able to achieve. Nevertheless, the group remains highly cash generative and is confident in achieving attractive returns from the growth strategy once the macro-economic environment improves.

Post-year end the group unbundled and separately listed the hotels division which will provide shareholders with greater investment choice and the ability to manage their exposure to gaming and hotel operations respectively. It is also envisaged that the separate listing will provide shareholders with more detailed disclosure relating to the operations of the hotels division and allow for its valuation without discounting for gaming-related regulatory risks.

RB Huddy
Chief Financial Officer

25 July 2019

Sustainability strategy in action

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

DELIVER TO OUR BENEFICIARIES

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

KEY PERFORMANCE INDICATORS

	2019	2018
Black ownership	**63%**	65%
Value added contribution to black economic empowered businesses, PDIs and government	**R10.0 billion**	R8.4 billion
BBBEE level	**Level 1**	Level 1
CSI outcomes	**Tsogo Sun sports, arts and learning academies support 30 149 learners**	Tsogo Sun sports, arts and learning academies support 42 010 learners
ESD outcomes	**Tsogo Sun Entrepreneurs programme supports 259 beneficiaries**	Tsogo Sun Entrepreneurs programme supports 242 beneficiaries

2019 PERFORMANCE

Shareholders

As mentioned in the group overview on page 03 the nature of the HCI shareholding is of particular importance as it provides the bulk of the 63% broad-based empowered ownership at group level. HCI has provided a stable shareholder base for a number of years that has allowed the group to grow and take advantage of opportunities. The balance of the shareholding is diverse with significant liquidity.

Community

Tsogo Sun continues to be committed to uplifting and developing communities in need, spending a portion of our profits annually on social investment through Tsogo Sun Citizenship in three primary areas – community development, entrepreneurial development, and the natural environment. We effectively harness our resources, geographic spread, and extensive experience to deliver initiatives that create a lasting and positive impact on the communities where we are located.

Community development

During the year, the group's combined social investment in community development amounted to R64 million, all of which is verified spend on BBBEE socio-economic development. This is the equivalent of 4% of net profit after tax and represents 3pp more than the tourism sector code target.

The group's strategy to deliver support to local communities, with the primary focus on youth education and development, reached 30 149 learners during the year. Existing programmes were adapted following an assessment of the outcomes, and a new programme will be launched later in 2019 in response to the high rate of youth unemployment and the overwhelming need for the transfer of skills in technology, science, engineering and mathematics to young people.

A total of 4 591 grade 9 to 12 high school learners from impoverished backgrounds from five high schools in Gauteng participated in the career guidance programme which prepares them for employment. The online programme, which was launched in 2017, provides evaluations that match interests, skills and aptitudes with personality

DELIVER TO OUR BENEFICIARIES continued

types to establish the most suitable career opportunities for each learner and assists them with subject choices in line with their potential career choices. In grade 10, learners attend workshops on topics such as career exploration and subject affirmation, as well as a 'Professionals Day' with Tsogo Sun staff volunteers at the participating properties. Grade 11 workshops cover people skills, money skills, tertiary education options, job shadowing opportunities with Tsogo Sun staff and job-readiness training, which intensifies in matric. The number of participating learners in the career guidance and development programme has grown, particularly in grades 11 and 12, as the value became more evident among learners who participated in the previous year. Parental involvement and participation in meetings and workshops that discuss and explain learner subject choices and future careers reflected strong growth.

The Moves for Life chess programme has been part of the CSI strategy since 2013 and has just over 18 000 learners participating across the country. The programme uses chess as an educational tool to help learners with maths, science and problem-solving, and is divided into three key elements from foundation phase to grade 7 and teacher training. Tsogo Sun's involvement in Moves for Life is in the process of decreasing in areas that have not shown improvement, and is being replaced with alternative programmes that directly address numeracy and literacy.

Tsogo Sun's involvement in the development and operation of AMANDLA EduFootball Safe-Hubs is also continuing and is impacting more than 1 400 learners from grades R to grade 12. Safe-Hubs provide learners with regular access to a safe environment for facilitated sport, arts, life skills lessons, and personal development, and gives them the opportunity to participate in the weekly Safe-Hub Soccer Night League. Safe-Hubs also offer the PlayMaker Learnership, a one-year accredited programme for young people committed to changing their communities and being positive role models. The learnership includes an NQF level 4 in sports administration qualification, as well as training to implement the EduFootball programme, and valuable work experience.

Other educational initiatives within the group include Olwazini Discovery and Computer Centre, a science and cultural centre which makes education fun and promotes understanding about science, technology and mathematics; the Apartheid Museum, the leading museum in the world dealing with 20th century South Africa and, more particularly, the apartheid years; setting up and maintaining libraries in crèches and primary schools to improve literacy and nurture a love of reading from a young age; swimming development programmes in Durban communities; planting of school vegetable gardens; and contributing to local and national community initiatives.

Tsogo Sun properties also provide bursaries and learnerships across schools nationally and through the Suncoast Bursary programme; and Hemingways Casino's sponsorship of the ITEC mathematics, science and technology programme contributes towards improved competence in the subjects among learners in the Eastern Cape.

Over and above these efforts to improve access and efficacy in education, at our many destinations around the country, Tsogo Sun supports its local communities in the areas of further education, health and welfare through the provision of clothing, food, linen, furniture, fittings and equipment, donations, prize letters, collections and in-kind contributions. Throughout the year, the group supports local community organisations, charities, old-age homes, orphanages, shelters, hospices and local schools, and when disasters occur.

Enterprise and supplier development

Through the Tsogo Sun Entrepreneurs programme, Tsogo Sun develops emerging enterprises with the potential to form part of our procurement pipeline and as a contributor towards the growth of the South African economy. The programme comprehensively supports businesses in all industries through a one-year development course, which is delivered together with business mentorship, leadership coaching and the provision of various benefits required by enterprises to help them become sustainable.

A total of 259 businesses are supported by the programme with 35 being enrolled in the current 'Class of 2019'. In total, 75 businesses in the alumni phase have expanded their operations as a result of the programme and over the last five years, 232 entrepreneurs have successfully completed the UCT Business Management Course funded by Tsogo Sun.

An additional benefit was introduced in 2018, in the form of a mini documentary series entitled: The Legacy Series, which provides a valuable marketing tool in the form of a short film about the programme's entrepreneurs and their journeys. The first season of The Legacy Series included 32 films for each of the businesses in the Class of 2018. Season two features past winners and finalists of the Tsogo Sun Entrepreneur of the Year Award and captures some of the most compelling stories about these entrepreneurs who have been part of the ongoing Tsogo Sun Entrepreneurs legacy over the last 14 years since its inception. The third season of the series will include a film for each of the businesses in the Class of 2019.

The group's combined spend on enterprise and supplier development for the year is R69 million, R15 million of which was spent on enterprise development beneficiaries and R54 million of which was spent on supplier development beneficiaries, representing a total of 4.3% of net profit after tax, which is 0.8pp above the tourism sector code target.

Tsogo Sun volunteers

The Tsogo Sun staff volunteer programme is focused on sustainably alleviating development challenges faced by communities in areas where the company operates, reflecting Tsogo Sun's community-centric culture and the group values of teamwork and service. The staff volunteers demonstrated their caring spirits around the country, in big and small ways, identifying need and getting involved in local and corporate initiatives that uplift other people's lives. Campaigns supported across the group include Mandela Day, Reach for a Dream Slipper Day, Casual Day, Tekkie Tax Day, the CANSA Shavathon and PinkDrive breast cancer education and awareness. As an integral part of the career development programme, Tsogo Sun volunteers participated in Professionals Day and Job Shadowing Day, spending time with grade 10 and 11 learners guiding them in their career choices. In Cape Town, Tsogo Sun employees volunteered more than 620 hours to the Mellon Educate Building Blitz to help complete three schools in Khayelitsha.

Transformation

Tsogo Sun is a pioneer in transformation and a leader in the empowerment of previously disadvantaged people, businesses and communities in South Africa. The group currently holds a level 1 BBBEE contributor status, measured against the dti's revised codes of good practice – tourism sector scorecard, and complies with the related guidelines. The group's casinos and hotels are in addition individually measured against the same scorecard while the Galaxy Bingo and Vukani gaming businesses, with a turnover of more than R50 million, are measured using the generic scorecard as prescribed by legislation.

The formal verification audits are performed annually by an accredited economic empowerment rating agency, with the consolidated group results for the year ended 31 March being as follows:

	Target score on revised codes – tourism	2019	2018
Ownership	27	**27.0**	27.0
Management and control	19	**12.2**	11.3
Skills development	20	**18.4**	19.3
Enterprise and supplier development	40	**38.1**	41.1
Socio-economic development	5	**8.0**	8.0
Overall	111	**103.7**	106.7
Rating level		**1**	1

The group is proud to be a level 1 BBBEE contributor with 135% procurement recognition status for 2019 and we have worked hard to implement our empowerment strategy to achieve this result. The group received 103.7 out of a total available 111 points on the tourism sector scorecard. Tsogo Sun's black ownership is verified at 63% and black women ownership is 35%.

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

Responsible gambling

Tsogo Sun acknowledges that gambling can be an issue of concern for some people with a predisposition to addictive behaviour in communities where we operate. We engage these concerns by educating our employees and customers about responsible gambling 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.

DELIVER TO OUR BENEFICIARIES continued

Industry bodies

Tsogo Sun actively participates in business and industry bodies such as the TBCSA, the SATB, the NBI, Business Against Crime, Proudly South African, Fedhasa and CASA through the provision of time, effort and intellectual contributions from management. It also forms relationships with national and regional gaming and tourism associations.

Tenants

The delivery of quality office, 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 399 tenants across Tsogo Sun's various properties, tenanting is one of the group's core focus areas to ensure that our customers have access to the best office, retail, restaurant and entertainment-related offerings.

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

Suppliers

The group has developed long-term, mutually beneficial relationships with our suppliers of goods and services. Through these supplier relationships many more indirect jobs are created and wealth is generated in the economy. A growing portion of our procurement is centrally managed, which allows for enhanced consistency in standards and pricing and closer relationships with our suppliers. We ensure that, as far as is practically and commercially possible, our operations procure products from vendors who are located in the areas where they are situated.

Tsogo Sun encourages diversity within its commercial associations, particularly through the involvement of previously disadvantaged persons and local businesses. The group supports black-owned businesses in South Africa through a focused procurement strategy. Verified total procurement spend on black economic empowered businesses amounted to R4.4 billion during the year. The group's BBBEE score for preferential procurement, which is measured within the enterprise and supplier development element, is 21.7 out of 25. Procurement from black women-owned businesses and further opportunities to establish and support enterprise and supplier development initiatives through procurement are focus areas of the group.

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

Third-party owners

The group leases hotel properties and manages hotel businesses on behalf of third-party owners where it does not own the property or the business. The most significant management relationship is with Liberty for whom Tsogo Sun manages three hotel properties and from whom the group leases the Sandton Convention Centre. The relationships are mutually beneficial with financial returns and access to additional properties for Tsogo Sun and enhanced returns to the owners through our skills and distribution.

Environment

While our main business activities pose limited risk to the environment due to the service nature of the industry, the group is subject to the general impacts of climate change, as evidenced by the severe water shortages in the Western Cape in the prior year. The group recognises that using natural resources sustainably is important to its long-term sustainability. The group has made the commitment to reduce the impact that the business has on the environment and to encourage guests to embrace greener behaviour for the wellbeing of the environment and environmental management practices are integrated as part of our operations. The group reports to the Carbon Disclosure Project and Water Disclosure Project as a subsidiary of HCI.

Our efforts to manage our business sustainably serve the interests of our company and the community, and in achieving this our stated policy and commitment is to:

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

- report annually on our environmental performance; and
- provide support for the sustainable development of our communities.

To ensure the objectives of our environmental programme are met, a property-specific environmental management system is in place at all of our casinos and hotels aimed specifically at energy, water, waste management and responsible procurement. The system is managed holistically as part of the in-house Organisational Resilience Management Standard audit process and is verified by the German quality body, DQS-UL Group.

Scope and boundaries of emissions measurement

The scope and boundaries of measurement are consistent with the prior year. Scope 1 and scope 2 emissions are reported for all owned businesses located at properties, owned or leased by the group, in South Africa and offshore, excluding emissions relating to tenants. Tenant emissions at owned or leased properties, emissions at properties not owned but managed by the group, emissions from outside laundry services provided to the group and business travel emissions are reported in scope 3. Fugitive emissions, mainly from refrigerants, have not been measured as they are not significant and there are no other emissions that are considered material. Comparatives have been restated to ensure consistent reporting with a reduction in the prior year consumption by 4% due to a correction to scope 3 emissions from outsourced laundries which were previously overstated.

Emissions measurement

Total emissions (tCO_2e)	2019	2018 Restated	2018 Reported	% change on 2018 Restated	% change on like-for-like portfolio
Scope 1	**7 933**	5 578	5 529	42	19
Petrol and diesel (owned company vehicles)	**2 168**	1 157	1 157	87	(4)
Diesel consumed (owned businesses)	**2 322**	1 278	1 278	82	82
LPG and natural gas usage (owned businesses)	**3 443**	3 143	3 094	10	2
Scope 2	**225 173**	217 394	217 394	4	(2)
Energy consumed (owned businesses)	**225 173**	217 394	217 394	4	(2)
Scope 3	**98 082**	103 516	118 766	(5)	(4)
Energy consumed (tenants)	**59 194**	61 504	64 578	(4)	(4)
Energy consumed (managed properties)	**19 204**	21 510	21 510	(11)	(4)
Laundry services (outsourced)	**17 913**	18 508	30 684	(3)	(3)
Business travel	**1 771**	1 994	1 994	(11)	(21)
Total emissions (tCO_2e)	**331 188**	326 488	341 689	1	(2)

In total 97% of scope 1 and 2 emissions arise through the consumption of electricity and thus demand-side management of electrical consumption remains the area of focus for the group in reducing emissions. 99% of scope 3 emissions arising from tenants at group properties and at properties managed by the group also arise from the consumption of electricity.

Electricity

Scope 2 emissions from electricity consumption at the group's owned properties were 4% up on the prior year at 225 173 tCO_2e mainly due to the inclusion of Galaxy and VSlots from November 2017, the opening of the SunSquare and StayEasy Cape Town City Bowl hotels in September 2017 and the opening of the StayEasy Maputo in April 2018. Excluding the inorganic growth, the emissions reduced 2% on the prior year due to savings from ongoing energy-saving initiatives. The installation of energy-efficient equipment continues where practical, although much has been done since 2006, and the majority of the consumption reductions are as a result of consumption measurement and behavioural change initiatives at the units.

LPG and natural gas

LPG and natural gas are primarily used for cooking with limited space heating and water heating at three properties. Scope 1 emissions from the consumption of LPG and natural gas increased by 9% to 3 443 tCO_2e due mainly to the inclusion of Galaxy from November 2017, the opening of the SunSquare and StayEasy Cape Town City Bowl hotels in September 2017 and the opening of the StayEasy Maputo in April 2018. Excluding the inorganic growth the emissions increased by 2% on the prior year mainly due to additional outlets using gas.

DELIVER TO OUR BENEFICIARIES continued

Petrol and diesel – vehicles

Scope 1 emissions from the consumption of petrol and diesel in company-owned vehicles increased by 87% to 2 168 tCO_2e due to the acquisition of the VSlots business in November 2017 where travel to the distributed sites is significant.

Diesel – stationary

Diesel is utilised for back-up electrical generation. Scope 1 emissions from the consumption of diesel decreased by 82% to 2 322 tCO_2e due to increased load shedding and supply interruptions during the year.

Scope 3 emissions

The 4% decrease in scope 3 emissions from tenants at group properties is mainly due to ongoing savings initiatives and restaurants closed for renovation during the year. The 11% reduction in scope 3 emissions from properties managed by the group is due mainly to the sale of the group's share in the Queens Casino. Excluding the inorganic reduction, the emissions decreased by 4% on the prior year due to ongoing savings initiatives. The group utilises outsourced laundries at the majority of its owned and managed properties and the scope 3 emissions from laundry services were 3% down on the prior year restated consumption.

Water

Although supply interruptions due to poor municipal infrastructure continue to increase and medium-term water shortages are probable, the group does not have company-specific water risks. Contingency plans for the hotels in Cape Town, such as reverse osmosis of brackish water and boreholes with water treatment plants, are in place, but realistically a solution must be provided on an industrial scale by government, as there is little point in the hotels having access to potable water if the region does not. The majority of the group's properties are in urban areas and use potable water provided by local municipalities (88% of consumption). Two resort properties utilise surface water for irrigation, two resort properties are fully reliant on river water, one property primarily utilises ground water due to continuous supply problems from the local municipality and the Gold Reef City Theme Park utilises cleaned mine water for the water rides. Water consumption at the group's owned properties decreased during the year by 2% to 2.5 million kilolitres mainly due to ongoing conservation and reduction measures at all properties, particularly in the hotels in the Western Cape, offset by the opening of SunSquare and StayEasy Cape Town City Bowl hotels in September 2017 and the opening of the StayEasy Maputo in April 2018.

Waste management

Our efforts to divert waste from landfill is in progress at most of our properties through focusing on staff training and partnering with waste contractors that are committed to zero waste to landfill practices. All properties have replaced plastic straws with bio straws and engaged in solutions to manage food waste such as turning it into compost. The reduction of waste starts with the purchasing policy and this will be under consideration in the following year along with getting tenants at our properties to participate in our waste reduction and diversion from landfill strategy.

Biodiversity

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

Environmental education

As part of our commitment to the upliftment and development of communities through 'Tsogo Sun Citizenship', we strive to create awareness in local communities to encourage a responsible attitude towards the use of electricity and water and the management of waste. We also champion opportunities to educate people about reducing their impact on the environment through tree-planting, food security and conserving our natural heritage.

Tsogo Sun partners with the Miss Earth SA leadership development programme, which works to raise awareness and educate young South Africans about environmental issues. Through this partnership, during the year 340 different schools in underdeveloped areas across South Africa were engaged in environmental responsibility by Miss Earth SA ambassadors.

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

LOOKING AHEAD

Community development

The increased shift in South Africa and globally to a knowledge economy demands a need to grow focus and learner development on the fourth industrial revolution and the requisite skills and capabilities. Tsogo Sun is investing in the iSchoolAfrica iPad programme, which aims to empower teachers and learners by giving them access to the world's most advanced educational technology and classroom practices. Through the programme, learners are exposed to technology that will help them become digitally literate and acquire 21st century skills, increase motivation and enthusiasm for learning and level the playing fields between resourced and under-resourced schools.

Tsogo Sun is committed to funding at least two high schools and one primary school for three years as from 2019. The high school initiative includes the iSchool Coding programme, which empowers youth to be innovators in science, technology, engineering and mathematics, and builders of their own futures through exposure to coding and robotics, and the iPad Press Club programme, which sets up press clubs and gives the youth a voice on issues that affect them. In the primary school, the Numeracy programme addresses the numeracy crisis and uses 'onebillion' software that is designed to teach and give practice in core maths concepts, for the early years of school.

Monitoring and evaluation continues throughout the group's initiatives and programmes to ensure that real change is identified and replicated. Ongoing tracking and management of all contributions across the group is conducted to evaluate the depth of our impact on our beneficiaries, the sustainability of our programmes, and to identify where emphasis needs to be adjusted for improved results.

Enterprise and supplier development

The group's enterprise and supplier development programme, 'Tsogo Sun Entrepreneurs' will continue to actively address the need for business development support for emerging South African enterprises. With the one-year development course, which has capacity to enrol 40 new businesses annually, the Entrepreneur of the Year award, provincial supplier showcase exhibitions, the annual entrepreneurs' conference, the Legacy Series of short films and the alumni mentorship programme being its core framework, the programme is well-positioned to continue to serve the group's needs as well as those of the entrepreneurs that it supports in the year ahead.

Transformation

The group has met its target of achieving level 1 BBBEE contributor status for the third consecutive year and the future intention is to maintain this performance in the year ahead. We intend to do this through continued focus on all areas of empowerment, but specifically where we have not yet exceeded the tourism charter scorecard target – such as in the elements of employment equity and skills development. From an operational point of view, this will involve paying close attention to maintaining the diversity of our workforce and developing their skills and those of potential new employees.

Environment

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

The group is working towards zero waste to landfill by 2022 with the focus during the 2020 financial year being on identifying partners that can assist in achieving this. We will continue to work on understanding our waste streams and identifying those that can be eliminated through our green purchasing policy which is in progress. Attention will be given during the year to optimising separation at source in kitchens and bars through staff education along with upgrading waste collection areas.

TSOGO SUN CITIZENSHIP

EDUCATION AND LEARNING

Tsogo Sun strengthened its commitment to education by adapting existing programmes and launching a new Coding and 21st Century Skills Development programme to address needs in the areas of technology, science, engineering and mathematics, designed to alleviate the high rate of youth unemployment in South Africa.

CHESS

The Moves For Life chess programme funded by Tsogo Sun reaches 18 000 participating learners who attend weekly chess classes during school hours. Aspects of the game of chess are linked with mathematics, science and life skills concepts that unlock the cognitive potential of learners in the school foundation phase.

TSOGO SUN ENTREPRENEURS

Tsogo Sun supports 259 businesses through the Tsogo Sun entrepreneurship programme, which provides business mentorship, leadership coaching and various business benefits required by enterprises to help them become sustainable. The programme also creates a pipeline of promising suppliers to the group. The Tsogo Sun Entrepreneurs Achiever of the Year for 2018 – 2019 is Velaphi Mpolweni, owner of Lowe Furniture and Décor, which manufactures custom-designed furniture.

TSOGO SUN VOLUNTEERS

Tsogo Sun helps to improve conditions in local communities by mobilising our workforce to contribute to the many causes that we support. By leveraging our group's resources, experience and geographic presence through the Tsogo Sun Volunteers programme, our staff participate in diverse projects that range from assisting at welfare shelters to organising beach clean-ups.

TSOGO SUN ENVIRONMENT

Environmental responsibility and the green economy are fundamental to Tsogo Sun's philosophy of citizenship, with thousands of schoolchildren being taught to care for the planet and encouraged to plant trees, undertake clean-ups and behave responsibly towards the natural environment through the group's programme run in partnership with the Miss Earth South Africa programme and Generation Earth.

THE DIEPSLOOT SAFE-HUB

The Safe-Hub programme is sponsored by Tsogo Sun in areas around South Africa and run by AMANDLA EduFootball. It provides children from grade R to matric with access to a safe environment in underprivileged areas and offers them sports, arts and personal development skills. Qhubeka, Tsogo Sun and the City of Johannesburg donated bicycles to the Safe-Hub staff to provide them with better mobility during their shifts.

FINANCIAL STRENGTH AND DURABILITY

It is important to ensure that the capital structure of the group is appropriate so that the business survives through economic cycles.

CONTINUING OPERATIONS – GAMING

The gaming group remains highly cash generative. The relative resilience of its financial performance throughout the global economic downturn can be attributed, in part, to the general stability of the group's gaming income. Demand for the 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. These factors are a significant strength of its business that alleviates the volatility usually inherent in operating in other industries.

DISCONTINUED OPERATIONS – HOTELS

Cyclical variations in macro-economic conditions are particularly relevant in the hotel industry which is regularly in a state of under or oversupply. In order to be able to withstand the impacts of these cycles, the hotel group aims to ensure that debt is used prudently.

STRATEGY

Debt levels are managed utilising the net debt:Ebitda ratio and the group ensures availability of sufficient credit facilities with long-term maturities, providing additional liquidity in the event of a deterioration in economic conditions.

KEY PERFORMANCE INDICATORS

	2019 continuing operations	2019 discontinued operations	2018 Group
Net debt:Ebitda (times)	**2.8**	**2.2**	2.4
Unutilised net facilities (including available cash on hand) (Rbn)	**2.4**	**0.8**	4.7
Weighted average expiry of debt facilities (excluding permanent revolving credit facilities) (months)	**18**	**29**	32
Net debt hedged through fixed interest rate swaps (%)	**50**	**35**	53

2019 PERFORMANCE

Continuing operations – gaming

Net interest-bearing debt

Interest-bearing debt net of cash for the continuing operations at 31 March 2019 totalled R11.0 billion, which is R1.6 billion below the 31 March 2018 group balance of R12.6 billion, with R3.0 billion net debt attributed to the discontinued operations and R2.2 billion paid in dividends to group shareholders in addition to the investment activities during the year.

For more detail on the group's borrowings and cash position refer to notes 59 and 60 on page 56 of the annual financial statements.

During the year the gaming group took on R2.2 billion in debt from the hotel group in anticipation of the listing of the hotel group as the gaming group cash flows remain strong and the volatility in earnings low. The tenures on the majority of existing facilities are to June 2020 and June 2021. Net debt:Ebitda as at 31 March 2019 was 2.8 times with unutilised net facilities (including available cash on hand) of R2.4 billion.

The weighted average number of months to expiry of the debt facilities (excluding 364-day revolving credit facilities) was 18 months.

Interest rate management

The gaming group has hedged a significant proportion of debt facilities to maturity to lock in the current historically low-interest rate environment. As at 31 March 2019, 50% of net debt was hedged through fixed interest rate swaps and other fixed rate instruments. The weighted average effective interest rate for the year was 9.3%.

Discontinued operations – hotels

Net interest-bearing debt

Interest-bearing debt net of cash for the discontinued operations at 31 March 2019 totalled R3.0 billion, which comprises R2.0 billion debt in HPF and R1.2 billion US Dollar denominated debt funding in the offshore operations, offset by cash of R0.2 billion.

Interest rate and currency risk management

The hotel group has hedged a significant proportion of debt facilities in HPF to maturity to lock in the current historically low-interest rate environment. The US Dollar denominated offshore debt facilities were, however, unhedged from an interest rate perspective as hedging was measured on the group as a whole, and from a currency perspective due to the nature of the cash flows in the underlying operations. As at 31 March 2019, 35% of net debt was hedged through fixed interest rate swaps. The weighted average effective interest rate for the year was 8.5%.

Currency illiquidity in Nigeria has restricted the ability to settle the US Dollar denominated loans but sufficient hard currency is received to settle interest on the debt.

Offshore cash at year end was held approximately 47% in US Dollar, 17% in Euro and 18% in Nigerian Naira with limited other local currency deposits.

Net debt:Ebitda as at 31 March 2019 was 2.2 times with unutilised net facilities (including available cash on hand) of R0.8 billion. The weighted average number of months to expiry of the debt facilities (excluding 364-day revolving credit facilities) was 29 months.

Aggregated group

Net interest-bearing debt

Interest-bearing debt net of cash for the aggregated group at 31 March 2019 totalled R14.0 billion, which is R1.5 billion above the 31 March 2018 group balance of R12.5 billion, with R2.2 billion paid in dividends to group shareholders in addition to the investment activities during the year.

Net debt:Ebitda as at 31 March 2019 was 2.7 times with unutilised net facilities (including available cash on hand) of R3.2 billion. The weighted average number of months to expiry of the debt facilities (excluding 364-day revolving credit facilities) was 21 months.

Interest rate management

The group has hedged a significant proportion of debt facilities to maturity to lock in the current historically low-interest rate environment. As at 31 March 2019, 47% of net debt was hedged through fixed interest rate swaps and other fixed rate instruments. The weighted average effective interest rate for the year was 9.3% (2018: 9.4%).

LOOKING AHEAD

Continuing operations – gaming

The existing gaming group facilities were not refinanced during the 2019 financial year due to uncertainty around and the subsequent termination of the proposed transaction to dispose of the casino properties to HPF and split of the remaining business between a gaming opco and a hotel opco. Following the separate listing of the hotel group during June 2019 the gaming division funding will be refinanced where possible to reduce funding costs and decrease the liquidity risk. The facility pricing with the group's existing consortium of banks remains competitively priced; however, it is anticipated that funding rates will be favourably impacted by the establishment of a DCM programme during the year.

Gearing levels for the gaming group at debt:Ebitda of 2.8 times, following the increased interim dividend paid in December 2018 and the take on R2.2 billion in debt from the hotel group, will need to be carefully managed to bring the debt:Ebitda down.

The take on R2.2 billion in debt from the hotel group was effective in the latter part of the 2019 financial year. If the debt was in the gaming group for the full 2019 financial year, funding costs in the gaming group would have increased by R186 million. This, in addition to the payment of the sizeable interim dividend in December 2018, will impact the 2020 financial year funding costs accordingly.

Discontinued operations – hotels

Due to the scale of the hotel group and cyclical nature of the hotel trading the intention is to not declare a dividend during the 2020 financial year in order to utilise the cash generated during the year to settle US Dollar denominated debt and thereby reduce the gearing level from 2.2 times debt:Ebitda and the exposure to US Dollar denominated debt. The unhedged US Dollar denominated debt was not significant as a percentage of total group debt but is more material to the hotel group and currency fluctuations are a higher risk. In addition to the reduction of the level of US Dollar funding interest rate and currency hedges may be considered.

The transfer of the R2.2 billion in debt to the gaming group was effective in the latter part of the 2019 financial year. If the debt was not in the hotel group for the full 2019 financial year, funding costs in the hotel group would have reduced by R186 million. This will impact the 2020 financial year funding costs accordingly.

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, both the gaming group and the hotel group need 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

	2019 Continuing operations	**2019 Discontinued operations**	2018 Group
Gaming			
• Rewards club membership contribution to gaming revenue	**80%**		77%
• Guest satisfaction – gaming	**77%**		77%
• Slot machine average age	**5.7 years**		5.5 years
Hotels			
• Rewards club membership contribution to hotel revenue		**35%**	33%
• Guest satisfaction – hotels		**88%**	88%
• Hotel property brand audits		**No material deviations from brand standards**	No material deviations from brand standards
Hygiene audits	**No significant issues noted**	**No significant issues noted**	No significant issues noted
Maintenance capital spend	**R558 million**	**R384 million**	R675 million

2019 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 gaming and hotel offerings to reflect contemporary tastes and embracing new technologies that will improve customer experience. Therefore, we have committed to investing significantly in the regular maintenance and refurbishment of our properties in order to keep the experiences attractive and relevant to our customers. Slot machines are replaced on an approximate seven to 10-year cycle and the current average age of slot machines is 5.7 years.

Many of these machines, however, have been upgraded or had game changes to ensure they remain relevant. Physical standards at hotel properties are evaluated through hotel property audits. We believe that our properties offer a superior experience to those of our peers and of other leisure activities. In order to preserve our market position and to attract existing and new customers to our gaming and hotel operations, we intend to continue our disciplined programme of investment to continually refresh the offerings and décor of our facilities. There were no material deviations from the relevant brand standards during the period under review.

Product development

Development of the casino and hotel real estate is a critical component of the group's business and its plans for organic growth. On average over the past five years, approximately R1.3 billion has been invested annually in the expansion, refurbishment and maintenance of the group's existing casinos and hotels, excluding the acquisition of new properties. The ability to develop and maintain relevant physical products is a key competency required in the business and the location selection, construction and ongoing property maintenance are the core skills required. Key personnel are employed on a permanent basis to deliver these core skills that safeguard and mentor this knowledge.

These skills are augmented by a network of experienced professionals who 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, governance process and all decision-making forms part of a coordinated and integrated process across relevant business functions. All strategies and decisions are developed in a collaborative manner with the business and are based on the demands of the industry within which we operate. In most areas we continue to utilise third-party packaged solutions which are industry-specific, but have also developed numerous in-house applications and integrations to differentiate our service offerings. 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. Due to continuous and responsible IT investment over the past few years there are no legacy system issues. Our systems remain current and are all fully supported by relevant vendors and/or in-house staff.

During the 2018 financial year a cloud property management system and booking engine were trialled within the SUN1 portfolio. This solution enables far more integrated and simplified management and lends itself very well to its limited onsite staff complement. The results are encouraging and the solution will be deployed to all SUN1 hotels. The digital platform continues to enable better customer engagement, relationship management and business management. The broadband Wi-Fi operating model and voice routing strategy have been remodelled to take advantage of cost-saving opportunities.

The group continued to make strides in the centralisation of other systems. Centrally hosting systems, either on premise or in the cloud, remains our preferred strategy and progress continues. Cloud opportunities within the casino management environment remain limited due to the high level of industry regulation. The hotels environment has seen some progress with existing vendors, but they are finding migrating to a cloud model challenging, and the commercial model is not yet viable. The group will increase the adoption of cloud solutions as and when these make sense.

The group remains active with all major vendors to ensure they remain relevant to our needs and those of our guests, and to protect our investment. We directly engage with these key suppliers, defining new requirements and determining priorities.

The processing and protection of all sensitive and personally identifiable information is a global priority, plus we will be challenged by threats posed by the cyber underworld. Our environment requires major emphasis on information security, privacy, security, data protection, resilience, reliability and compliance with all relevant regulations. While we have made significant progress in this area to match international standards and local requirements, focus on this will remain an ongoing priority.

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

Tsogo Sun brand portfolio management

The brand essence of 'creating great experiences' has become synonymous with brand delivery across the Tsogo Sun family of brands.

The clear categorisation of the brand portfolio enables ease of decision-making in operations, particularly when considering the introduction of new brands. Garden Court Kitwe opened in Zambia in 2018 and an exciting new budget hotel brand, Hi Hotels, will be introduced to the portfolio in 2019 with the first property opening on the Montecasino precinct late 2019.

The incorporation of the increasing digital mix into all marketing campaigns results in a greater return on investment and the messages across channels are becoming more integrated, resulting in seamless, targeted communication to the customer.

The investment in the sunburst symbol continues to pay off with high recognition and recall from the group's stakeholders.

Customer satisfaction

The dynamic environment in which the group operates has resulted in a shift in the way in which brand reputation is managed. The group has welcomed the increase in customer interaction on digital platforms and has formalised a way of monitoring and managing online conversations.

Post-visit surveys remain an important channel to understand the voice of approximately 10 000 customers per month. The management of the survey data continues and it has allowed the business to gain deeper insights into understanding customer preferences and behaviour and the business continues to use the feedback in ensuring optimal operational delivery.

PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE continued

Low scoring statements are identified as burning issues and specialist project groups address them as a business priority. The overall satisfaction score for hotels averaged 88% (2018: 88%) and 77% (2018: 77%) for gaming. Overall satisfaction score for online third-party review sites for hotels was 85% (2018: 85%) and for gaming 84% (2018: 83%).

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

- Tsogosun.com – 1.1 million + visits per month (2018: 1.1 million + visits per month)
- Facebook – 1.95 million followers (2018: 1.87 million)
- Twitter – 103 000 followers (2018: 94 800)
- Instagram – 35 400 followers (2018: 28 500)

Customer rewards programmes

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

During the year the focus areas were on the growth in rewards membership, database hygiene, data profiling for the hotel rewards programme, bonus SunRands and e-vouchers for tactical, revenue-driving promotions and the targeted use of custom audience matches via digital media platforms.

Tsogo Sun Gaming – rewards programme segmental analysis

Tsogo Sun Gaming had 431 353 active gaming cardholders during the year. The contribution to total gaming revenue for the year from active members of the reward programme was 80%.

Segment	**2019 % active customers**	**2019 contribution %**	2018 % active customers	2018 contribution %
Black	**8**	**55**	8	53
Platinum	**16**	**16**	12	15
Gold	**76**	**9**	80	9
	100	**80**	100	77

Tsogo Sun Hotels – rewards programme segmental analysis

Tsogo Sun Hotels had 130 387 active reward cardholders during the year. The contribution to total hotel revenue for the year from active members of the reward programme was 33%.

Segment	**2019 % active customers**	**2019 contribution %***	2018 % active customers	2018 contribution %*
Black	**6**	**10**	6	10
Platinum	**14**	**10**	14	9
Gold	**80**	**15**	80	14
	100	**35**	100	33

** System-wide*

Customer safety

Tsogo Sun recognises that the health, safety and wellbeing of customers and employees are 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 micro-biological quality. No significant issues were noted.

LOOKING AHEAD

Customer rewards programmes

Database growth, repeat visits and incremental spend will remain a core focus with the medium-term goal of rewards attaining a contribution of 40% to total hotel room revenue. Data profiling will also remain a priority to improve our understanding of customer behaviour and purchasing patterns. Significance will continue to be placed on the protection of data and incorporation of local and international legislation and standards.

Information technology

Tsogo Sun Gaming

The focus will be on ongoing incremental improvements that deliver measurable value and benefit. During the 2020 financial year we will continue to evolve our technology offerings including:

- completing our broadband Wi-Fi deployment with installations at our seven medium and smaller casinos;
- rewarding players more scientifically in line with their spend;
- ensuring high levels of service delivery on the gaming floor through supporting technology;
- upgrading self-service cash dispensers;
- maximising convenience at cash dispensers via direct capture of FIC information required to meet reporting requirements;
- improving the customer experience for online booking (Movies@ and Gold Reef City Theme Park); and
- upgrading core gaming and financial systems to enable better operational management.

We will explore additional technology investment options which may include:

- the development of a mobile app to provide players with greater flexibility and convenience;
- evaluating the merits and business benefits of cross-property loyalty and wallets; and
- exploring machine learning and artificial intelligence opportunities to assist in obtaining greater insights and improve operational performance.

Tsogo Sun Hotels

During the 2020 financial year a broader range of new technology options will be trialled, including:

- implementation of a new guest wireless internet portal which will improve the customer experience and allow for improved proactive support and service;
- implementation of a new booking engine on Tsogosun.com which will improve the customer journey and facilitate a seamless reservation and payment experience, while promoting sales and revenue opportunities;
- an upgrade of the Customer Information System which supports the General Data Protection Regulation requirements;
- implementation of guest self-service check-in tablets at the new Hi Hotel at Montecasino;
- reviewing, re-engineering and deploying a new business intelligence solution and dashboard that incorporates additional operational measurements;
- further adoption and migration of IT solutions to the cloud that enable improved security and meets legislation requirements;
- reviewing current information security maturity and implementing policies to support a best practice framework;
- engage with third-party specialists to utilise security as a service to monitor threats and security;
- continue with the strategy of PABX in the cloud and on-net telephone service reducing telephony costs;
- reviewing activity-based sales lead management to improve business conversion; and
- reviewing all current channel costs and defining a strategy using technology to improve the cost to realise reservations.

REGULATORY COMPLIANCE

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

This strict culture of compliance is applied to all aspects of the group's business including areas as diverse as hospitality hygiene, liquor licences, fire and life safety regulations, corruption, insider trading and competition law. Despite the significant cost involved, the group treats compliance as a necessary investment and not an unavoidable cost, and recognises that compliance yields benefits such as an enhanced financial and operational internal control environment.

KEY PERFORMANCE INDICATORS

	2019	2018
Significant gaming regulation breaches	**Nil**	Nil
Fines imposed for other regulatory breaches	**Nil**	Nil
Fines imposed for breaches of law	**Nil**	Nil

2019 PERFORMANCE

Regulatory compliance

The South African trading environment is highly regulated and compliance with the regulations is critical to our licence to trade. The broader trading environment is becoming increasingly complex and is governed by legislation and policies, much of it relatively new, relating to competition, customer protection, privacy, environmental, health and safety, money laundering, BBBEE 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 gaming 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 gaming 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. With the exception of licences issued in the Eastern Cape which are issued for a limited period, gaming licences have been issued for an indefinite period, subject to annual renewal by way of the payment of annual licensing fees, and subject to the absence of any disqualifying circumstances.

During the year, the group participated in the public consultation process in respect of proposed legislative and policy amendments which may have a regulatory compliance impact on the group's gaming and hotel operations. The most significant contributions were made in respect of the pending proposed amendments to the National Gambling Act, the implementation of national registers for excluded persons and gaming equipment, various provincial gambling acts, regulations (which included comprehensive representations regarding proposed gaming tax increases in Gauteng), provincial gambling board rules, the 41st casino licence, the roll out of additional bingo sites, liquor legislation and FICA, which has caused more onerous regulatory obligations on gaming. The Minister of Finance proclaimed the commencement of certain provisions of the Financial Intelligence Centre Amendment Act in October 2017 and allowed a transitional period for the implementation of the amendments to the Act, as well as amendments to the regulations. By November 2018 the group had fully implemented the Risk Management Compliance Programme ('RMCP') as prescribed. The RMCP was approved by the directors concerned and relevant employees were provided with the necessary training to enable them to comply with the provisions of the Act and the RMCP.

Provincial gambling boards have in the recent past started to focus on the monitoring and enforcement of CSI contributions by gaming licensees. BBBEE performance is also stringently monitored in some provinces through the imposition of licence conditions and the gaming licensees continuously engage with provincial gambling boards on its performances in this regard.

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

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

	2019	2018
Management and control (revised codes) score	**12.5/19**	10.3/19
Verified training spend as a % of payroll	**5.1%**	5.2%
Staff resignations	**8.9%**	10.2%

2019 PERFORMANCE

Human capital management

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

Job creation and employee stability

The group contributes approximately 15 800 direct jobs and 24 200 combined direct and indirect jobs (including 8 400 contract staff employed by third-party service providers) where our operations are situated in South Africa.

Staff resignations reduced to 8.9% (2018:10.2%) and remains acceptable for the hospitality industry and is testimony to the favourable employee engagement and values-based leadership approach across the group.

Employee development

Training spend for the year is R202 million, which at 7% of payroll, has increased from the prior year. The group spent R176 million on training and development initiatives provided to black people during the year, which is 6% of payroll. In accordance with the BBBEE revised codes – tourism sector scorecard targets, the spend is measured against the national black economically active population targets. For this reason, the group's verified spend on BBBEE training and development amounted to R149 million, which is the equivalent of 5.1% of payroll. The group's BBBEE score for skills development is 18.4 out of 20 within the scorecard framework. In the year the group employed 2 629 people on learnerships and provided 1 075 unemployed people with learnership opportunities. Of the unemployed people on learnerships, the group employed 242 people after they had completed their training.

The group continued to ensure that the training of employees is aligned to the needs of the business thereby contributing to improved performance in line with the business strategy. Management and leadership development programmes, coaching and mentoring programmes, job rotation and job shadowing were some of the many solutions used to develop talent for future roles across all levels of management. These opportunities for development and growth within the organisation were key contributors to improved performance and employee retention, especially within the supervisory and management levels. Our online video learning platform provided employees with access to training at their convenience with assessments and sign-off on full courses being available in this way. The variety of learning offered provided opportunities for employees to build their CVs and career paths. The group's accreditation as a training provider enabled us to develop and provide new learning programmes that improve the skills of employees and unemployed people in communities. With the focus on youth employment, Tsogo Sun has continued to support work integrated learning in the industry ensuring learners could complete

HUMAN RESOURCES continued

their practical component of their formal learning programmes including TVET qualifications, certificates, diplomas and BTechs while gaining relevant work experience for future employment.

Employee engagement

The group's employee engagement programme called livingTSOGO reflects the values, culture and behaviours common to the business. Employees participate in the components designed to bring them to life including livingTSOGO World which incorporates the group's induction programme and livingTSOGO Moments which provides employee recognition and rewards. An employee engagement survey was conducted to assist the business in establishing priorities, guide leadership and allocate resources appropriately. An online action plan was shared with all general managers as a resource to assist with the group's response to the results of the survey and to align practices to strategic plans. Post-survey engagement meetings were also held with all heads of department to further support operations in responding effectively to the results.

Employee participation in the group's rewards programme 'livingTSOGO Moments' increased to 83%, which is 14% more than in the previous year. The increase in participation was partly due to the introduction of the livingTSOGO Moments Mobisite, a platform that enables voting on desktops, in addition to the existing cellphone voting facility. Tsholofelo Noge from Silverstar Casino – Food and Beverage won the 2018 livingTSOGO Ambassador Award from a selection of five regional champions.

Employee wellness

Tsogo Sun seeks to find ways to help our employees to manage their health and this past year has seen an increase in the provision of company hosted health programmes, ranging from chronic health management to running groups and exercise classes to weight loss programmes and preventative medical screening initiatives. These are in addition to the formal structures in place to support our healthy workforce such as employee clinics at certain properties, an employee assistance helpline, wellness days and executive medicals. During the year, a total of 54 079 primary healthcare consultations were provided at employee clinics located at our casino complexes and this has contributed positively to the management of absenteeism within the group. Healthy meal options are also provided to our employees in canteens at our hotels and casinos.

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 1.55. This equates to the number of injuries which rendered an employee unfit for duty for one shift or longer per 200 000 hours worked.

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. Of the 11 664 employees in the South African operations who are eligible to join a union, 2 699 (23%) are union members.

Union membership has increased compared to the same period in the previous year from 2 445 to the current 2 699. This is largely due to new unions recruiting the operational support staff who previously fell outside of the bargaining unit as defined in the collective bargaining arrangements that the company has with the older and more established unions. In addition, there has been a proliferation of unions requesting organisational and collective bargaining rights.

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.

Employment equity

The principles of empowerment and diversity are entrenched into the ethos of Tsogo Sun. The table below reflects our employment equity and includes South Africa only. It excludes the approximately 8 400 contract staff employed by third-party service providers and 1 656 staff employed outside South Africa.

	South African male				South African female				Foreign nationals		
Employees	African	Indian	Coloured	White	African	Indian	Coloured	White	Male	Female	Total
Permanent	**3 615**	**536**	**452**	**586**	**3 941**	**433**	**489**	**573**	**88**	**35**	**10 747**
Executives and management	461	186	112	388	404	132	99	332	35	11	2 162
Supervisory and skilled	1 583	229	180	135	1 657	195	228	207	32	20	4 466
General	1 571	121	161	64	1 880	106	162	33	20	3	4 121
Operational support	**1 928**	**36**	**65**	**12**	**2 726**	**41**	**109**	**23**	**51**	**23**	**5 016**
Executives and management	–	–	–	–	1	–	–	1	1	–	3
Supervisory and skilled	554	15	22	6	767	25	38	12	17	4	1 459
General	1 374	21	42	7	1 958	17	71	10	33	19	3 553
Other	6	4	–	6	4	–	1	3	–	–	25
Total 2019	**5 548**	**576**	**517**	**604**	**6 672**	**474**	**600**	**600**	**140**	**58**	**15 788**
Total 2018	**5 312**	**538**	**530**	**612**	**6 705**	**451**	**659**	**604**	**136**	**57**	**15 604**

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

The overall percentage of female employees is 53.3% of the workforce in 2019 (2018: 53.4%).

We ensure that our workforce reflects our focused employment equity philosophy. In this regard, in accordance with our verified management and control results, presently black representation at senior management level is 48%, at middle management level it is 57% and at junior management level it is 78%. The representation of black employees throughout the group remained at 92%.

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.

LOOKING AHEAD

Employee development

With the unbundling of the hotel business and the subsequent restructuring of the hotel and gaming businesses, the learning and development focus will be reorganised to deliver on the specific needs of the hotel and gaming businesses respectively. Together with this focus on delivering on the specific business needs of hotels and gaming, focus will continue to be placed on growing learners within the organisation and equipping them with skills to improve performance and grow their career as well as continued efforts to develop and grow leaders. Best practice will continue to be top of mind.

Employee engagement

Monthly recognition of employees through livingTSOGO Moments is ongoing and we intend to explore futuristic and user-friendly features to improve the cellphone voting process that will appeal to our employees based on the organisational age profile.

Growth strategy in action

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

Growth in cash flow over time is generated through the optimal operation of the group's capitals (organic growth) and building the tangible and intangible asset base of the group through developing and acquiring new businesses (inorganic growth). It is only with sustainable and growing cash flows that a business can hope to create value for the organisation, its stakeholders and society and thereby achieve a multitude of additional benefits such as increased levels of employment and meaningful social contributions.

ORGANIC GROWTH

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

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

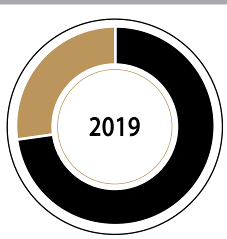
KEY PERFORMANCE INDICATORS – CONTINUING OPERATIONS

	2019	2018
Organic income reduction	–	(1%)
Organic Ebitdar reduction	**(3%)**	(5%)
Free cash flow	**R1.9 billion**	R1.5 billion
Maintenance capital expenditure	**R558 million**	R425 million
Adjusted HEPS reduction	**(3%)**	

KEY PERFORMANCE INDICATORS – DISCONTINUED OPERATIONS

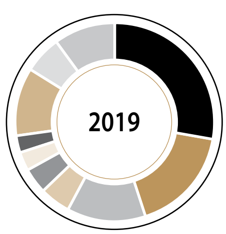
	2019	2018
Organic income reduction	**(1%)**	(1%)
Organic Ebitdar reduction	**7%**	(1%)
Free cash flow	**R402 million**	R424 million
Maintenance capital expenditure	**R384 million**	R248 million
Adjusted HEPS reduction	**(14%)**	

GROUP F'19 EBITDAR BY DIVISION (%)



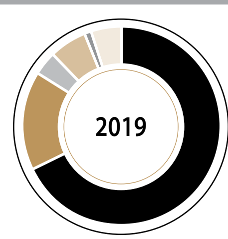
- Gaming– 73%
- Hotels– 27%

GAMING F'19 EBITDAR BY PROPERTY (%)



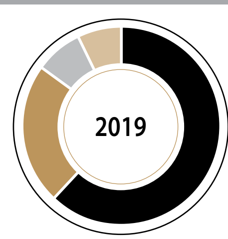
- Montecasino – 28%
- Suncoast – 17%
- Gold Reef City – 13%
- Silverstar – 5%
- Golden Horse – 4%
- Emnotweni – 3%
- The Ridge – 3%
- VSlots – 11%
- Galaxy – 6%
- Other casinos – 10%

GAMING F'19 REVENUE BY NATURE (%)



- Slots – 68%
- Tables – 16%
- Rooms – 4%
- Food and beverage – 6%
- Rental income – 1%
- Other – 5%

HOTELS F'19 REVENUE BY NATURE (%)



- Rooms – 62%
- Food and beverage – 23%
- Rental income – 8%
- Other – 7%

ORGANIC GROWTH continued

2019 PERFORMANCE

Segmental operating performance continuing operations

	Income		Ebitdar[1]		Ebitdar margin	
Year ended 31 March	2019 Rm	Restated[2] 2018 Rm	2019 Rm	Restated[2] 2018 Rm	2019 %	Restated[2] 2018 %
Continuing operations						
Montecasino	**2 714**	2 625	**1 175**	1 135	**43.3**	43.3
Suncoast	**1 734**	1 681	**720**	752	**41.5**	44.7
Gold Reef City	**1 477**	1 497	**550**	569	**37.3**	38.0
Silverstar	**691**	686	**210**	212	**30.4**	30.9
Golden Horse	**409**	397	**176**	177	**43.1**	44.6
Emnotweni	**368**	381	**119**	136	**32.4**	35.7
The Ridge	**391**	381	**144**	145	**36.9**	38.0
Hemingways	**304**	314	**84**	97	**27.5**	30.8
Garden Route	**245**	235	**100**	99	**40.9**	41.9
Mykonos	**179**	183	**80**	86	**44.6**	47.2
The Caledon	**181**	177	**49**	49	**26.9**	28.0
Blackrock	**170**	160	**53**	54	**31.0**	33.6
Goldfields	**137**	135	**35**	38	**25.8**	28.5
Galaxy[3] [4]	**855**	263	**247**	69	**28.9**	26.2
VSlots[3] [4]	**1 559**	543	**441**	169	**28.3**	31.1
Other gaming operations[2] [4]	**205**	184	**(111)**	(106)		
	11 619	9 842	**4 072**	3 681	**35.0**	37.4

[1] *All casino units are reported pre-internal gaming management fees*
[2] *Restated for discontinued operations, to include corporate in other gaming operations and reallocation between VSlots gaming win, other income, gaming VAT and LPM site owners' commission*
[3] *Gaming division includes Galaxy and VSlots with effect from 20 November 2017*
[4] *Income in VSlots, and Ebitdar in Galaxy, include R7 million (2018: R6 million) related to gaming machine rentals which are eliminated in other gaming operations*

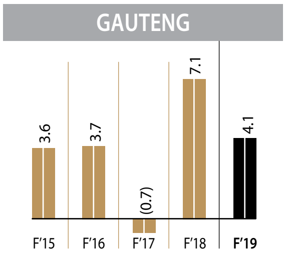
Tsogo Sun Gaming – casinos

Net casino gaming win for the year increased by 2% on the prior year with an increase in slots win by 1% and tables win by 5%. Slots handle increased by 4% but was adversely impacted by a reduction in win percentages resulting in the 1% growth in win. Tables drop increased by 6% but was also adversely impacted by a reduction in win percentages resulting in the 5% growth in win.

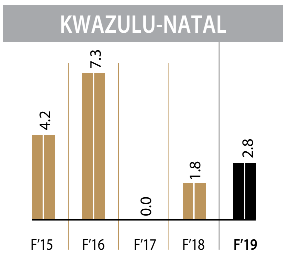
	31 March 2019 Rm	31 March 2018 Rm	% change on 2018
Casino gaming win	**7 494**	7 357	2
Tables	**1 913**	1 822	5
Slots	**5 581**	5 535	1
Win – tables (%)	**20.6**	20.9	(0.3pp)
Hold – slots (%)	**4.9**	5.0	(0.1pp)

Gauteng recorded growth in provincial gaming win of 4.1% for the year. Gaming win growth of 5.1% was achieved at Montecasino and 1.5% at Silverstar with a reduction at Gold Reef City of 1.7%.

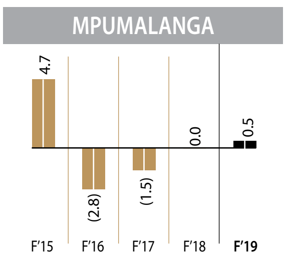
KwaZulu-Natal provincial gaming win grew by 2.8% for the year. Gaming win grew by 2.4% at Suncoast Casino and Entertainment World, impacted by disruption due to the refurbishment during the year, 2.9% at Golden Horse Casino in Pietermaritzburg and 9.0% at Blackrock Casino in Newcastle.



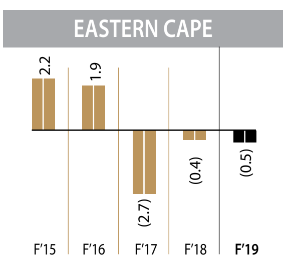
◆ *Provincial gaming win growth**



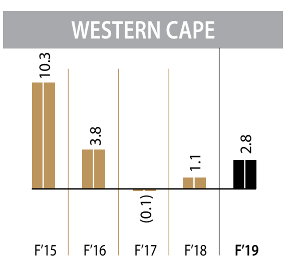
◆ *Provincial gaming win growth**



◆ *Provincial gaming win growth**



◆ *Provincial gaming win growth**



◆ *Provincial gaming win growth**

** Based on gambling board statistics*

Mpumalanga provincial gaming win was up 0.5% on the prior year. Gaming win growth of 1.4% at The Ridge Casino in eMalahleni was achieved with a reduction at Emnotweni Casino in Nelspruit of 2.1%.

Eastern Cape provincial gaming win reduced by 0.5% on the prior year. Hemingways gaming win reduced by 1.5% on the prior year with economic conditions in the province remaining weak.

Western Cape provincial gaming win grew by 2.8% on the prior year. The Garden Route Casino in Mossel Bay and Caledon Casino, Hotel and Spa reported growth of 5.2% and 2.0% respectively with gaming win at the Mykonos Casino in Langebaan reducing by 1.7% on the prior year.

Goldfields Casino in Welkom in the Free State grew gaming win by 3.5% on the prior year despite a 1.8% reduction in Free State provincial gaming win.

Other operations consisting of the Sandton Convention Centre, head office costs and dividend income reflected a net cost of R111 million, an increase of R5 million on the prior year.

Total income for the casino gaming division increased 2% on the prior year to R9.2 billion. Ebitdar remained flat on the prior year at R3.4 billion at a margin of 36.8%, 1.3pp below the prior year with particularly good control on overheads mitigating the reduction in net gaming win and the impact of the 1pp VAT increase.

Tsogo Sun Gaming – Galaxy Bingo

The Galaxy business was consolidated in the prior year from 20 November 2017. Total income for the year for Galaxy was R855 million (2018: R263 million) with Ebitdar of R247 million (2018: R69 million).

Galaxy gaming win grew 29% on the F'18 illustrative comparative year mainly as a result of strong growth in the three sites opened during the 2018 financial year, the site opened in April 2018 and the roll out of electronic bingo in KwaZulu-Natal during the year.

As at 31 March 2019 Galaxy operated and managed 23 sites including 17 bingo sites with EBTs, four sites with EBTs and LPMs, one independent site operator ('ISO') with 40 LPMs and one casino. Machines under management include 3 507 EBTs (2018: 2 900), 200 LPMs (2018: 200) and 162 casino gaming positions (2018: 154). During the year electronic bingo was rolled out at the four KwaZulu-Natal sites that previously offered LPMs and paper bingo. Post-year end, during April 2019, an additional site with EBTs and LPMs opened in Pinetown.

Tsogo Sun Gaming – VSlots LPMs

The VSlots business was consolidated in the prior year from 20 November 2017. Total income for the year for VSlots was R1.6 billion (2018: R543 million) with Ebitdar of R441million (2018: R169 million).

VSlots gaming win grew 10% on the F'18 illustrative comparative year mainly as a result of the ongoing optimisation of LPM sites and LPM machines within the sites.

As at 31 March 2019, 6 058 (2018: 5 894) VSlots machines were active at 1 144 sites (2018: 1 113). In total, 164 machines (net of site closures) were rolled out during the 2019 year.

The Galaxy and VSlots businesses together account for 16% of the growth in group income and 12% of the growth in group Ebitdar for the year.

Maintenance capital expenditure – continuing operations

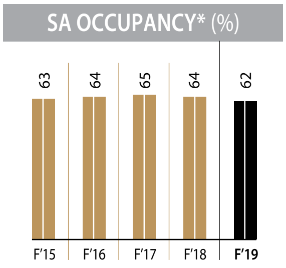
The gaming group invested R558 million on maintenance capex, including gaming equipment replacements.

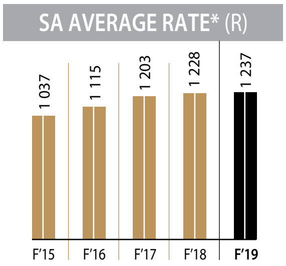
ORGANIC GROWTH continued

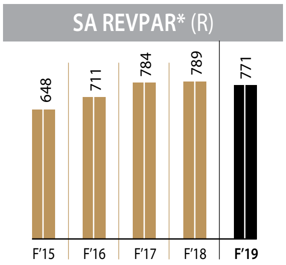
Segmental operating performance – discontinued operations

	Income		Ebitdar[1]		Ebitdar margin	
Year ended 31 March	2019 Rm	Restated[1] 2018 Rm	2019 Rm	Restated[1] 2018 Rm	2019 %	Restated[1] 2018 %
Manco	**289**	286	**155**	168	**53.8**	58.9
Rental income HPF	**347**	402	**347**	402	**100.0**	100.0
Internally managed	**3 329**	3 295	**845**	900	**25.3**	27.3
Coastal	**1 907**	1 902	**497**	536	**26.0**	28.2
Inland	**1 150**	1 124	**254**	263	**22.0**	23.4
Other	**272**	269	**94**	101	**34.5**	37.5
Offshore	**605**	565	**144**	120	**23.9**	21.2
Elimination of internal management fees	**(181)**	(183)	**–**	–	**–**	–
	4 389	4 864	**1 490**	1 590	**33.9**	36.4

[1] *Restated for discontinued operations*







** South African hotel industry based on STR Global statistics*

Tsogo Sun Hotels

Overall hotel industry occupancies in South Africa reduced to 62.4% (2018: 64.2%) for the year. Trading for the group's South African hotels for the year recorded system-wide Revpar 1% up on the prior year due to a 2% increase in average room rates to R1 092, offset by a reduction in occupancy on the prior year to 63.5% (2018: 64.7%).

Overall revenue for the South African hotels division was flat on the prior year at R3.8 billion assisted by the inclusion of the opening of the SunSquare and StayEasy City Bowl hotels on 1 September 2017. Ebitdar decreased by 8% on the prior year to R1.3 billion at a margin of 35.6% (2018: 38.7%).

Trading in the KwaZulu-Natal region was in line with the prior year with poor conferencing demand offset by growth in the public sector segment. Trading in the Cape region has remained weak as a result of the impact of the communication around the water shortage resulting in weak foreign visitor and conferencing demand in addition to additional supply. Trading in the inland region was mixed but largely in line with the prior year. SUN1 trading remains weak with reduced group demand and no improvement yet in transitory business.

The offshore division of hotels achieved total revenue of R605 million which increased 7% on the prior year, impacted by 4% due to the opening of the StayEasy Maputo hotel during April 2018. This was further favourably impacted by the weakening of the Rand against the US Dollar. Ebitdar (pre-foreign exchange gains) increased by 16% to R138 million. Foreign exchange gains of R6 million (2018: R1 million) were incurred on the translation of offshore monetary items, principally between local country currencies and the US Dollar.

Trading in Ikoyi improved significantly and the opening of the StayEasy Maputo during the year also assisted growth. Trading in Dar es Salaam remained weak as a result of aggressive government policies impacting business confidence and airlift and the relocation of key government departments out of the city. Trading in Nairobi remains weak due to a terror incident and ongoing security threats.

Combined South African and offshore hotel trading statistics, reflecting the Tsogo Sun Hotels owned hotels and excluding hotels managed on behalf of third parties and those in HPF managed by third parties, are as follows:

	31 March 2019	31 March 2018
Occupancy (%)	**60.6**	62.5
Average room rate (R)	**1 064**	1 043
Revpar (R)	**645**	652
Rooms available ('000)	**4 239**	4 123
Rooms sold ('000)	**2 568**	2 576
Rooms revenue (Rm)	**2 732**	2 687

Maintenance capital expenditure – discontinued operations

The hotel group invested R384 million on maintenance capex, including major hotel refurbishments.

LOOKING AHEAD

Continuing operations

The underlying operations of the gaming group remain highly geared towards the South African consumer and the high level of operational gearing still presents significant growth potential for the group should this sector of the South African economy improve.

The Galaxy and VSlots businesses are expected to continue to deliver strong growth, ahead of inflation, due mainly to the optimisation of sites and machines at the sites. In addition, growth in Galaxy should be assisted by the refurbishment of existing sites, the growth in profitability of the sites opened recently and the growth of electronic bingo in KwaZulu-Natal.

The ongoing cost-saving initiatives will continue and further cost savings will be considered during the year to protect the margins in the current low revenue growth environment.

Discontinued operations

The underlying operations of the hotel group remain highly geared towards the South African corporate market. The high level of operational gearing still presents significant growth potential for the group should this sector of the South African economy improve.

As occupancies increase when demand increases with limited supply being added to the market average room rates will also increase ahead of inflation through the impact of yielding.

The ongoing cost-saving initiatives will continue and further cost savings will be considered during the year to protect the margins in the current low revenue growth environment.

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 competencies. In all situations, a discipline around due diligence and feasibility is critical to ensuring the success of growth projects.

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

KEY PERFORMANCE INDICATORS – CONTINUING OPERATIONS

	2019 Rm	2018 Rm
Investment activity expenditure	**962**	2 126

KEY PERFORMANCE INDICATORS – DISCONTINUED OPERATIONS

	2019 Rm	2018 Rm
Investment activity expenditure	**62**	451

2019 PERFORMANCE

INVESTMENT ACTIVITY EXPENDITURE – CONTINUING OPERATIONS

	31 March 2019 Rm	31 March 2018 Rm
Suncoast expansion	**758**	291
VSlots intellectual property, machine and equipment acquisitions	**86**	–
Galaxy site developments and machine acquisitions	**76**	24
Monte Circle and Monte Place	**29**	26
Gold Reef City redevelopment	**6**	19
Mykonos land	**–**	30
Other	**5**	3
Expansion capex	**960**	393
Acquisition of Gameco	**–**	1 733
Acquisitions and minorities	**2**	1 733
Investment activity expenditure	**962**	2 126

R1.0 billion was spent during the year on expansionary projects, including:

- the completion of the R1.5 billion expansion and refurbishment of the Suncoast Casino and Entertainment World. The Salon Privé opened in August 2018 and the rest of the development, which includes the expanded casino floor, restaurants, The Globe, retail shops and parking, opened in December 2018. In total, R758 million was spent during the year;
- gaming machine and expansion-related expenditure for the KwaZulu-Natal bingo sites in Galaxy and gaming machine-related expenditure for site expansion and the acquisition of intellectual property rights to LPMs in VSlots of R164 million; and
- continued investment in the Monte Circle office development of R29 million.

INVESTMENT ACTIVITY EXPENDITURE – DISCONTINUED OPERATIONS

	31 March 2019 Rm	31 March 2018 Rm
StayEasy Maputo	**52**	145
Hi Hotels	**10**	–
Sandton Eye (Radisson Gautrain)	**–**	271
SunSquare and StayEasy Cape Town FF&E	**–**	35
Expansion capex	**62**	451
Investment activity expenditure	**62**	451

R62 million was spent during the year on expansionary projects, including the completion of the US$16 million 125 room StayEasy in Maputo, Mozambique, which opened during April 2018. In total, R52 million was spent during the year.

LOOKING AHEAD

Continuing operations

The gaming group remains highly cash generative but is more highly geared than it has historically been and will continue to assess significant opportunities to invest capital taking into consideration the need to apply cash to reduce debt to a more comfortable level.

In casino gaming, the focus will be on adding additional licensed slot machines and tables as demand increases. With only one of the national licences that is not allocated being potentially 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.

Galaxy opened an additional site in Pinetown during April 2019 and has an additional two bingo licences in KwaZulu-Natal that have not yet been rolled out and these will be activated when practically and commercially feasible. In addition no bingo licences have yet been awarded in the Western Cape, Northern Cape and Free State and applications will be made in these provinces when legislation permits. Where there is demand, applications will be made to expand the existing bingo sites and increase the number of machines.

In VSlots, where there is demand, we will continue to roll out additional licensed LPM sites and, where available, will apply for additional licences.

The group continues to implement a variety of projects including 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. The Western Cape provincial treasury published a draft bill and regulations intended to permit the relocation of outlying casinos to within the metropole. However, progress remains slow and the final result uncertain.

Discontinued operations

The level of gearing in the hotel group is lower but it is not as cash generative and its earnings will be more volatile than the gaming business. It thus will also need to assess investment opportunities taking into consideration the need to further reduce debt.

In South Africa the hotel group will acquire properties if they are well located, align with our business model and are realistically priced. Occupancies remain below long-term averages and there should not be significant hotel stock being added to the market at this stage of the cycle. We would, however, actively seek opportunities to land, bank, build or lease in superior locations or nodes that are expected to grow more strongly in the future. Acquisitions would most likely be by HPF with the hotel opco securing a lease contract over the hotel where appropriate. 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 in which we already operate.


SUNCOAST

Integrated governance

REPORTING APPROACH

King IV applied to the group from the 2018 financial year and this integrated governance section contains the majority of the disclosure requirements contained within King IV with references to other relevant sections of the report.

An assessment of King IV was completed during the prior year and the group substantially applies the 16 principles. The board charter and individual committee terms of reference documents have been updated and adopted to incorporate the required amendments.

Although the group substantially applies the principles work is still required on a number of the practices. These include board diversity targets, board and executive succession planning, formal and transparent process for the appointment of board members, board assurance of non-financial information in reports, formal letters of appointment for board members, independence of the chairman of the remuneration committee and a formal stakeholder relationship policy.

The following disclosure relates to Tsogo Sun Holdings Limited which was renamed Tsogo Sun Gaming Limited when Tsogo Sun Hotels Limited was unbundled during June 2019. The governance principles and practices applied by Tsogo Sun Holdings Limited will be applied by both Tsogo Sun Gaming Limited and Tsogo Sun Hotels Limited except where noted otherwise.

EFFECTIVE AND ETHICAL LEADERSHIP

ETHICS

The group has an ethics policy and a code of conduct which guides its business practices. The ethics policy seeks to reinforce the company's many policies, principles and practices through providing clarity on expectations and underlying matters of principle.

The key aspects of the ethics policy are how business is conducted, the group's societal contribution and handling of people, the need for employees to speak out about wrongdoings, conflicts of interest, the legitimate interests of the business, application of law, policies and procedures, corporate governance matters and individual accountability.

The code of conduct provides guidance on matters such as conflicts of interest, acceptance and giving of donations and gifts, compliance with laws and the dissemination of confidential information.

The board has ultimate responsibility for the ethical culture of the business. The social and ethics committee has oversight over the group's ethical matters and the roles and responsibilities are set out in the terms of reference of the committee. All senior employees are required to sign an annual declaration confirming no conflicts of interest and compliance with laws and regulations. Board members are required to disclose conflicts of interest at each meeting. The ethics policies are included in the information directors are provided with on appointment.

The group has an independent whistle-blower line and all reported matters are investigated by appropriate employees and the results reported to the audit and risk committee. Unethical behaviour is not tolerated within the group or its business partners and all criminal behaviour is reported to the police.

RESPONSIBLE CORPORATE CITIZENSHIP

The social and ethics committee has oversight over the group's social matters and the roles and responsibilities are set out in the terms of reference of the committee.

The key areas of focus are social and economic development of the industry, state and partners, corporate citizenship within the community, the natural environment and relationships with customers and employees.

Refer to the deliver to our beneficiaries section on pages 47 to 55, the product relevance to customer experience section on pages 58 to 61, the regulatory compliance section on page 62 and the human resources section on pages 63 to 65 for information as to how the group manages its social outcomes.

VALUE CREATION AND REPORTING

Our approach and philosophy of integrated reporting and assurance over the report is documented in about this report on page 01.

Our report is purposefully structured around the strategy of the group in order to illustrate how we create value. Our material risks and opportunities on pages 27 to 29 and key relationships on pages 30 to 32 inform the strategy which is documented in our strategy in action on pages 08 to 10. Our strategy and performance highlights against the strategy are summarised on pages 06 to 07 and our business model on pages 12 to 24 provide the context and link between the capitals we utilise and the outcomes linked to our strategic priorities.

All information presented in the report is utilised within the business and there are processes in place to ensure its accuracy. Although elements of the report are assured internally and other information is provided by external sources assurance is an area that requires further formalisation as guidance in this area matures.

BOARD COMPOSITION, STRUCTURE AND REPORT BACK

GOVERNANCE STRUCTURE

The board maintains full and effective control over the company and is accountable and responsible for its performance and compliance. The board reviews the strategic priorities of the group, determines the investment policies and delegates to management the detailed planning and implementation of the objectives and policies in accordance with appropriate risk parameters. The board monitors compliance with policies and achievement against objectives by holding management accountable for its activities through quarterly performance reporting and budget updates.

BOARD COMPOSITION, STRUCTURE AND REPORT BACK continued

The board charter codifies the board's composition, appointment, authorities, responsibilities and processes and sets out the fiduciary duties of the directors of the company. It provides the board with a mandate to exercise leadership, determine the group's vision and strategy and monitors operational performance.

The board governs through clearly mandated board committees. Each committee has specific written terms of reference approved by the board and adopted by the committee. All committee chairmen report orally on the proceedings of their committees at the board meetings. The board retains accountability and is satisfied that it has fulfilled its responsibilities in accordance with the board charter during the year.

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

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

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

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

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

Remuneration committee
Five non-executive directors of whom three are independent[(2)]

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

Social and ethics committee
Four non-executive directors of whom three are independent[(2)]

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

Chief Executive Officer

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

Group executive committee
Members including the executive directors, divisional chief operating officers and financial directors and certain group function heads

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

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

Responsible for the identification and management of insurable risks.

Compliance committee
Executive directors and gaming Chief Operating Officer, finance, operations, human resources, security, legal and compliance directors

Responsible for compliance, mainly in gaming division.

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

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

Management/operations committee
Chief Operating Officer and divisional function heads

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

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

(1) In terms of the MOI the board consists of between four and 15 directors. Four of the non-executive directors are independent
(2) The committee meetings are also attended voluntarily by other directors

During the year there were five board meetings and an independent board meeting was convened relating to the proposed casino property sale to HPF transaction. The divisional chief operating officers and the group Human Resources Director attend board meetings, enabling the board to explore specific issues and developments in greater detail. Individual directors' attendance at the board and board committee meetings and at the AGM is set out in the table below:

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

BOARD COMPOSITION

The composition of the board and of the audit and risk, remuneration and the social and ethics committees is determined by the major shareholder. The board exercised its prerogative to appoint John Copelyn as the Chairman. As a compensating control, a lead independent director was appointed. The lead independent director is Busi Mabuza who serves on all of the committees of the board, and is therefore well placed to influence the governance of the company and meet her obligations. The independent directors who have served for more than nine years are Marcel Golding and Elias Mphande who have served for 14 years and 15 years respectively. The average length of service of independent directors is eight years. The board considers a director independent where the director considers themselves independent and they had no other executive role within the group for a period of three years. One-third of the non-executive directors retire by rotation each year in line with the memorandum of incorporation. Self-evaluation of the board is entrenched in the board charter and terms of reference.

The remuneration committee reviews and assesses board composition on behalf of the board and recommends the appointment of new directors. All board appointments are made on merit, in the context of skills, experience, independence and knowledge, which the board as a whole requires to be effective. Factors that are taken into consideration are differences in skills, regional and industry experience, background, race and gender. The board considers that there is an appropriate balance of skills, experience, independence and knowledge among the independent directors. The board has approved a diversity policy incorporating race and gender. No specific targets have been set in relation to the board diversity policy but, while 67% of the board members are black, the board recognises that, while it has made progress during the year, it does not have an adequate representation of female members at 22%.

The roles of the Chairman and the CEO are separate, with responsibilities divided between them to ensure a balance of power and authority. The Chairman is responsible for providing overall leadership of the board and ensuring that the board performs effectively. The CEO is responsible for the execution of the strategic direction, which is approved by the board, through the delegation of authority.

The CEO's employment contract includes a three-month notice period unless varied by agreement and there are no specific contractual conditions related to termination. The CEO has no other external professional commitments. Succession planning is not formalised but executive director appointments have historically been internal.

BOARD COMPOSITION, STRUCTURE AND REPORT BACK continued

BOARD PROFILE

EXECUTIVE DIRECTORS

CG du Toit (49)

CA(SA), FCMA

Executive Director – Chief Executive Officer

Date appointed: 1 June 2019

Chris completed his articles at PwC in 1996. After three years in the financial services industry in the UK he joined the HCI group in 2001, served as Financial Director of Mettle Limited from 2003 and moved to the gaming and entertainment sector in 2009 as CEO of Galaxy Bingo. His operational experience over the past decade includes the bingo, LPM, casino and F&B industries. He was appointed to the board on 1 June 2019 and as Chief Executive Officer of the Tsogo Sun Gaming group from 1 July 2019.

RB Huddy (50)

CA(SA)

Executive Director – Chief Financial Officer

Date appointed: 31 October 2011

Rob Huddy served his articles at PricewaterhouseCoopers ('PwC') and joined Tsogo Sun in 1997. He held various management positions prior to being appointed Financial Director – Hotels Offshore in 2006 and Financial Director – Hotels South Africa in 2009. On 30 September 2011 he assumed the role of Chief Financial Officer.

NON-EXECUTIVE DIRECTORS

JA Copelyn (68) R

BA (Hons), BProc

Non-executive Chairman

Date appointed: 13 August 2003[1]

John Copelyn joined HCI as Chief Executive Officer in 1997. He was previously General Secretary of the Southern African Clothing and Textile Workers Union from 1974 before becoming a member of parliament in 1994. He currently holds various directorships in companies within the HCI group.

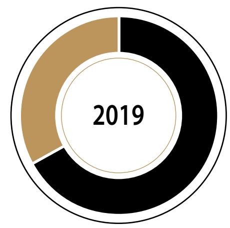
Y Shaik (61) S R

BA (Law), BProc

Non-executive Director

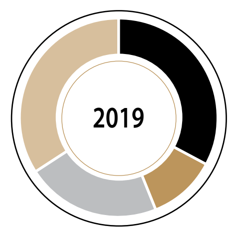
Date appointed: 15 June 2011

Yunis Shaik is an admitted attorney of the High Court of South Africa. He is a former Deputy General Secretary of the Southern African Clothing and Textile Workers Union and a director of Workers' College. He has served as a Senior Commissioner to the KwaZulu-Natal CCMA. He is an executive director of HCI.



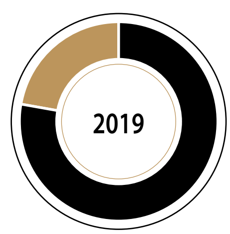
RACE DIVERSITY (%)

- Black – 67%
- White – 33%



BOARD TENURE (%)

- 1 – 3 years – 33%
- 4 – 6 years – 11%
- 7 – 9 years – 22%
- 10+ years – 34%



GENDER DIVERSITY (%)

- Male – 78%
- Female – 22%

INDEPENDENT NON-EXECUTIVE DIRECTORS

MSI Gani (66) A S R

CA(SA)

Independent Non-executive Director

Date appointed: 11 August 2016

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

MJA Golding (59)

BA (Hons)

Independent Non-executive Director

Date appointed: 30 April 2004[1]

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

BA Mabuza (55) A S R

BA (MBA)

Lead Independent Non-executive Director

Date appointed: 1 June 2014

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

VE Mphande (61)

Elec Eng (Dip)

Independent Non-executive Director

Date appointed: 3 February 2005[1]

Elias Mphande has served as the National Organising Secretary of the Southern African Clothing and Textile Workers Union, Marketing Director of Viamax Fleet Solutions, Chief Executive Officer of AUTA and the Vukani Group and Chairman of Golden Arrow Bus Services. He was appointed to the HCI board in 2010 as a non-executive director and as non-executive Chairman in 2015 and serves on the board of e.tv.

RD Watson (60) A S R [2]

Independent Non-executive Director

Date appointed: 1 June 2019

Rachel was employed for 33 years within the clothing industry, serving as a trade union representative in various organisational positions for the last 14 years of her tenure. She currently holds a position as manager at a regional broadcaster. Rachel was appointed to the HCI board in March 2014 and is a non-executive director of eMedia Holdings, Niveus Investments and Deneb Investments.

[1] *Date appointed to the holding company board pre-reverse listing into Gold Reef on 14 February 2011*
[2] *RD Watson replaced JG Ngcobo on his resignation on 30 June 2019*

Non-executive committee key

- A **Audit and risk committee** – Chairman: Mohamed Gani
- S **Social and ethics committee** – Chairman: Mohamed Gani
- R **Remuneration committee** – Chairman: Yunis Shaik

BOARD COMPOSITION, STRUCTURE AND REPORT BACK continued

SUB-COMMITTEE STRUCTURE AND REPORT BACK

The board remains accountable for all matters where it has delegated responsibility to its sub-committees. All committees and the board are satisfied that the committees fulfilled their responsibilities in accordance with their terms of reference during the year.

Audit and risk committee

Chairman
Mohamed Gani
Independent non-executive director

Busi Mabuza
Lead independent non-executive director

Jabu Ngcobo
Independent non-executive director

Key objective

The provision of effective governance over the appropriateness of the group's financial and integrated reporting including the adequacy of related disclosures, the performance of both the internal audit function and the external auditor, and the management of the group's systems of internal control, business risks and related compliance activities.

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

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

- review of the risk landscapes to which the group is exposed in relation to the group's risk tolerance and risk appetite levels and evaluation of the appropriateness of management's responses to the risks;
- review of insurance, treasury and taxation matters;
- review of operational risk management including fraud and theft, whistle-blowing systems and organisational resilience;
- review of IT risks in relation to core operational systems, system projects, information management and security initiatives and governance and regulatory compliance;
- review of material legal, legislation and regulatory developments;
- review of prospective accounting standard changes, particularly with regard to standards that became effective during the year or will become effective in the coming year;
- considered all significant transactions and accounting matters that occurred during the year, particularly the accounting and disclosure related to the proposed sale of the casino properties to HPF and subsequently the unbundling of the hotel business;
- considering the JSE Proactive Monitoring of Financial Statements report;
- considering and approved the FICA Group Risk Management and Compliance Programme;
- evaluation of the financial reporting procedures;
- review of and recommendation to the board for approval of the half year and full year results announcements, the annual financial statements and integrated annual report;
- approval of the external audit and internal audit plans;
- evaluation of the independence and effectiveness as well as the fees and terms of engagement of the external auditors, including the suitability of the firm and designated partner;
- evaluation of the effectiveness of the Chief Audit Executive and the outsourced internal audit function; and
- assessment of the internal control environment, particularly in relation to the group's system on internal financial controls.

Refer to the report of the audit and risk committee on page 03 of the consolidated financial statements for the year ended 31 March 2019.

Remuneration committee

Chairman
Yunis Shaik
Non-executive director

Busi Mabuza
Lead independent non-executive director

Mohamed Gani
Independent non-executive director

John Copelyn
Non-executive director

Jabu Ngcobo
Independent non-executive director

Key objective

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

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

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

- monitoring executive appointments, terminations and retirements;
- determining the general policy on remuneration to ensure fair, competitive and responsible reward;
- determining the remuneration mandate for the group;
- determining the specific remuneration packages for the executive directors and other senior executives and management;
- approving the changes to the rules, criteria, targets and allocations for performance-related pay schemes;
- approving the changes to the rules for the long-term incentive scheme for hotels to convert the scheme from a cash-settled scheme to an equity-settled scheme;
- evaluation of the performance of the Chief Executive Officer; and
- proposing non-executive director remuneration.

Further details of the group's remuneration policy and the work of the remuneration committee can be found in the remuneration section on pages 85 to 94.

Social and ethics committee

Chairman
Mohamed Gani
Independent non-executive director

Busi Mabuza
Lead independent non-executive director

Jabu Ngcobo
Independent non-executive director

Yunis Shaik
Non-executive director

Key objective

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

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

- progress in the alignment of the group's practices to the requirements of the revised BBBEE codes;
- disputes with government or regulators;
- compliance with regulations;
- bribery and corruption;
- responsible tourism and responsible gaming;
- preferential procurement, socio-economic development and enterprise and supplier development;

BOARD COMPOSITION, STRUCTURE AND REPORT BACK continued

- environmental management and certification;
- customer satisfaction, loyalty, health and safety and consumer protection; and
- job creation, employee health and safety, employee development, management diversity, employment equity and employee engagement.

The matters considered during the year are included in the deliver to our beneficiaries section on pages 47 to 55, the product relevance to customer experience section on pages 58 to 61, the regulatory compliance section on page 62 and the human resources section on pages 63 to 65.

The main focus areas during the year were on the group's achievement of a level 1 BBBEE contributor status against the revised codes, the practical implications on the group of the suspension of the rating agency that provides the annual certification, contributions made to trusts or regulators for CSI beneficiation, donations to political parties for national elections to promote democracy and the need to draft a stakeholder policy. The committee is satisfied with the group's progress and there were no significant matters of concern raised during the year.

BOARD EFFECTIVENESS

A formal self-evaluation of the performance of the board was carried out during 2019 with the assistance of the IoDSA, using its online assessment system. The board is satisfied with the performance of the Chief Executive Officer.

The board is satisfied with the competence of the Chief Financial Officer as set out in the report of the audit and risk committee on page 03 of the consolidated financial statements for the year ended 31 March 2019.

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

GROUP EXECUTIVE COMMITTEE

The board delegates responsibility for determining and implementing the group's strategy and managing the group to the Chief Executive Officer who was supported during the 2019 financial year by the GEC. The committee participated in the determination of the strategy, coordinated operational execution of the strategy, ensured effective internal controls are functioning and that there was an effective risk management process in operation throughout the group.

Post-year end the GEC was disbanded prior to the unbundling of the hotel business. The GEC will continue in both businesses with separate focused management teams under the leadership of the CEO.

GOVERNANCE FUNCTIONAL AREAS

Our philosophy of integrated governance is reflected in the extent to which the report back on our governance functional areas is integrated into the underlying elements of our integrated annual report. Oversight of these functional areas is maintained by the board and its sub-committees as follows:

Functional areas	Committee oversight	Report back	
Risk	Audit and risk	Risk management and assurance process Our materiality, material risks and opportunities	83 27 to 29
Technology and information	Audit and risk	Technology and information governance Product relevance to customer experience	84 58
Regulatory compliance	Audit and risk Social and ethics	Regulatory compliance	62
Assurance	Audit and risk	About this report Risk management and assurance process	01 83
Stakeholder relationships	Social and ethics	Key relationships	30 to 32
Remuneration	Remuneration	Remuneration	85 to 94

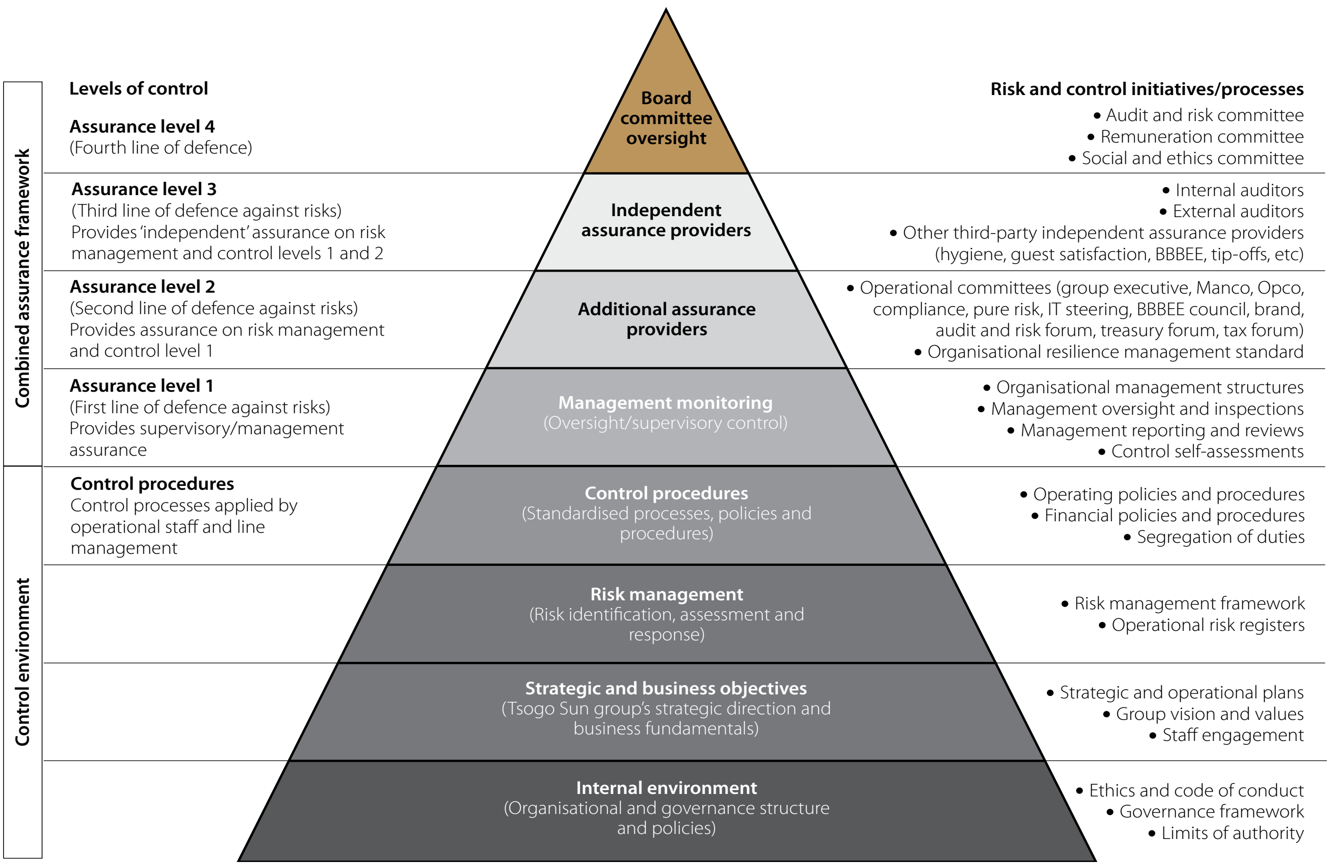
RISK MANAGEMENT AND ASSURANCE PROCESS

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

The audit and risk committee is mandated by the board to establish, coordinate and drive the risk process throughout the group. It has overseen the establishment of a comprehensive risk management system to identify and manage significant risks in the operational divisions, business units and subsidiaries. Internal financial and other controls ensure a focus on critical risk areas, are closely monitored and are subject to management oversight and internal audit reviews.

The systems of internal control are designed to manage rather than eliminate risk, and provide reasonable but not absolute assurance as to the integrity and reliability of the financial statements, the compliance with statutory laws and regulations, and to safeguard and maintain accountability of the group's assets. The board and executive management acknowledge that an integrated approach to the total process of assurance improves the assurance coverage and quality in addition to being more cost-effective and the combined assurance framework is as follows:

TSOGO SUN COMBINED ASSURANCE FRAMEWORK



In addition to the risk management processes embedded within the group, the group executive committee identifies, quantifies and evaluates the group's risks annually utilising a facilitated risk assessment workshop. The severity of risks is measured in qualitative (eg zero tolerance for regulatory risks) as well as quantitative terms, guided by the board's risk tolerance and risk appetite measures. The scope of the risk assessment includes risks that impact shareholder value or that may lead to a significant loss, or loss of opportunity.

The risk profiles, with the risk responses, are reviewed by the audit and risk committee at least once every six months. This methodology ensures that identified risks and opportunities are prioritised according to the potential impact on the group and cost-effective responses are designed and implemented to counter the effects of risks and take advantage of opportunities.

GOVERNANCE FUNCTIONAL AREAS continued

For key areas of focus refer to our materiality, material risks and opportunities – pages 28 to 29. There were no unforeseen or unexpected risks outside the tolerance levels.

An independent assurance of the effectiveness of the risk management is carried out on a periodic basis and was last completed during the 2016 financial year. There were no significant matters noted.

The objectives of assurance are to assess whether the internal control environment is effective, there is sufficient integrity in the information used for internal decision-making and to support the integrity of external reports.

The combined assurance framework has been applied to both internal and external reporting in the risk management, control environment, compliance and financial reporting functional areas. Although there is internal review of all external reporting, non-financial information contained in external reports is currently not independently assured. Based on the internal review process during the preparation and review of the integrated annual report the board is satisfied with the integrity of the information contained within the report.

The directors are responsible for the group's systems of internal control. The systems of internal control are designed to manage rather than eliminate risk, and provide reasonable but not absolute assurance as to the integrity and reliability of the financial statements, the compliance with statutory laws and regulations, and to safeguard and maintain accountability of the group's assets. The directors have satisfied themselves, based on the combined assurance framework, that adequate systems of internal control are in place to mitigate significant risks identified to an acceptable level.

Internal audit is outsourced and reports to the Chief Audit Executive and independently to the audit and risk committee. The outsourced function is provided by GRIPP Advisory, which is a subsidiary of HCI. GRIPP Advisory also provide internal audit services to the HCI group. Internal audit forms part of the combined assurance framework. Internal audit is subject to internal quality reviews annually and independent quality reviews every five years. The last review was carried out during the 2014 financial year. They are also subject to professional ethics and independence standards. The audit and risk committee approves the approach and scope of the internal audit plan on an annual basis. The audit and risk committee is satisfied with the effectiveness of the internal audit function.

TECHNOLOGY AND INFORMATION GOVERNANCE

The board remains accountable for IT governance. The IT governance charter is current and has the approval of the board of directors and takes into account the requirements of King IV, globally accepted standards and good practice, together with the performance and sustainability objectives of the group.

Areas of focus during the year were:
- managing our governance framework and ensuring compliance at all levels;
- appointing an information security sub-committee;
- formalising our information security and related policies;
- ensuring policies are being applied consistently across the business;
- addressing information security weaknesses and regularly reporting progress;
- ensuring all operating systems, databases and applications are current;
- developing IT capability;
- managing IT and cybersecurity risks; and
- developing strategies to further enhance our IT governance.

In the coming year the group will prioritise the following:
- enhancing our applications to improve the guest experience;
- providing more advanced operational data to support tactical and strategic decisions;
- further improving our capability to deal with cybersecurity threats;
- complementing our capabilities through the use of niche third-party service providers where relevant;
- keeping technology platforms current and relevant;
- ensuring business continuity and managing risk;
- optimising technology investment; and
- further inculcating governance, compliance and information security into the organisation.

The Chief Information Officer reported directly to the Chief Executive Officer and has responsibility for the ownership and execution of IT governance. We continue to evolve and mature our IT governance process.

Various reviews are conducted by specialised independent service providers. Our governance and compliance standards remain very high and risks are well controlled. The key IT risks are integrated into the enterprise-wide risk governance and management process. Incidents are very limited, are well controlled and managed, and to date had no material impact on operations. The board remains satisfied with the delivery and effectiveness of technology and information governance.

REGULATORY COMPLIANCE

The group operates in a highly regulated industry in gaming and the regulatory environment in South Africa is complex. The group invests in a strict culture of compliance. Refer to regulatory compliance on page 62.

STAKEHOLDER RELATIONSHIPS

Stakeholder relationships are monitored by the social and ethics committee where matters relating to regulators, customers, communities, employees and unions are reported on, on a bi-annual basis. While the board has mandated the social and ethics committee to develop a formal stakeholder relationship management policy, it is satisfied that the current interactions with stakeholders are effective. Refer to the key relationships on pages 30 to 32.

REMUNERATION POLICY AND IMPLEMENTATION REPORT

REMUNERATION BACKGROUND STATEMENT

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

The objective of the group's remuneration policy is to ensure that we attract and retain employees of the right calibre and skills and motivate them to achieve exceptional performance aligned with our strategic priorities. We aim to reward employees fairly and equitably through both financial rewards and non-financial benefits such as performance recognition, development and career opportunities. The remuneration committee is satisfied that the remuneration policy has achieved its objectives.

Total rewards are set at levels that are competitive within the gaming, entertainment and hospitality sectors and the group utilises market surveys to ensure that the components of the remuneration structure are appropriate. The fixed and variable element mix of the remuneration structure differs depending on the employee grade.

The remuneration committee considers each element of remuneration relative to the market and takes into account the performance of the group and the individual executive in determining both quantum and design. The remuneration committee also considers the total remuneration (fixed pay plus short-term and long-term incentives) that may be earned at various levels of performance.

The company's approach to remuneration and annual increases is guided by market conditions, affordability and inflationary trends. Annual increases at lower levels have exceeded inflation resulting in real growth in the minimum wage. The strategy of not aligning wage increases solely to the performance of the company, thereby acknowledging increases in the cost of living of employees, has ensured consistency and has brought about employee trust and confidence in the company. We believe our employees and their representative trade unions, where relevant, value the consistency and predictability of how the terms and conditions of employment are determined.

The current economic conditions, however, remained difficult and are likely to remain more prolonged than anticipated and, as the wage bill is a significant contributor to the cost structure of the group, the remuneration committee required further interrogation of the policy. The final increases accepted for the 2020 financial year for staff at levels E and F were 6.5% and 6.0% at management levels. These increases were, however, offset by efficiencies in staffing levels in the budget with a year-on-year increase in salaries and wages of 4% and further savings were achieved against the budget during the 2019 financial year.

The terms and conditions of employment of the operational support employees had also been improved over a three-year period to align the provident fund, risk and funeral benefits with permanent full-time employees. A remuneration consultancy conducted a benchmarking survey on leave days with staff and management aligned and executive management leave increased by five days in line with the benchmarks. The target multiple allocations on the long-term incentive plan were benchmarked to the industry and the market.

The remuneration committee discussed the efficacy of the current executive loan scheme, particularly in light of the split-up of the group, with a view to an equitable means to wind-up the scheme. The scheme was not wound up during the year, as was proposed in the circular for the disposal of the casino properties to HPF and the subsequent unbundling of HPF, as the transaction did not proceed.

The non-binding advisory votes at the AGM on 18 October 2018 on the company's remuneration policy and implementation report received less than 75% support from shareholders with 70.2% and 60.9% of votes respectively. The company requested shareholders to engage with management at meetings in Cape Town and Johannesburg and one shareholder attended the engagement with the Chairman, the remuneration committee chairman, the CEO and the CFO. Feedback received at the engagement and from other shareholders in this regard related mainly to the material loss of office settlement paid to the former CEO without full explanation and that the long-term incentive scheme does not have explicit performance criteria. As he had done at the AGM, the Chairman apologised for the manner in which the loss of office of the former CEO had been conducted and communicated. The mutual intention was for Mr von Aulock and the company to part ways, in return for which Mr von Aulock was paid two years' salary and

REMUNERATION POLICY AND IMPLEMENTATION REPORT continued

his bonus entitlements and his shares were acquired at R25.75 by HCI. The inclusion in performance criteria in the long-term incentive scheme was discussed and no practical solutions were arrived at during the engagement. The remuneration committee considers that the scheme is already subject to the inherent performance hurdle of the appreciation of the share price over the award price which is set at market price. The committee, however, remains open to practical suggestions on improving the remuneration policy and implementation plan.

REMUNERATION POLICY

Ensure employees are rewarded fairly and appropriately

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

Fixed pay
Median for the relevant market

Short-term incentives
(One year) aligned with financial performance and strategic priorities

Long-term incentives
(Three years plus) aligned with shareholder returns

High pay achieved only for high performance and high shareholder returns

The group seeks to ensure an appropriate balance between fixed and performance-related elements of remuneration and those aspects of the package linked to short-term financial performance and to those linked to longer-term shareholder value creation. The combination of the components ensures that high pay is achieved only for high performance and high shareholder returns. Senior executives have a larger proportion of their potential total remuneration subject to the achievement of performance-based targets. For additional information on the key components of remuneration, refer to pages 88 and 89.

Short-term incentives reflect a balance between annual financial performance and other specific strategic priorities over which the participant has influence, in order to ensure that achievement of short-term financial performance is not at the expense of future opportunities. The weighting of the financial and relative growth performance and the non-financial strategic objective performance varies by employee grade. For the CEO, the financial and relative growth performance contributes 85% of the total achievement, with 80% for the CFO and other A2 level employees and 75% for the B level employees. The financial and relative growth performance contribution reduces per grade with the lowest level of employees on the scheme at 60%. Where relevant, and if the information is publicly available, 25% of the potential award is linked to the relative performance of a business unit against a regional or national market set with the balance of the financial and relative growth performance linked to financial performance. Where there is no relevant competitor set only the financial performance is applied.

The financial performance is measured at 50% Ebitdar and 50% adjusted earnings against the target approved by the remuneration committee. Performance is measured at Ebitdar, including Ebitdar of associates, and adjusted earnings to ensure that both trading and profit post the financing cost of capital allocation decisions are considered. The target is set as the budget approved by the board, adjusted for the percentage variance between the final forecast that forms the base for the budget and the final results for the year. The target is adjusted for material structural changes during the year to ensure the target remains fair. Any adjustments to the targets are approved by the remuneration committee. Financial 'threshold' target is set at 90% of target with a score of 0%, 'stretch target' is set at 115% of target with a score of 100%, with interpolation between the points.

The relative growth performance is measured against the market in the hotels division where there is a relevant competitor set for each hotel. There are no relevant competitor sets in the gaming division.

The non-financial strategic objectives are set annually per employee aligned to the strategic objectives of the group. The objectives vary depending on the role the employee has within the organisation and would include elements such as growth, customer satisfaction, regulatory compliance, leadership, internal controls and cost control. An evaluation of the performance against the objectives is completed at the end of the year and a bell curve is applied to the scores.

The on target potential short-term incentive entitlement varies per grade from 75% of total package for the CEO, 60% for the CFO, 50% for the A2 employees, 40% for the B level employees and down to 20% for the lowest level of employees on the scheme. The maximum bonus entitlement varies per grade from 130% of total package for the CEO, 105% for the CFO, 90% for the A2 employees, 75% for the B level employees and down to 35% for the lowest level of employees on the scheme. An example of the short-term incentive entitlement for the CEO at a 40% total achievement score would be 40% of 50% (on target) = 80% of 75% (% of annual total package at on target) = 60% of annual total package payment.

The short-term incentive payout = annual total package x incentive entitlement % x (financial weighting % x financial score % + relative growth weighting % x relative growth score % + non-financial weighting % x non-financial score %).

Long-term incentives are either cash-settled, resulting in income statement volatility but no dilutionary impact to shareholders, or, in the case of nominated senior executives, structured as an interest-free facility for the purpose of acquiring shares in the company. The value for the executives arising from the facility is derived from the shares acquired in the market and there will not be a cash cost to the group, as per the existing share appreciation scheme, nor a dilutionary impact to shareholders.

In the event that the remuneration policy or remuneration implementation report, or both, are voted against by more than 25% of the votes at the 2019 AGM of the company, the group will engage with dissenting shareholders within 30 days of the AGM. The remuneration committee will engage with shareholders to ascertain the reasons for dissenting votes and appropriately address legitimate and reasonable objections raised by shareholders.

With regards to terminations of executive and senior management employees, the treatment of the employee depends on whether the termination is voluntary or involuntary. In the case of a voluntary termination (resignation), the base salary, retirement and other benefits are paid to the last date of service. The short-term incentive for the prior financial year will be paid in full if the resignation is post 31 March, all vested long-term incentives are exercised on the last day of service and all unvested long-term incentives are forfeited. In the case of a 'good leaver' involuntary termination (retrenchment, redundancy, retirement, etc), the base salary, retirement and other benefits are paid to the last date of service including the notice period (three months for senior employees), a severance package dependent on completed years of service is paid, a *pro rata* short-term incentive is payable for the period of service during the financial year, all vested long-term incentives are exercised on the last day of service and all unvested long-term incentives can continue to vest until the normal retirement date. The severance package may be varied by the remuneration committee or by the board for voluntary retrenchments or mutually agreed terminations.

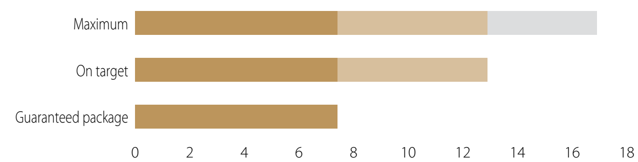
2019 KEY ELEMENTS OF REMUNERATION	Fixed pay			
	Base salaries	**Non-executive directors' fees**	**Retirement benefits**	**Other benefits**
Purpose and link to strategy	Provides a fixed level of earnings appropriate to the requirements of the role	Remunerates non-executive directors for their responsibilities and time commitment	Provides the basis for retirement savings	Provides benefits appropriate to the market and the role
Application dependent on employee type and level	All employees	Non-executive directors	All employees entitled to benefits are required to belong to an approved pension/provident fund	All employees entitled to benefits are eligible for membership of an approved medical scheme and other benefits
Operation and performance measures	**Base salaries** Base salaries are subject to annual review using an inflationary adjustment for executives and management and higher increases for lower levels of staff to address the remuneration gap. Tsogo Sun's policy is to be competitive at the median level with reference to market practice in companies comparable in terms of size, market sector, business complexity and international scope. However, base salaries of individuals and incumbents in key roles are aligned with the upper quartile level of the market. Group performance, individual performance and changes in responsibilities are also taken into consideration when determining increases to base salaries	**Non-executive directors' fees** The fees for the non-executive directors are recommended by the remuneration committee to the board for its approval, taking into account fees payable to non-executive directors of comparable companies and the importance attached to the attraction and retention of high-calibre individuals as non-executive directors. Levels of fees are also set by reference to the responsibilities assumed by the non-executive directors in chairing the board and in chairing or participating in its committees and are approved by special resolution of the shareholders. The increases are subject to an inflationary adjustment. Non-executive directors do not receive any short-term or long-term incentives or other benefits	**Retirement fund membership** Retirement funding for management, who are remunerated on a total package basis, is non-contributory and is included in their total cost of employment. For staff, retirement funding consists of employer and employee contributions dependent on fund membership. The group offers a pension fund (Tsogo Sun Group Pension Fund) and three provident funds (Alexander Forbes Retirement Fund (Provident Section), Gold Reef Resorts (Provident Fund) and Vukani Super Fund Provident Fund). Other approved funds include union-negotiated funds and funds to which members have historically belonged	**Healthcare** The majority of employees with medical cover belong to the Tsogo Sun Group Medical Scheme, a restricted membership scheme administered by Discovery Health. The scheme offers hospital, chronic illness and day-to-day cover for 5 145 principal members (11 354 beneficiaries) *Risk and insured benefits* Arising through membership of the group's pension and provident funds, competitive death, disability and funeral benefits are made available to employees *Long-service awards* Full-time employees of the organisation receive long-service awards calculated based on the tenure of the employee linked to their guaranteed package. Employees receive an award for every 10 years of continued service with the group

Short-term incentives	Long-term incentives	
Annual bonus plan	**Executive facility and share appreciation plan**	
Rewards the achievement of annual financial performance balanced with other specific strategic priorities and ensures that above-market pay cannot be achieved unless challenging performance targets are met. The non-financial element ensures that the achievement of short-term financial performance is not at the expense of future opportunities	Long-term incentives are utilised to reward long-term sustainable group performance improvement, retain senior management expertise and ensure that executives and key talent share a significant level of personal risk and reward with the company's shareholders to align executive pay and long-term value creation for shareholders	
All executives and senior management and selected middle management	Senior executives	Executives and selected managers (240 participants)
Annual cash incentive Bonus awards are based on individual ratings achieved against the targets relevant to the employees based on their area of responsibility set for financial performance, relative growth against the market, where relevant, and personal performance against non-financial strategic priorities. The remuneration committee approves the scheme's targets and hurdles annually	**Executive facility** A facility was made available in 2014 to senior executives for the sole purpose of acquiring shares in the company at R25.75 per share. The shares were acquired on 12 August 2014 The remaining participants are as follows: J Booysen R47 million RB Huddy R27 million FV Dlamini R20 million GD Tyrrell R20 million The facility is interest-free and has no fixed repayment date but must be repaid if the shares are sold or if the executive leaves the employ of the company. The executives are subject to fringe benefits tax on the facility Following his early retirement J Booysen has until his normal retirement date on 30 September 2022 to dispose of his shares and repay the loan The executives are not eligible for any new allocations under the existing share appreciation scheme until the loan is repaid in full. Allocations of appreciation units made prior to the provision of the facility remain unaffected	**Share appreciation plan** Tsogo Sun has in operation a phantom share scheme with cash settlement designed to align the interests of participants with those of the company's shareholders. The essential elements of the scheme are that the plan is essentially a 'phantom' version of a share scheme where each appreciation unit is in effect linked to an underlying share in Tsogo Sun Annual allocations of appreciation units at market price are made to executives and selected managers. They are available to be settled on the third anniversaries of their allocation, but must be exercised by the sixth anniversary, or they will lapse. On settlement, the value accruing to participants will be the full appreciation of Tsogo Sun's share price over the allocation price plus dividends declared and paid post grant date, which value will be settled in cash. The allocations at market price result in an interest performance hurdle as there is only value if the share price appreciates Vesting, encashments and dividends during the 2019 financial year resulted in a charge of R50 million, offset by a R2 reduction in the Tsogo Sun share price impacting the charge by R44 million

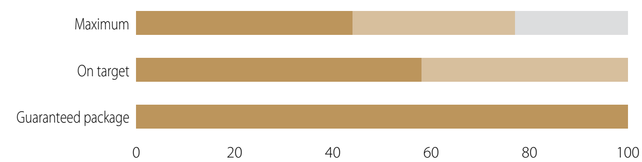
Composition of total remuneration package – executive directors and senior executives

The charts below provide an indication of the remuneration outcomes for the year ended 31 March 2019 for the executive directors and the GEC (excluding the executive directors) showing potential total remuneration of maximum, on target and minimum performance levels:

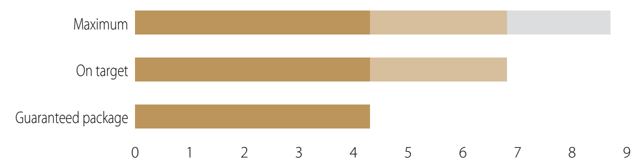
CHIEF EXECUTIVE OFFICER – VALUE OF PACKAGE (Rm)



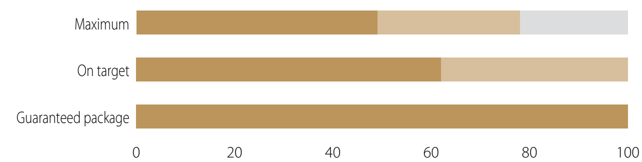
CHIEF EXECUTIVE OFFICER – COMPOSITION OF PACKAGE (%)



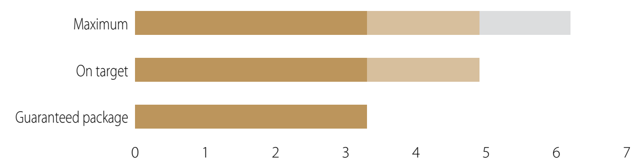
CHIEF FINANCIAL OFFICER – VALUE OF PACKAGE (Rm)



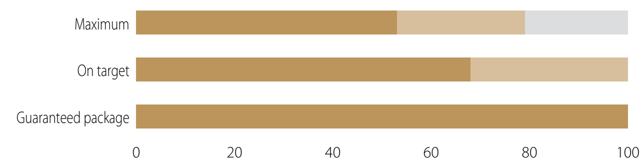
CHIEF FINANCIAL OFFICER – COMPOSITION OF PACKAGE (%)



GROUP EXECUTIVE COMMITTEE – VALUE OF PACKAGE (Rm)



GROUP EXECUTIVE COMMITTEE – COMPOSITION OF PACKAGE (%)



■ Guaranteed package ■ On target STI ■ Maximum STI

The scenario charts assume:

- Guaranteed package – fixed pay and benefits for the year ended 31 March 2019
- Short-term incentives – based on scheme rules with maximum bonus paid at maximum performance and nil bonus below threshold performance
- Long-term incentives – excluded from the charts as participants are rewarded through variable share price increases, which are subject to market fluctuations

PROPOSED CHANGES TO THE REMUNERATION POLICY FOR THE 2020 FINANCIAL YEAR

Tsogo Sun Gaming

Tsogo Sun Gaming will remain on the existing long-term incentive plan although the rules will be amended for the unbundling. On encashment, the 7-day VWAP of the Tsogo Sun Hotels share will be added to the 7-day VWAP of the Tsogo Sun Gaming share to account for the dividend in specie of the hotel business and dividends declared and paid post the unbundling by Tsogo Sun Hotels will be added to the encashment price. The partial exposure to the hotels group will reduce over time as the options are exercised although consideration will be given to converting the dividend in specie value to Tsogo Sun Gaming options once market movements for the two shares have normalised.

Changes to the short-term incentive scheme will be considered during the year to reduce the range between the threshold and stretch targets and to re-evaluate the targets. In addition, consideration is being given to increase the discretion the CEO will have in the evaluation of the achievement of short-term incentives. Changes to operational structures and the application of performance measurement in relation to annual increases will also be considered in addition to the capping of salary levels per position.

Tsogo Sun Hotels

In order to remove volatility from the earnings, Tsogo Sun Hotels has adopted a new share appreciation rights ('SAR') plan from the 2020 financial year, which will be equity settled rather than cash settled. On settlement, the value accruing to participants will be the full appreciation of Tsogo Sun Hotels' share price over the allocation price plus dividends declared and paid post grant date, which will be settled in Tsogo Sun Hotels' shares.

As a result of the unbundling, employees of Tsogo Sun Hotels were given the option to elect to exchange their rights held under the existing Tsogo Sun long-term incentive plan for replacement awards under the Tsogo Sun Hotels SAR plan or receive a cash settlement. The replacement awards are regulated under the rules of the Tsogo Sun long-term incentive plan and will place the employee in the same financial position on the Tsogo Sun Hotels SAR plan as they were on the existing Tsogo Sun long-term incentive plan.

For further detail related to the Tsogo Sun Hotels SAR plan, refer to annexure 17 of the Tsogo Sun Hotels pre-listing statement available at tsogosun.com.

REMUNERATION IMPLEMENTATION REPORT

Non-executive directors' fees

Non-executive directors receive fees, excluding VAT where applicable, for services on board and board committees. Increases are presented to the shareholders for approval at the company's AGM and reflect the market dynamics and demands being made on the individuals. Proposed non-executive directors' fees, which reflect a 6% increase, to be approved by the shareholders at the 2019 AGM appear in the table below:

	Actual 2018/2019 R'000	**Proposed 2019/2020 R'000**
Chairman of the board	1 090	**1 155**
Lead independent non-executive director and member of all board committees	645	**685**
Chairman of the audit and risk and social and ethics committees	645	**685**
Chairman of the remuneration committee	485	**515**
Non-executive director and member of a board committee	400	**425**
Non-executive director	315	**335**

Fees and services	**2019 Directors' fees R'000**	2018 Directors' fees R'000
Paid by subsidiaries		
JA Copelyn	**1 044**	981
BA Mabuza	**617**	579
MSI Gani	**617**	579
MJA Golding	**300**	282
VE Mphande	**300**	282
JG Ngcobo	**381**	357
Y Shaik	**462**	433
	3 721	3 493

Executive directors and executive management's remuneration

The disclosure is based on the IoDSA guidance issued in November 2017 on remuneration disclosure in accordance with King IV™ and presents the remuneration for executive management consisting of the executive directors and heads of divisions.

Apart from the promotion-related increase for Chris du Toit to Chief Operating Officer – Alternative Gaming, all executive directors and executive management received a 6% increase.

There were no areas of non-compliance with the remuneration policy during the current year.

Executive directors

	2019			2018			
	J Booysen R'000	RB Huddy R'000	Total R'000	MN von Aulock[(1)] R'000	J Booysen[(2)] R'000	RB Huddy R'000	Total R'000
Salary	**6 997**	**3 825**	**10 821**	1 723	4 933	3 546	10 202
Pension fund contributions	**352**	**346**	**698**	93	254	386	733
Other benefits	**484**	**175**	**659**	60	318	863[(5)]	1 241
Current year STI accrued	**4 397**	**2 199**	**6 596**	–	2 562	1 315	3 877
Loss of office payment[(4)]	**–**	**–**	**–**	28 887	–	–	28 887
Total single figure of remuneration	**12 230**	**6 545**	**18 774**	30 763	8 067	6 110	44 940
Current year STI accrued not yet settled	**(4 397)**	**(2 199)**	**(6 596)**	–	(2 562)	(1 315)	(3 877)
Prior year STI accrual settled	**2 562**	**1 315**	**3 877**	3 456	–	1 630	5 086
Settlement of cash-based LTI	**1 138**	**1 138**	**2 276**	12 357	–	–	12 357
Total cash equivalent value of remuneration	**11 533**	**6 799**	**18 332**	46 576	5 505	6 425	58 506
Fair value of cash-based LTI	**–**	**–**	**–**	–	–	–	–
Financial statement remuneration[(3)]	**11 533**	**6 799**	**18 332**	46 576	5 505	6 425	58 506

(1) Resigned 1 June 2017
(2) Appointed as an executive director 1 June 2017
(3) As per 2019 consolidated financial statements page 72
(4) Ad hoc loss of office settlement approved by the board
(5) Includes 20-year long service award paid in the prior year

Other key management and prescribed officers

	2019						2018				
	CG du Toit[(2)] R'000	G Joseph R'000	R Nadasen R'000	MN von Aulock[(3)] R'000	RF Weilers[(4)] R'000	Total R'000	J Booysen[(1)] R'000	G Joseph R'000	R Nadasen R'000	RF Weilers R'000	Total R'000
Salary	**2 411**	**3 048**	**2 450**	**5 191**	**2 045**	**15 145**	1 054	2 024	1 648	4 090	8 816
Pension fund contributions	**–**	**369**	**322**	**262**	**–**	**953**	95	260	228	–	583
Other benefits	**–**	**159**	**161**	**173**	**92**	**584**	327	439	199	–	965
Current year STI accrued	**2 270**	**1 255**	**986**	**2 678**	**868**	**8 057**	–	1 055	1 063	1 625	3 743
Fair value of cash-based LTI[(6)]	**–**	**622**	**622**	**–**	**–**	**1 244**	–	179	179	–	358
Total single figure of remuneration	**4 681**	**5 453**	**4 540**	**8 304**	**3 005**	**25 983**	1 476	3 957	3 317	5 715	14 465
Current year STI accrued not yet settled	**(2 270)**	**(1 255)**	**(986)**	**(2 678)**	**–**	**(7 189)**	–	(1 055)	(1 063)	(1 625)	(3 743)
Prior year STI accrual settled	**–**	**1 055**	**1 063**	**–**	**1 625**	**3 744**	1 693	–	–	1 543	3 236
Settlement of cash-based LTI	**–**	**–**	**–**	**–**	**288**	**288**	–	–	–	–	–
Total cash equivalent value of remuneration	**2 411**	**5 253**	**4 618**	**5 626**	**4 919**	**22 827**	3 169	2 902	2 254	5 633	13 958
Fair value of cash-based LTI	**–**	**(622)**	**(622)**	**–**	**–**	**(1 244)**	–	(179)	(179)	–	(358)
Financial statement remuneration[(5)]	**2 411**	**4 631**	**3 996**	**5 626**	**4 919**	**21 583**	3 169	2 723	2 075	5 633	13 600

(1) Appointed as an executive director 1 June 2017
(2) Appointed as Chief Operating Officer – Alternative Gaming 1 June 2018
(3) Appointed as Managing Director – Hotels Division 1 July 2018
(4) Retired as Managing Director – Offshore Hotels Division 30 November 2018. His 2016 allocation vested early in terms of the rules of the scheme
(5) As per 2019 consolidated financial statements pages 72 and 73
(6) The fair value of cash-based LTIs has been amended from the prior year to closer align to the King IV requirements. In the 2018 financial year the share appreciation rights were reflected at grant, but in the current report the appreciation rights are reflected in the financial year preceding vesting. Share appreciation rights that do not have explicit performance conditions are reflected in the financial year preceding vesting at the year-end share price plus dividends earned less the strike price multiplied by the number of awards granted. The value of the share appreciation rights awards made on 1 April 2015 and 1 April 2016 with a vesting period ended 1 April 2018 and 1 April 2019 is reflected in the 2018 and 2019 single figure of remuneration of R4.73 and R1.90 respectively

Short-term incentive

The following table reflects the percentage achievement against the short-term incentive targets for the executive directors and the GEC (excluding the executive directors):

	Financial and relative performance		Relative growth		Non-financial strategic priorities		Total 2019 achievement[1]	2019 annual total package	Short-term incentive accrued
	Score %	Weighting %	Score %	Weighting %	Score %	Weighting %	%	%	R'000
Executive directors									
J Booysen	**32**	**85**	**–**	**–**	**85**	**15**	**40**	**59**	**4 397**
RB Huddy	**32**	**80**	**–**	**–**	**90**	**20**	**43**	**52**	**2 199**
Group executive committee	**25**	**70**	**66**	**9**	**87**	**21**	**44**	**41**	

	Financial and relative performance		Relative growth		Non-financial strategic priorities		Total 2018 achievement[2]	2018 annual total package	Short-term incentive accrued
	Score %	Weighting %	Score %	Weighting %	Score %	Weighting %	%	%	R'000
Executive directors									
J Booysen	14	85	–	–	86	15	24	37	2 562
RB Huddy	13	80	–	–	86	20	27	33	1 315
Group executive committee	18	71	24	7	85	22	33	30	

[1] To be paid during the 2020 financial year
[2] Paid during the 2019 financial year

The only significant adjustment made during the 2019 financial year to the targets for financial performance was for interest on the additional interim dividend which was not budgeted. The adjusted targets for the 2019 financial year were R5 997 million (actual achievement R5 620 million) for Ebitda and R2 018 million (actual achievement R1 995 million) for adjusted earnings. The financial performance score against the adjusted target for the 2019 financial year was 19% for Ebitdar and 44% for adjusted earnings which resulted in an overall financial score of 32% at group level.

For employees in the hotels division, the relative growth score in aggregate for the 2019 financial year was 66%.

The relative weighting of the financial and relative growth scores and the relative weighting of the divisions resulted in an average score for the financial and relative growth component of 32% for the executive directors and 30% for the GEC for the 2019 financial year.

The average score for the non-financial strategic objectives for the executive directors and GEC for the 2018 financial year was 87%.

The weighted total achievement for the 2019 financial year was 41% of entitlement for the executive directors and 44% of entitlement for the GEC.

Long-term incentive liability – cash settled

The following table summarises details of the units awarded to all scheme participants per financial year, the units vested at the end of the year and expiry dates of each allocation:

Grant date	Appreciation units granted and still outstanding 2019	Appreciation units granted and still outstanding 2018	Strike price R	Appreciation units vested and still outstanding 2019	Appreciation units vested and still outstanding 2018	Expiry date	Liability 2019 Rm	Liability 2018 Rm
1 April 2013	**567 999**	4 450 589	24.56	**567 999**	4 450 589	31 March 2019	**3**	25
1 April 2014	**5 375 899**	6 279 865	25.72	**5 375 899**	6 279 865	31 March 2020	**20**	23
1 April 2015	**5 859 181**	6 122 937	26.54	**5 859 181**	6 122 937	31 March 2021	**11**	12
1 April 2016	**7 405 847**	7 975 525	22.82	**7 405 847**	–	31 March 2022	**35**	25
1 April 2017	**7 366 228**	7 473 372	28.00	**–**	–	31 March 2023	**–**	–
1 April 2018	**8 222 560**	–	24.08	**–**	–	31 March 2024	**4**	–
1 October 2018	**3 788 314**		20.88	**–**	–	30 September 2024	**2**	–
Other	**902 044**	1 017 784	23.83	**338 297**	349 652		**2**	2
Liability at 31 March							**77**	87
Share price utilised to value the liability at 31 March							**R23.50**	R25.50

Long-term incentive liability – cash settled continued

	Grant date	Appreciation units granted and still outstanding 2019	Appreciation units granted and still outstanding 2018	Strike price[4] R	Appreciation units vested and still outstanding 2019	Appreciation units vested and still outstanding 2018	2019 settlement R'000	Expiry date	Liability 2019 R'000	Liability 2018 R'000
Executive directors										
J Booysen[2]	01/04/2013	**–**	264 658	24.56	**–**	264 658	**1 138**	01/04/2019	**–**	900
	01/04/2014	**291 602**	291 602	25.72	**–**	291 602	**–**	01/04/2020	**1 059**	420
RB Huddy	01/04/2013	**–**	264 658	24.56	**–**	264 658	**1 138**	01/04/2019	**–**	900
	01/04/2014	**184 681**	184 681	25.72	**184 681**	184 681	**–**	01/04/2020	**670**	266
							2 276		**1 729**	2 486
Other key management and prescribed officers										
CG du Toit[1]	01/10/2018	**550 766**	*	20.88	**–**	*	**–**	01/10/2024	**2 170**	–
G Joseph	01/04/2014	**97 201**	97 201	25.72	**97 201**	97 201	**–**	01/04/2020	**353**	140
	01/04/2015	**94 198**	94 198	26.54	**94 198**	94 198	**–**	01/04/2021	**181**	–
	01/04/2016	**131 464**	131 646	22.82	**131 464**	–	**–**	01/04/2022	**622**	334
	01/04/2017	**125 000**	125 000	28.00	**–**	–	**–**	01/04/2023	**–**	–
	01/10/2017	**120 949**	120 949	20.67	**–**	–	**–**	01/10/2023	**625**	445
	01/04/2018	**186 877**	–	24.08	**–**	–	**–**	01/04/2024	**269**	–
R Nadasen	13/04/2013	**81 433**	81 433	24.56	**81 433**	81 433	**–**	01/04/2019	**507**	277
	01/04/2014	**97 201**	97 201	25.72	**97 201**	97 201	**–**	01/04/2020	**353**	140
	01/04/2015	**94 198**	94 198	26.54	**94 198**	94 198	**–**	01/04/2021	**181**	–
	01/04/2016	**131 464**	131 464	22.82	**131 464**	–	**–**	01/04/2022	**622**	334
	01/04/2017	**125 000**	125 000	28.00	**–**	–	**–**	01/04/2023	**–**	–
	01/10/2017	**48 380**	48 380	20.67	**–**	–	**–**	01/10/2023	**250**	178
	01/04/2018	**166 113**	–	24.08	**–**	–	**–**	01/04/2024	**239**	–
MN von Aulock[2]	01/10/2018	**2 155 172**	–	20.88	**–**	–	**–**	01/10/2024	**8 491**	–
RF Weilers[3]	13/04/2013	**–**	122 150	24.56	**–**	122 150	**201**	01/04/2019	**–**	415
	01/04/2014	**–**	97 201	25.72	**–**	97 201	**–**	01/04/2020	**–**	140
	01/04/2015	**–**	94 198	26.54	**–**	94 198	**–**	01/04/2021	**–**	–
	01/04/2016	**–**	109 553	22.82	**–**	109 553	**87**	01/04/2022	**–**	278
							288		**14 864**	2 681

[1] Appointed as Chief Operating Officer – Alternative Gaming 1 June 2018
[2] Appointed as Managing Director – Hotels Division 1 July 2018
[3] Retired as Managing Director – Offshore Hotels Division 30 November 2018. His 2016 allocation vested early in terms of the rules of the scheme
[4] The appreciation units are granted at the seven-day VWAP prior to the grant date and vest over three years
**Not considered an executive director or other key management and prescribed officer during the period*

Long-term incentive – executive facility

The fair value of the executive scheme was expensed in accordance with IFRS during the 2015 financial year and detail is included in the remuneration report on page 76 of the 2015 integrated annual report. Details of the scheme are included on page 89. There were no changes during the year.

Corporate information

COMPANY SECRETARY AND REGISTERED OFFICE

GD Tyrrell
Tsogo Sun Gaming Limited
(formerly Tsogo Sun Holdings Limited)
(Registration number: 1989/002108/06)
Palazzo Towers East
Montecasino Boulevard
Fourways, 2055
(Private Bag X200, Bryanston, 2021)

SPONSOR

Investec Bank Limited
(Registration number: 1969/004763/06)
100 Grayston Drive, Sandown
Sandton, 2196
(PO Box 785700, Sandton, 2146)

ATTORNEYS

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

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

AUDITORS

PricewaterhouseCoopers Inc.
Registered Accountants and Auditors
(Registration number: 1998/012055/21)
4 Lisbon Lane, Waterfall City
Jukskei View, 2090
(Private Bag X36, Sunninghill, 2157)

TRANSFER SECRETARIES

Link Market Services South Africa Proprietary Limited
(Registration number: 2000/007239/07)
13th Floor
19 Ameshoff Street
Braamfontein
Johannesburg, 2001
(PO Box 4844, Johannesburg, 2000)

COMMERCIAL BANKERS

Nedbank Limited
(Registration number: 1966/010630/06)
1st Floor, Corporate Park
Nedcor Sandton
135 Rivonia Road
Sandown, 2196
(PO Box 1144, Johannesburg, 2000)

Rand Merchant Bank
A division of FirstRand Bank Limited
(Registration number: 1929/001225/06)
1 Merchant Place
Cnr Fredman Drive and Rivonia Road
Sandton, 2196
(PO Box 786273, Sandton, 2146)

Absa Group Limited
(Registration number: 1986/003934/06)
3rd Floor
Absa Towers East
170 Main Street
Johannesburg, 2001
(PO Box 7735, Johannesburg, 2000)

Standard Bank
(Registration number: 1969/017128/06)
9th Floor, Standard Bank Centre
5 Simmonds Street
Johannesburg, 2001
(PO Box 7725, Johannesburg, 2000)

Shareholders' diary

Annual General Meeting	17 October 2019
Next financial year end	31 March 2020

REPORTS

Announcements	
Interim results for six months to September	November 2019
Preliminary announcement of annual results	May 2020
Annual financial statements published	July 2020

Dividends	**Declared**	**Paid**
Ordinary – interim	November	December
Ordinary – final	May	June

Glossary

Adjusted HEPS	Adjusted headline earnings per share
AGM	Annual General Meeting
BBBEE	Broad-based black economic empowerment
the board	The board of directors of Tsogo Sun Holdings Limited
CAGR	Compound annual growth rate
CASA	Casino Association of South Africa
CEO	Chief Executive Officer
Companies Act	The Companies Act, No 71 of 2008, as amended or replaced from time to time
CPA	Consumer Protection Act
CSI	Corporate social investment
Cullinan	The Cullinan Hotel Proprietary Limited
DCM	Debt capital market
DEFRA	Department for Environment, Food and Rural Affairs
dti	Department of Trade and Industry
Ebitda	Earnings before interest, tax, depreciation, amortisation and exceptional items
Ebitdar	Earnings before interest, tax, depreciation, amortisation, rentals and exceptional items
EBT	Electronic bingo terminal
EME	Emerging micro-enterprise
Fedhasa	Federated Hospitality Association of South Africa
FIC	Financial Intelligence Centre
FICA	Financial Intelligence Centre Act
Free cash flow	Cash generated from operations adjusted for net finance costs, taxation paid, operating equipment purchased and maintenance capital expenditure
Galaxy	Galaxy Gaming and Entertainment Proprietary Limited
Gambling board	Collectively, the Eastern Cape Gambling and Betting Board, the Free State Gambling and Liquor Authority Board, the Gauteng Gambling Board, the KwaZulu-Natal Gambling Board, the Western Cape Gambling and Racing Board and the Mpumalanga Gambling Board
Gameco	Niveus Invest 19 Proprietary Limited
GEC	Group executive committee
Gold Reef	Gold Reef Resorts Limited
GRIPP	GRIPP Advisory Proprietary Limited
HCI	Hosken Consolidated Investments Limited
HEPS	Headline earnings per share
HPF	Hospitality Property Fund Limited
IAS	International Accounting Standards
IHPL	International Hotel Properties Limited
IIRC	International Integrated Reporting Council
IFRS	International Financial Reporting Standards
IoDSA	Institute of Directors in Southern Africa
IPCC	Intergovernmental Panel on Climate Change 2006 Guidelines
<IR>	Integrated reporting
ISO	Independent Site Operator
IT	Information technology
JSE	JSE Limited
King IV	The King Code of Governance Principles for South Africa 2016
KPMG	KPMG Services Proprietary Limited
Liberty	Liberty Group Limited
LPM	Limited payout machine
LTV	Loan to value
NPAT	Net profit after tax
OTA	Online travel agent
PDIs	Previously disadvantaged individuals
POPI	Protection of Personal Information
PP	Percentage points
RBH	RBH Hotel Group Limited
REIT	Real Estate Investment Trust
Revpar	Revenue per available room
SACTWU	South African Clothing and Textile Workers Union
SARS	South African Revenue Service
SATB	South African Tourism Board
SENS	Securities Exchange News Service of the JSE
SunWest and Worcester	SunWest International Proprietary Limited and Worcester Casino Proprietary Limited
System-wide	Including both owned and managed businesses
SSHI	Southern Sun Hotel Interests Proprietary Limited
TBCSA	Tourism Business Council of South Africa
the group	Tsogo Sun Holdings Limited and its subsidiaries, associates and joint ventures
TIH	Tsogo Investment Holding Company Proprietary Limited
TSH	Tsogo Sun Hotels, Gaming and Entertainment Proprietary Limited (previously Tsogo Sun Holdings Proprietary Limited)
Tsogo Sun or the company	Tsogo Sun Holdings Limited
VAT	Value added tax
Vukani	Vukani Gaming Corporation Proprietary Limited

Five-year financial review

		2019 Continuing operations	2019 Discontinued operations	2019 Aggregated total	2018	2017	2016	2015	2014	CAGR
Trading										
Income	Rm	**11 619**	**4 336**[4]	**15 956**	13 975	13 222	12 283	11 343	10 767	12
Gaming win	Rm	**9 821**	**–**	**9 821**	7 940	7 483	7 361	6 976	6 819	12
Rooms revenue	Rm	**490**	**2 679**	**3 169**	3 160	3 078	2 784	2 453	2 221	10
Food and beverage revenue	Rm	**648**	**990**	**1 638**	1 561	1 434	1 353	1 203	1 063	11
Property rental income	Rm	**137**	**358**	**495**	549	445	133	124	120	59
Other revenue and other income	Rm	**523**	**309**	**832**	765	782	652	587	544	12
Ebitdar	Rm	**4 072**	**1 490**	**5 562**	5 271	5 049	4 543	4 223	4 214	10
Ebitdar margin	%	**35.0**	**33.9**	**34.7**	37.7	38.2	37.0	37.2	39.1	
Cash flow and borrowings										
Free cash flow	Rm	**1 918**	**403**	**2 321**	1 938	2 221	1 953	1 811	1 825	
Net debt	Rm	**10 983**	**2 963**	**13 946**	12 537	12 113	9 248	9 211	4 439	
Net debt:Ebitda	times	**2.8**	**2.2**	**2.7**	2.4	2.4	2.0	2.2	1.1	
Investment										
Investment activities	Rm	**962**	**62**	**1 024**	2 576	2 590	962	2 045	1 643	
Share buy-back	Rm	**65**	**–**	**65**	–	–	–	3 019	–	
Maintenance capex	Rm	**558**	**384**	**942**	675	925	969	749	769	
Shareholders' ratios										
Adjusted headline earnings per share	cents	**160.0**	**28.1**	**188.1**	197.8	207.6	196.5	175.0	176.5	3
Dividends per share[2]	cents			**188.0**	102.0	104.0	98.0	89.0	89.0	28
Dividend payout ratio	%			**100**	52	50	50	51	50	
Stock exchange statistics										
Share price at 31 March	R			**19.31**	23.33	27.64	23.64	27.60	25.42	
Share price during period – highest	R			**23.45**	27.85	32.18	29.26	30.39	28.75	
Share price during period – lowest	R			**18.75**	20.00	22.77	19.85	25.00	23.75	
Shares traded as a percentage of shares in issue[1]	%			**24.7**	48.8	28.0	35.2	102.5	4.5	
Number of shares in issue[1]	million			**1 056**	1 059	957	957	957	1 098	
Market capitalisation	Rm			**20 391**	24 706	26 463	22 633	26 424	27 916	
Closing price/earnings ratio	times			**10.3**	11.8	13.3	12.0	15.8	14.4	
Closing earnings yield	%			**9.7**	8.5	7.5	8.3	6.3	6.9	
Closing dividend yield	%			**9.7**[3]	4.4	3.8	4.1	3.2	3.5	

[1] *Excluding treasury shares*

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

[3] *Abnormally high due to the high interim dividend. At a 50% dividend payout ratio the dividend yield would have been 4.9*

[4] *Includes the elimination of R53 million intergroup management fees*

Bastion

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