



 **TSOGO SUN**

Notice of annual general meeting 2017



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# Summarised consolidated financial statements

## Notes

### 1 Basis of preparation

The summarised consolidated financial statements for the year ended 31 March 2017 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements and the requirements of the Companies Act of South Africa applicable to summarised consolidated financial statements. The Listings Requirements require summarised consolidated financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*. Chief Financial Officer, RB Huddy CA(SA), supervised the preparation of the summarised consolidated financial statements. The accounting policies applied in the preparation of the audited consolidated financial statements, from which the summarised consolidated financial statements were derived, are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements as at 31 March 2016 other than as described in note 2. The summarised consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2017 which were approved by the board on 18 August 2017 and are available online or can be requested from the Company Secretary. The summarised consolidated annual financial statements are extracted from audited information, but are not themselves audited. The unmodified audit report of PricewaterhouseCoopers Inc., the independent auditors, on the consolidated annual financial statements for the year ended 31 March 2017, dated 18 August 2017, is available for inspection at the registered office of the company and is included in the audited annual financial statements available online.

### 2 Change in accounting policies and interpretations

Prior to the acquisition of HPF (refer note 4), the group accounted for its investment properties at cost. HPF's investment properties are accounted for at fair value, and therefore, on acquisition the group changed its policy to comply with that of HPF for uniformity. The 31 March 2016 numbers in the income statement, statement of other comprehensive income, cash flow statement, balance sheet and statement of changes in equity have accordingly been restated. This change in accounting policy has been applied retrospectively and has increased earnings per share by 1.5 cents from 186.8 cents to 188.3 cents for the year ended 31 March 2016. This change in accounting policy had no effect on headline or adjusted headline earnings.

The group has adopted all the new, revised or amended accounting standards as issued by the IASB which were effective for the group from 1 April 2016, none of which had a material impact on the group.

The financial impact of the adoption of IFRS 9 will be provided closer to the date of application. The group is in the process of finalising the impact of IFRS 15 and has identified its customer loyalty programme mostly impacted. The group will provide the financial impact of IFRS 15 closer to the date of application. The group is in the process of assessing the impact of IFRS 16 and has identified its Sandton Convention Centre and some hotel property leases, where the group is the lessee, mostly impacted.

### 3 Fair value estimation

As shown below, the group fair values its investment properties, interest rate swaps together with its available-for-sale investments. There were no transfers into or out of level 3 financial instruments.

#### Investment properties

The movement of investment properties for the year is as follows:

	2017 Rm	2016 Restated <sup>(1)</sup> Rm
Opening net carrying amount	108	121
Acquisition, maintenance and development of investment properties	92	27
Disposals	(106)	(15)
Acquisition of subsidiary (note 4)	4 185	–
Transfers	(67)	(50)
Fair value adjustments recognised in profit or loss	757	25
Closing net carrying amount	4 969	108

<sup>(1)</sup> Restatement in respect of IAS 40 Investment Properties – refer note 2

### 3 Fair value estimation continued

#### Investment properties continued

The group's investment properties have been categorised as level 3 values based on the inputs to the valuation technique used. The group has elected to measure investment properties at fair value. The fair value is determined by using the discounted cash flow method by discounting the rental income (based on expected net cash flows of the underlying hotels) after considering the capital expenditure requirements. The expected cash flows are discounted using an appropriate discount rate. The core discount rate is calculated using the R186 (long bond) at the time of valuation, to which is added premiums for market risk and equity and debt costs. The discount rate takes into account a risk premium associated with the local economy as well as that specific to the local property market and the hotel industry. Fair values are estimated annually by an external appointed valuer.

As at 31 March 2017 the significant unobservable inputs were as follows:

- A weighted average rental growth rate of 5.5%;
- A terminal capitalisation rate of 7.26%; and
- A risk-adjusted discount rate of 12.76%.

The table below indicates the sensitivities of the aggregate investment property portfolio by increasing or decreasing value inputs as follows:

	Increase Rm	Decrease Rm
5% change in the net cash flows	241	(241)
25bps change in the terminal capitalisation rate	(116)	118
50bps change in the discount rate	(85)	134

#### Interest rate swaps

The group has interest rate swaps used for hedge accounting and also interest rate swaps from HPF that are not hedge accounted (with a net liability of R1 million) being level 2 fair value measurements.

The fair value of the derivatives used for hedge accounting is a net liability of R50 million (31 March 2016: R72 million asset net) and is calculated as the present value of the estimated future cash flows based on observable yield curves, which is consistent with the prior year.

#### Available-for-sale investment

During April 2016, aligned with the group's desire to increase its exposure in the Western Cape province, the group entered into a transaction with Sun International Limited ('SI') and Grand Parade Investments Limited ('GPI') for the acquisition of a 20% equity interest in each of SunWest and Worcester for an aggregate R1.35 billion, payable in 18 monthly instalments of R75 million each, funded from available cash balances. Subsequently, the full amount of the liability was settled during the year under review, and, therefore, the acquisition cost of R1.27 billion represents the discounted amount (the effective interest of R48 million included in finance costs). Tsogo Sun has pre-emptive rights but no representation on the board of directors of either company and has no operational responsibilities. Tsogo Sun also has no access to any information regarding the companies except for that to which it has statutory rights as a shareholder. This investment is classified as a level 3 fair value measurement and has been accounted for as an available-for-sale financial asset.

At the end of each reporting period the non-current asset is remeasured and the increase or decrease recognised in other comprehensive income. A discounted cash flow valuation was used to estimate the fair value which equated to its cost of R1.27 billion. No adjustment to the carrying amount was required. The valuation model considers the present value of net cash flows to be generated from SunWest and Worcester, together with its operating capital expenditure taking into account expected growth in gaming win and other revenue generated from non-gaming related activities. The expected net cash flows are discounted using a risk-adjusted discount rate. Among other factors, the discount rate estimation considers risks associated with the gaming and hospitality industry in which SunWest and Worcester operates.

# Summarised consolidated financial statements continued

## Notes continued

### 3 Fair value estimation continued

#### Available-for-sale investment continued

As at 31 March 2017 the significant unobservable inputs were as follows:

- Expected gaming win growth between 4.3% and 7.0%;
- Operating expenditure cost growth between 5.5% and 6.5%;
- Risk-adjusted discount rate of 12.3%; and
- Long-term growth rate of 5.6%.

The table below indicates the sensitivities of the valuation by increasing or decreasing value inputs by 1%:

	Increase Rm	Decrease Rm
Expected gaming win growth	265	(245)
Operating expenditure cost growth	(203)	188
Risk-adjusted discount rate	(185)	251
Long-term growth rate	143	(106)
Total	20	88

#### SI put option

In terms of the acquisition agreement of the SunWest and Worcester interests mentioned above, in the event that any party acquires 35% or more of the issued ordinary shares of SI triggering a change in control of the SI group, the group may elect to put its equity interests in SunWest and Worcester to SI. SI can elect to either settle the put by the issue of new ordinary shares in SI and/or for a cash consideration, based on the aggregate value of Tsogo Sun's interest in SunWest and Worcester. At the end of each reporting period the derivative is remeasured and the increase or decrease recognised in the income statement. The derivative is calculated in accordance with the terms of the put option agreement, effectively a 7.5 times Ebitda multiple valuation of the SunWest and Worcester assets, less net debt, times the 20% shareholding the group holds. No derivative has been recognised as the fair value of the option is Rnil at 31 March 2017.

### 4 Business combinations

The following business acquisitions were concluded during the year under review:

#### Acquisition of HPF

The group acquired 55% of the HPF B-linked units (27% of the voting interest) in August 2015. During the year under review, Tsogo Sun acquired a controlling stake through the injection of hotel assets such that the issue of shares to the group resulted in the group owning 50.6% of the shares following the reconstitution of HPF's capital into a single class of shares. The remaining administrative conditions precedent to the transaction were fulfilled in August 2016 and the effective date of the transaction was 1 September 2016.

The group acquired HPF in keeping with its strategy of creating an entertainment and hospitality focused REIT.

#### 4 Business combinations continued

##### Acquisition of HPF continued

The fair valuation of the net assets acquired are greater than the fair value of the consideration paid at the date of acquisition, and therefore the group has recognised a bargain purchase of R13 million in the income statement with no intangible assets having been identified in respect of this acquisition. The acquired business contributed incremental revenues of R299 million and adjusted earnings of R37 million to the group for the period from date of control to 31 March 2017. Had the acquisition occurred on 1 April 2016, group income would have increased by an additional R128 million and adjusted earnings would have decreased by R5 million due to the impact of seasonality on HPF's earnings. These amounts have been calculated using the group's accounting policies. The fair value of net assets acquired is as follows:

	<b>Rm</b>
Investment properties	<b>4 185</b>
Property, plant and equipment	<b>742</b>
Other non-current assets	<b>6</b>
Other current assets	<b>48</b>
Cash and cash equivalents	<b>189</b>
Interest-bearing borrowings	<b>(1 725)</b>
Other current liabilities	<b>(221)</b>
<b>Total identifiable net assets acquired</b>	<b>3 224</b>
<i>Less: Non-controlling interests acquired from HPF</i>	<b>(1 592)</b>
<b>Net assets acquired from HPF</b>	<b>1 632</b>
<i>Less: Purchase consideration in the form of hotel assets to non-controlling interests which comprises:</i>	<b>(1 321)</b>
Consideration in the form of assets to non-controlling interests	<b>(353)</b>
Gain from transacting with non-controlling interests	<b>(968)</b>
<i>Less: Previously held shares (27% voting interest) acquired at fair value</i>	<b>(298)</b>
<b>Bargain purchase on acquisition recognised in profit or loss</b>	<b>13</b>
<b>Net inflow of cash on acquisition of HPF:</b>	
Cash consideration to acquire HPF	–
<i>Add: Cash balances acquired with HPF</i>	<b>189</b>
<b>Net inflow of cash – investing activities</b>	<b>189</b>

On acquiring HPF the group transacted with non-controlling interests. The fair value of the non-controlling interests acquired was R1.592 billion in exchange for the injection of hotel assets to HPF with a fair value of R1.321 billion of which the non-controlling interests' portion was R353 million.

No deferred tax was accounted for on this business combination due to HPF's REIT tax status.

# Summarised consolidated financial statements continued

## Notes continued

### 4 Business combinations continued

#### Acquisition of Garden Court Umhlanga and StayEasy Pietermaritzburg hotel businesses

Cullinan concluded agreements with Liberty to acquire two hotel businesses, the Garden Court Umhlanga and the StayEasy Pietermaritzburg. The effective date was 1 October 2016.

The acquired businesses were previously managed by the group and the acquisition thereof is in line with management's strategy to own its operations. The fair values of the net assets acquired are greater than the fair values of the consideration paid at the date of acquisition, and therefore the group has recognised a bargain purchase of R69 million in the income statement with no intangible assets having been identified on these acquisitions. In line with the group's accounting policies, the fair value of the assets acquired was obtained by applying a valuation technique performed on a discounted cash flow basis. The acquired businesses contributed incremental revenues of R52 million and adjusted earnings of R5 million to the group for the period from acquisition to 31 March 2017. Had the acquisition occurred on 1 April 2016, group income would have increased by an additional R51 million and adjusted earnings would have increased by an additional R7 million. These amounts have been calculated excluding the funding impact of the acquisition and using the group's accounting policies. The fair value of net assets acquired is as follows:

	Rm
Property, plant and equipment	379
Other current assets	
– Trade and other receivables	4
Other current liabilities	
– Trade and other payables	(1)
– Accruals and other liabilities	(3)
Total identifiable net assets acquired	379
Purchase consideration paid in cash – investing activities	(310)
Gain on bargain purchase recognised in profit or loss	69

### 5 Transactions with non-controlling interests

The following transactions with non-controlling interests were concluded during the year under review:

#### Acquisition of remaining 40% Liberty interest in Cullinan

During the 2015 year end the group entered into a call option over Liberty's 40% shareholding in Cullinan and Liberty had a corresponding put option, both exercisable at the fair value of the shares. A financial liability for the put option and a corresponding debit of R493 million to transactions with non-controlling interests (in 'Other reserves') was recognised on initial recognition. At the end of each reporting period the liability was remeasured and the increase or decrease recognised in the income statement. An agreement was concluded in December 2016 with Liberty for the acquisition by the group of the remaining 40% of the issued share capital of Cullinan held by Liberty, and all of Liberty's claims on loan accounts against Cullinan howsoever arising, with effect from 1 December 2016, for a consideration of R1.03 billion. A fair value gain was recognised on the settlement of the derivative of R35 million and has been included in finance costs. On acquisition of the 40% Liberty interest in Cullinan the group acquired the non-controlling interests resulting in a decrease in the non-controlling interests of R306 million and a reversal of R493 million being the original put option mentioned above, resulting in a net debit to retained earnings of R187 million.



## 5 Transactions with non-controlling interests continued

### Acquisition of remaining 40% Liberty interest in Cullinan continued

	Rm
Purchase consideration for 40% equity interest in Cullinan made up as follows:	
Settlement of loan (including capitalised interest) with Liberty	(572)
Settlement of the put liability	(458)
	(1 030)
Outflow of cash to acquire 40% interest in Cullinan:	
Borrowings repaid – financing activities	(508)
Accrued finance costs settled – operating activities	(64)
Purchase consideration for non-controlling interests – financing activities	(458)
Total cash outflow to Liberty	(1 030)

### Acquisition of remaining Mykonos and Blackrock casinos' non-controlling interests

West Coast Leisure Proprietary Limited (Mykonos Casino) acquired 29.64% of its shares from Club Mykonos Langebaan with effect from 12 December 2016 in the form of a share buy-back, for a purchase consideration of R193 million, including interest. The group now effectively owns a 100% interest in West Coast Leisure Proprietary Limited. This share buy-back resulted in a decrease to the non-controlling interests of R37 million.

The group also acquired the remaining 1.92% shareholding in Tsogo Sun Newcastle Proprietary Limited (Blackrock Casino) for a purchase consideration of R5 million.

The aggregate of these acquisitions from non-controlling interests is R198 million with a resulting decrease in the related non-controlling interests of R37 million.

### HPF non-controlling interests

On acquiring HPF the group transacted with non-controlling interests. The fair value of the non-controlling interests acquired was R1.592 billion in exchange for the injection of hotel assets to HPF with a fair value of R1.321 billion of which the non-controlling interests' portion was R353 million (refer note 4).

## 6 Segment information

In terms of IFRS 8 *Operating Segments* the chief operating decision maker has been identified as the group's Chief Executive Officer ('CEO') and the Group Executive Committee ('GEC'). Management has determined the operating segments based on the reports reviewed by the chief operating decision maker. There has been no change in the basis of segmentation or in the basis of measurement of segment profit or loss from the last annual financial statements, other than the HPF operations being included in the South African hotels division with effect 1 September 2016 (the acquisition date – refer note 4).

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

## 7 Capital commitments

The board has committed a total of R5.9 billion for maintenance and expansion capital items at its gaming and hotel properties of which R4.3 billion is anticipated to be spent during the next financial year. In total, R730 million of the committed capital expenditure has been contracted for.

# Summarised consolidated financial statements continued

## Notes continued

### 8 Contingent liabilities

The group had no significant contingent liabilities as at 31 March 2017.

### 9 Related party transactions

The group had no significant related party transactions during the year under review.

### 10 Events occurring after the balance sheet date

Other than as mentioned below, the directors are not aware of any matter or circumstance arising since the balance sheet date and the date of these summarised consolidated financial statements, not otherwise dealt with within the financial statements, that would affect the operations or results of the group significantly.

#### Dividend declared and paid

Subsequent to the company's year end, on 23 May 2017, the board of directors declared a final gross cash dividend of 70.0 cents per share in respect of the year ended 31 March 2017. The aggregate amount of the dividend, which was paid on 19 June 2017 out of retained earnings at 31 March 2017, which was not recognised as a liability at year end is R676 million.

#### Resignation of CEO and executive director

The CEO, MV von Aulock, an executive director, resigned from the board of directors effective 1 June 2017 and from his employment with the group with effect from 30 June 2017.

#### Acquisition of 29 hotel properties by HPF from Tsogo Sun

HPF acquired two Tsogo Sun subsidiaries, The Cullinan Hotel Proprietary Limited and Merway Fifth Investments Proprietary Limited, effective 1 July 2017. The portfolio includes 29 hotel properties and was acquired for an aggregate purchase consideration of R3.6 billion, settled R1.0 billion in cash and R2.6 billion in shares. The impact of this transaction is a transaction with the non-controlling interests of HPF whereby non-controlling interests in HPF have been acquired and as a result, the group's effective holding increased from 50.6% to 68.0%, with effect from 10 July 2017.

#### HPF rights issue

Hospitality shareholders were offered a total of 71 428 571 Hospitality shares ('rights offer shares') at an issue price of R14.00 per rights offer share ('rights offer issue price') in the ratio of 21.76820 rights offer shares for every 100 Hospitality shares held on the record date for the rights offer. As a result of 99.2% of the rights offer shares being subscribed for by third parties, the group's effective holding decreased from 68.0% to 59.6% with effect from 4 August 2017.

#### Sandton Eye and real right of extension

HPF Properties Proprietary Limited, an indirectly held subsidiary of the Tsogo Sun group, has concluded the acquisition of various sections and exclusive use areas of the Sandton Eye sectional title scheme, as well as an existing real right of extension in the scheme for a purchase consideration of R302 million. Transfer was effected on 21 August 2017.

#### Acquisition of Gameco

The acquisition of HCI and all other shareholders' interests in Niveus Investment 19 Limited ('Gameco') for a combination of Tsogo Sun Holdings shares and cash, has received Niveus and Tsogo Sun shareholder approval but remains subject to a number of considerations precedent, *inter alia*:

- that Gameco shareholders (including HCI and Niveus) holding not less than 345 000 100 Gameco shares in the aggregate (representing not less than 75% of the shares in Gameco), irrevocably undertake to dispose of their shares to Tsogo Sun in accordance with the terms of the proposed transaction; and
- that the parties obtain any and all necessary statutory and regulatory approvals for the implementation of the proposed transaction on such conditions as are acceptable to Niveus and Tsogo Sun, which is expected to be concluded on 30 September 2017 (or such later date as may be agreed upon by the parties in writing).

## Summarised consolidated income statement

for the year ended 31 March

	Change %	2017 Rm	2016 Restated <sup>(1)</sup> Rm
Net gaming win	2	7 483	7 361
Rooms revenue	11	3 078	2 784
Food and beverage revenue	6	1 434	1 353
Property rental income		445	133
Other revenue		782	652
<b>Income</b>	8	<b>13 222</b>	12 283
Gaming levies and Value Added Tax		(1 557)	(1 531)
Property and equipment rentals		(303)	(287)
Amortisation and depreciation		(846)	(812)
Employee costs		(3 044)	(2 871)
Other operating expenses		(3 530)	(3 382)
Gain on fair value adjustment of investment properties		757	25
<b>Operating profit</b>	37	<b>4 699</b>	3 425
Interest income		43	35
Finance costs		(1 066)	(892)
Share of profit of associates and joint ventures		38	29
<b>Profit before income tax</b>		<b>3 714</b>	2 597
Income tax expense		(665)	(777)
<b>Profit for the year</b>		<b>3 049</b>	1 820
<b>Profit attributable to:</b>			
Equity holders of the company		2 507	1 802
Non-controlling interests		542	18
		<b>3 049</b>	1 820
Number of shares in issue (million)		957	957
Weighted average number of shares in issue (million)		957	957
Basic and diluted earnings per share (cents)	39	262.0	188.3

# Summarised consolidated financial statements continued

## Summarised consolidated statement of comprehensive income

for the year ended 31 March

	2017 Rm	2016 Restated <sup>(1)</sup> Rm
<b>Profit for the year</b>	<b>3 049</b>	1 820
<b>Other comprehensive income for the year, net of tax</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>	<b>(194)</b>	332
Cash flow hedges	(121)	162
Currency translation adjustments	(96)	215
Income tax relating to items that may subsequently be reclassified to profit or loss	23	(45)
<b>Items that may not be reclassified subsequently to profit or loss:</b>	<b>2</b>	3
Remeasurements of post-employment defined benefit liability	3	4
Income tax relating to items that may not subsequently be reclassified to profit or loss	(1)	(1)
<b>Total comprehensive income for the year</b>	<b>2 857</b>	2 155
<b>Total comprehensive income attributable to:</b>		
Equity holders of the company	2 315	2 136
Non-controlling interests	542	19
	<b>2 857</b>	2 155

<sup>(1)</sup> Restatement in respect of IAS 40 Investment Properties – refer note 2

## Supplementary information

for the year ended 31 March

	Change %	2017 Rm	2016 Restated <sup>(1)</sup> Rm
<b>Reconciliation of earnings attributable to equity holders of the company to headline earnings and adjusted headline earnings</b>			
Profit attributable to equity holders of the company		2 507	1 802
Loss on disposal of property, plant and equipment		12	5
Impairment of property, plant and equipment		77	7
Gain on disposal of investment property		(36)	–
Gain on fair value adjustment of investment properties		(757)	(25)
Impairment of intangibles		1	10
Gain on deemed disposal of financial asset classified as available-for-sale		(46)	–
Gain on bargain purchases		(82)	–
Share of associates' headline earnings adjustments		2	–
Total tax effects of adjustments		(27)	1
Total non-controlling interest effects of adjustments		382	–
<b>Headline earnings</b>	13	<b>2 033</b>	1 800
Other exceptional items (net) included in operating profit		44	44
(Gain)/loss on remeasurement of put liability		(35)	7
Deferred tax liability derecognised on plant, property and equipment on sale to the group's REIT subsidiary		(56)	–
Deferred tax asset derecognised on foreign subsidiary assessed losses		19	–
Change in capital gains tax inclusion rate on at acquisition assets of subsidiaries		–	54
Share of associates' exceptional items		(11)	–
Total tax effects of adjustments		–	(6)
Total non-controlling interest effects of adjustments		(7)	(18)
<b>Adjusted headline earnings</b>	6	<b>1 987</b>	1 881
Number of shares in issue (million)		957	957
Weighted average number of shares in issue (million)		957	957
Basic and diluted HEPS (cents)		212.4	188.1
Basic and diluted adjusted HEPS (cents)	6	207.6	196.5
<b>Reconciliation of operating profit to Ebitdar<sup>(2)</sup></b>			
Ebitdar pre-exceptional items is made up as follows:			
Operating profit		4 699	3 425
Add:			
Property rentals		242	219
Amortisation and depreciation		846	812
Long-term incentive expense		49	46
		5 836	4 502
(Less)/add: Exceptional (gains)/losses		(787)	41
Loss on disposal of property, plant and equipment		12	5
Impairment of property, plant and equipment		77	7
Gain on disposal of investment property		(36)	–
Gain on fair value adjustment of investment properties		(757)	(25)
Impairment of intangibles		1	10
Gain on deemed disposal of financial asset classified as available-for-sale		(46)	–
Gain on bargain purchases		(82)	–
Transaction costs		27	26
Pre-opening expenses		–	12
Impairment of financial instruments, net of recoveries		4	4
Fair value loss on interest rate swaps		6	–
Restructuring costs		7	2
<b>Ebitdar</b>	11	<b>5 049</b>	4 543

<sup>(1)</sup> Restatement in respect of IAS 40 Investment Properties – refer note 2

<sup>(2)</sup> The measure excludes the effects of long-term incentives, non-recurring expenditure, headline earnings adjustments including impairments and fair value adjustments on non-current and current assets and liabilities and other exceptional items



# Summarised consolidated financial statements continued

## Summarised consolidated cash flow statement

for the year ended 31 March

	2017 Rm	2016 Restated <sup>(1)</sup> Rm
<b>Cash flows from operating activities</b>		
Operating profit	4 699	3 425
Non-cash movements	425	1 248
Increase in working capital	(348)	(297)
Cash generated from operations	4 776	4 376
Interest received	43	31
Finance costs paid	(1 119)	(832)
	3 700	3 575
Income tax paid	(627)	(657)
Dividends paid to shareholders	(975)	(878)
Dividends paid to non-controlling interests	(113)	–
Pre-acquisition dividend paid	(133)	–
Dividends received	134	51
Net cash generated from operating activities	1 986	2 091
<b>Cash flows from investment activities</b>		
Purchase of property, plant and equipment	(1 238)	(1 377)
Proceeds from disposals of property, plant and equipment	1	9
Acquisition, maintenance and development of investment properties	(92)	(27)
Proceeds from disposal of investment property	144	19
Purchase of intangible assets	(14)	(10)
Purchase of available-for-sale financial assets	(1 272)	(252)
Acquisition of subsidiary, net of cash acquired	189	(12)
Acquisition of businesses	(310)	–
Acquisition of interest in associate	–	(315)
Other loans and investments repaid	3	18
Other loans and investments made	(2)	–
Net cash utilised for investment activities	(2 591)	(1 947)
<b>Cash flows from financing activities</b>		
Borrowings raised	4 156	485
Borrowings repaid	(2 651)	(1 061)
Acquisition of non-controlling interests	(655)	–
Decrease in amounts due by share scheme participants	6	9
Net cash generated from/(utilised for) financing activities	856	(567)
Net increase/(decrease) in cash and cash equivalents	251	(423)
Cash and cash equivalents at beginning of the year, net of bank overdrafts	479	883
Foreign currency translation	(5)	19
<b>Cash and cash equivalents at end of the year, net of bank overdrafts</b>	<b>725</b>	<b>479</b>

<sup>(1)</sup> Restatement in respect of IAS 40 Investment Properties – refer note 2

## Summarised consolidated balance sheet

as at 31 March

	2017 Rm	2016 Restated <sup>(1)</sup> Rm
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	15 556	14 370
Investment properties	4 969	108
Goodwill and other intangible assets	6 567	6 582
Investments in associates and joint ventures	609	620
Available-for-sale financial assets	1 272	252
Non-current receivables	60	68
Derivative financial instruments	–	74
Deferred income tax assets	121	185
	<b>29 154</b>	<b>22 259</b>
<b>Current assets</b>		
Inventories	115	125
Trade and other receivables	696	669
Current income tax assets	78	122
Cash and cash equivalents	2 424	2 492
	<b>3 313</b>	<b>3 408</b>
<b>Non-current assets held for sale</b>	<b>66</b>	<b>–</b>
<b>Total current assets</b>	<b>3 379</b>	<b>3 408</b>
<b>Total assets</b>	<b>32 533</b>	<b>25 667</b>
<b>EQUITY</b>		
<b>Capital and reserves attributable to equity holders of the company</b>		
Ordinary share capital and premium	4 576	4 576
Other reserves	874	(232)
Retained earnings	5 321	3 974
Total shareholders' equity	10 771	8 318
Non-controlling interests	2 685	654
<b>Total equity</b>	<b>13 456</b>	<b>8 972</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Interest-bearing borrowings	9 439	8 346
Derivative financial instruments	37	492
Deferred income tax liabilities	2 029	2 059
Provisions and other liabilities	511	509
	<b>12 016</b>	<b>11 406</b>
<b>Current liabilities</b>		
Interest-bearing borrowings	5 098	3 394
Trade and other payables	1 867	1 767
Current income tax liabilities	96	128
	<b>7 061</b>	<b>5 289</b>
<b>Total liabilities</b>	<b>19 077</b>	<b>16 695</b>
<b>Total equity and liabilities</b>	<b>32 533</b>	<b>25 667</b>

<sup>(1)</sup> Restatement in respect of IAS 40 Investment Properties – refer note 2

# Summarised consolidated financial statements continued

## Summarised consolidated statement of changes in equity

for the year ended 31 March

	Attributable to equity holders of the company			Total Rm	Non- controlling interests Rm	Total equity Rm
	Ordinary share capital and premium Rm	Other reserves Rm	Retained earnings Rm			
<b>Balance at 1 April 2015 as previously reported</b>	4 576	(442)	2 917	<b>7 051</b>	635	<b>7 686</b>
Recognition of fair value of investment properties net of deferred tax	–	–	9	<b>9</b>	–	<b>9</b>
<b>Balance at 1 April 2015 restated<sup>(1)</sup></b>	4 576	(442)	2 926	<b>7 060</b>	635	<b>7 695</b>
Total comprehensive income	–	331	1 805	<b>2 136</b>	19	<b>2 155</b>
Profit for the year	–	–	1 802	<b>1 802</b>	18	<b>1 820</b>
Other comprehensive income	–	331	3	<b>334</b>	1	<b>335</b>
Transfer from share-based payment reserve to retained earnings	–	(121)	121	–	–	–
Ordinary dividends	–	–	(878)	<b>(878)</b>	–	<b>(878)</b>
<b>Balance at 31 March 2016 restated<sup>(1)</sup></b>	4 576	(232)	3 974	<b>8 318</b>	654	<b>8 972</b>
Total comprehensive income	–	(194)	2 509	<b>2 315</b>	542	<b>2 857</b>
Profit for the year	–	–	2 507	<b>2 507</b>	542	<b>3 049</b>
Other comprehensive income	–	(194)	2	<b>(192)</b>	–	<b>(192)</b>
Settlement of Cullinan put liability with non-controlling interests	–	493	(187)	<b>306</b>	(306)	–
Consideration to HPF non-controlling interests in hotel assets	–	968	–	<b>968</b>	353	<b>1 321</b>
Acquisition of non-controlling interests from HPF	–	–	–	–	1 592	<b>1 592</b>
Acquisition of Mykonos and Blackrock casinos' non-controlling interests	–	(161)	–	<b>(161)</b>	(37)	<b>(198)</b>
Ordinary dividends	–	–	(975)	<b>(975)</b>	(113)	<b>(1 088)</b>
<b>Balance at 31 March 2017</b>	4 576	874	5 321	<b>10 771</b>	2 685	<b>13 456</b>

<sup>(1)</sup> Restatement in respect of IAS 40 Investment Properties – refer note 2

## Segmental analysis

for the year ended 31 March

	Income <sup>(1)</sup>		Ebitdar <sup>(2)</sup>		Ebitdar margin		Amortisation and depreciation	
	2017 Rm	2016 Rm	2017 Rm	2016 Rm	2017 %	2016 %	2017 Rm	2016 Rm
Montecasino	2 694	2 674	1 196	1 194	44.4	44.7	111	95
Suncoast	1 732	1 701	810	791	46.8	46.5	88	91
Gold Reef City	1 450	1 380	549	525	37.9	38.1	109	96
Silverstar	735	735	248	254	33.7	34.6	82	86
Golden Horse	392	369	176	163	44.8	44.2	34	33
Emnotweni	383	384	145	152	37.9	39.5	29	27
The Ridge	382	391	147	160	38.6	40.9	29	26
Hemingways	306	318	95	113	31.2	35.4	40	42
Garden Route	225	218	96	92	42.8	42.3	15	14
The Caledon	175	163	54	43	30.6	26.2	10	8
Blackrock	170	168	65	63	37.9	37.7	12	11
Mykonos	162	156	72	68	44.5	44.0	11	9
Goldfields	133	134	41	44	31.0	32.4	10	10
Other gaming operations	195	109	(154)	(233)			14	15
Total gaming operations	9 134	8 900	3 540	3 429	38.8	38.5	594	563
South African hotels division <sup>(3)</sup>	3 509	2 744	1 359	920	38.7	33.5	213	193
Offshore hotels division	635	691	108	169	17.0	24.5	35	50
Pre-foreign exchange losses			146	192	23.0	27.8		
Foreign exchange losses			(38)	(23)				
Corporate <sup>(3)(4)</sup>	(56)	(52)	42	25			4	6
Group	13 222	12 283	5 049	4 543	38.2	37.0	846	812

<sup>(1)</sup> All revenue and income from gaming and hotel operations is derived from external customers. No one customer contributes more than 10% to the group's total revenue

<sup>(2)</sup> All casino units are reported pre-internal gaming management fees

<sup>(3)</sup> Includes R55 million (2016: R53 million) intergroup management fees. South African hotels division also includes HPP with effect from 1 September 2016 – refer note 4

<sup>(4)</sup> Includes the treasury and management function of the group

# Board and committees

## Board profile

### Executive directors

#### 1. J BOOYSEN (57)

CA(SA)

Executive Director – Chief Executive Officer

**Date appointed: 1 June 2017**

Jacques was a partner at PricewaterhouseCoopers Inc. prior to working at the Gauteng Gambling Board for 12 years, where he held the position of Chief Executive Officer. He joined Tsogo Sun in 2007 and served in the roles of Director – New Business Development, Director – Gaming Operations, Financial Director – Gaming and Managing Director – Gaming prior to his appointment as the Chief Executive Officer on 1 June 2017.

#### 2. RB HUDDY (48)

CA(SA)

Executive Director – Chief Financial Officer

**Date appointed: 31 October 2011**

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



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### Non-executive directors

#### 3. JA COPELYN (67)

BA (Hons), BProc

Non-executive Chairman and member of the remuneration committee

**Date appointed: 13 August 2003<sup>(1)</sup>**

John Copelyn joined HCI as Chief Executive Officer in 1997. He was previously General Secretary of the Southern African Clothing and Textile Workers Union from 1974 before becoming a member of parliament in 1994. He currently holds various directorships and is Non-executive Chairman of e.tv.

#### 4. MA GOLDING (57)

BA (Hons)

Non-executive Director

**Date appointed: 30 April 2004<sup>(1)</sup>**

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

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



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Independent non-executive directors

**5. VE MPHANDE (59)**

*Elec Eng (Dip)*

Non-executive Director

**Date appointed: 3 February 2005 <sup>(1)</sup>**

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

**6. Y SHAIK (59)**

*BA (Law), BProc*

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

**Date appointed: 15 June 2011**

Yunis Shaik is an admitted attorney of the High Court of South Africa. He is a former Deputy General Secretary of the Southern African Clothing and Textile Workers Union and a director of Workers' College. He has served as a Senior Commissioner to the KwaZulu-Natal CCMA. He was appointed to the board of HCI in 2005 as lead independent non-executive director of HCI in 2010 and as an executive director of HCI in 2014.

**7. BA MABUZA (53)**

*BA (MBA)*

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

**Date appointed: 1 June 2014**

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

**8. MSI GANI (64)**

*CA(SA)*

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

**Date appointed: 11 August 2016**

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

**9. JG NGCOBO (66)**

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

**Date appointed: 24 February 2011**

Jabu Ngcobo held the positions of General Secretary of the Southern African Clothing and Textile Workers Union from 1994 to 1999 and the Regional Secretary for Africa of the International Textile Garment and Leather Workers Federation from 1999 to 2006. He was appointed to the board of HCI in 2004 and serves as a director of HCI Coal and Niveus.



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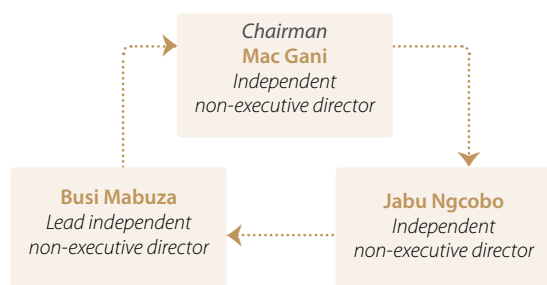
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## Board committees

### Sub-committee structure and report back

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

#### Audit and risk committee



#### Key objective:

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

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

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

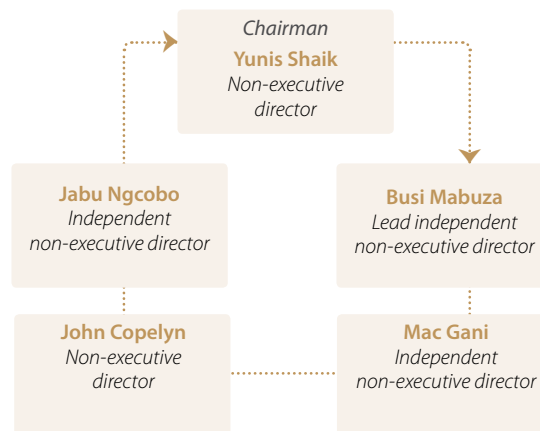
- review of the risk landscapes to which the group is exposed in relation to the group's risk tolerance and risk appetite levels and evaluation of the appropriateness of management's responses to the risks;
- review of insurance, treasury and taxation matters;
- review of operational risk management including fraud and theft, whistle-blowing systems and organisational resilience;
- oversight of the implementation of the combined assurance framework and plan;
- review of IT risks in relation to core operational systems, systems projects and security initiatives;

- review of material legal, legislation and regulatory developments;
- review of prospective accounting standard changes;
- review of the impact of the adoption of King IV;
- evaluation of the financial reporting procedures;
- review of and recommendation to the board for approval of the preliminary and annual results announcements and the annual financial statements and integrated annual report;
- approval of the external audit and internal audit plans;
- evaluation of the independence and effectiveness of, and the fees and terms of engagement of the external auditors;
- evaluation of the effectiveness of the 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 3 of the consolidated financial statements for the year ended 31 March 2017.

#### Remuneration committee



#### Key objective:

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

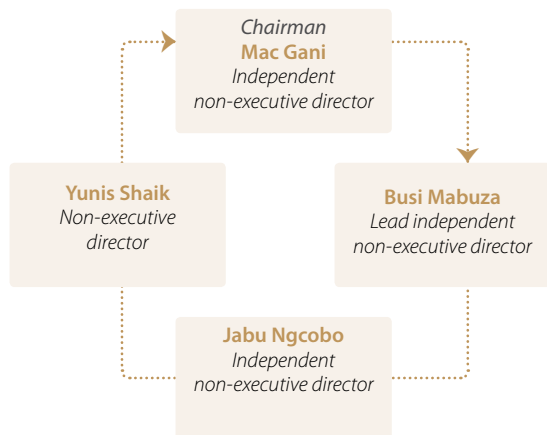
The committee met twice during the year. The Chief Executive Officer and the group's Human Resources Director attend the meetings as permanent invitees, except when issues relating to their own compensation are discussed.

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 specific remuneration packages for the executive directors and other senior executives and management;
- approving the rules, criteria, targets and allocations for performance-related pay schemes; and
- proposing non-executive director remuneration.

Further details of the group's remuneration policy and the work of the remuneration committee can be found in the remuneration section on pages 21 to 26.

### Social and ethics committee



#### Key objective:

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

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

The work of the social and ethics committee during the year focused on:

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

The matters considered during the year are included in the integrated annual report for the year ended 31 March 2017 in the deliver to our beneficiaries section on pages 39 to 47, the product relevance to customer experience section on pages 49 to 51, the regulatory compliance section on page 52 and the human resources section on pages 53 to 55.

The main area of focus during the year was on the group's achievement of a level 2 BBBEE contributor status against the revised codes for 2016 and continued efforts to improve on this result for 2017. The committee also discussed matters of dispute with various regulatory bodies. The committee is satisfied with the group's progress in the different areas and there were no significant matters of concern raised during the year.

# Analysis of shareholding

as at 31 March

	Number of shareholders	%	Number of shares	%
<b>Portfolio size</b>				
Range				
1 – 1 000	2 682	39.18	1 173 543	0.11
1 001 – 5 000	2 576	37.62	6 107 597	0.58
5 001 – 10 000	524	7.65	3 785 838	0.36
10 001 – 50 000	485	7.08	10 867 703	1.04
50 001 – 100 000	180	2.63	13 289 533	1.27
100 001 – and more	400	5.84	1 013 957 175	96.64
	6 847	100.00	1 049 181 389	100.00
<b>Shareholder spread</b>				
Public	6 839	99.90	501 259 031	47.77
Individuals	4 608	67.30	30 048 054	2.86
Banks and insurance companies	100	1.46	90 229 221	8.60
Pension funds and medical aid societies	285	4.16	53 333 535	5.08
Collective investment schemes and mutual funds	255	3.72	120 492 280	11.48
Other corporate bodies	1 591	23.26	207 155 941	19.75
Non-public	8	0.10	547 922 358	52.23
Directors <sup>(1)</sup>	3	0.04	4 388 349	0.42
Subsidiary companies <sup>(2)</sup>	3	0.04	83 632 695	7.97
Gold Reef Share Scheme <sup>(2)</sup>	1	0.01	408 615	0.04
Majority shareholder (10% of issued share capital or more)	1	0.01	459 492 699	43.80
	6 847	100.00	1 049 181 389	100.00
<b>Major shareholders owning 1% or more</b>				
Tsogo Investment Holding Company Proprietary Limited			459 492 699	43.80
Tsogo Sun Gaming Proprietary Limited <sup>(2)</sup>			42 876 046	4.09
Citiclient Nominees No 8 NY GW			38 972 025	3.71
Liberty Life Association of Africa Limited			31 207 568	2.97
Seclend SBG Securities Eqdd Collate			27 062 962	2.58
Tsogo Sun Expansion No 1 Proprietary Limited <sup>(2)</sup>			26 329 047	2.51
SBG Securities Strate Prop Trading			24 622 485	2.35
Old Mutual Life Assurance Co SA Limited			23 918 607	2.28
State Street Bank and Trust CO-OMN			21 750 606	2.07
Allan Gray Stable Fund			15 415 108	1.47
Aldiss Investments Proprietary Limited <sup>(2)</sup>			14 427 602	1.38

<sup>(1)</sup> At 31 March 2017, 167 775 shares were held indirectly (2016: 167 775 held directly) by JA Copelyn, non-executive director and chairman, 3 339 806 (2016: 3 339 806) directly by MN von Aulock, executive director and CEO (resigned 1 June 2017) and 1 048 543 (2016: 1 048 543) directly by RB Huddy, executive director and CFO. J Booysen was appointed CEO on 1 June 2017 and held 1 825 243 shares directly and 4 000 indirectly at 31 March 2017. All the aforementioned held shares are beneficially held with the exception of the 4 000 indirectly held by J Booysen and no other director holds shares in the company or any of its subsidiaries. There has been no other change to directors' direct or indirect shareholdings between the balance sheet date and the date of these annual financial statements

<sup>(2)</sup> Treasury shares

	Number of shares
There are 91 808 300 treasury shares made up as follows:	
Treasury shares per above:	
– held by subsidiary companies	83 632 695
– held by the Gold Reef Share Scheme	408 615
Treasury shares allocated as part of the executive facility – refer note 36.1 to the consolidated financial statements	7 766 990
	91 808 300

# Remuneration report

## Remuneration

### Remuneration philosophy

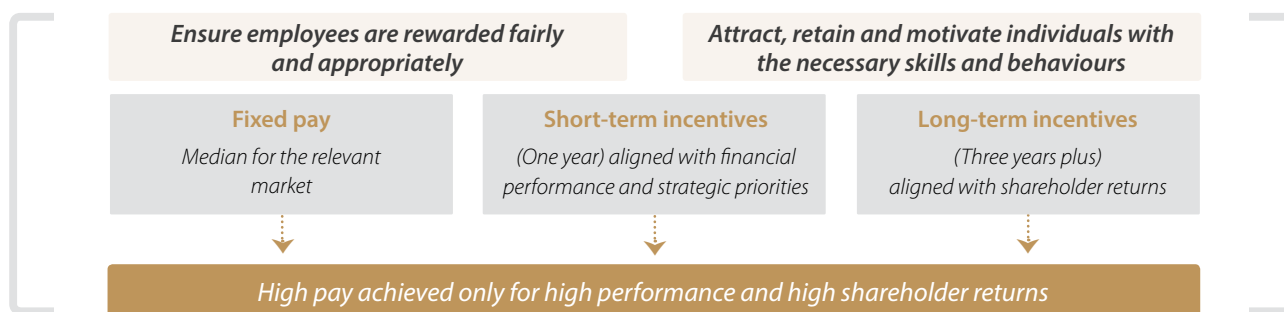
Key tenets of our remuneration philosophy are that we act fairly and responsibly in our approach to employee remuneration and benefits at all times, ensuring our actions are sustainable, that they underscore our objective of being an employer of choice, and are aligned with the strategic and operational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

The objective of the group's remuneration policy is to ensure that we attract and retain employees of the right calibre and skills and motivate them to achieve exceptional performance aligned with our strategic priorities. We aim to reward employees fairly and equitably through both financial rewards and non-financial benefits such as performance recognition, development and career opportunities. We believe our employees and their representative trade unions, where relevant, value the consistency and predictability of how the terms and conditions of employment are determined, both in times of economic growth and in difficult economic conditions.

### Remuneration policy

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

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



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 22 and 23.

Short-term incentives reflect a balance between annual financial performance and other specific strategic priorities over which the participant has influence in order to ensure that achievement of short-term financial performance is not at the expense of future opportunities. Performance is measured at Ebitda and adjusted earnings against budget to ensure that both trading and profit post the financing cost of capital allocation decisions are considered. Between 15% and 40% of the potential award is based on the achievement of non-financial strategic priorities dependent on the employee grade. Where relevant and if the information is publicly available, an additional 25% of the potential award is linked to the relative performance of a business unit against a regional or national market set.

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.

There were no significant changes in the remuneration policy during the year. For the 2018 financial year divisional short-term incentive targets were set and measurement will be against Ebitdar rather than Ebitda due to the transfer of the majority of the hotel properties to HPF.

The results of the non-binding advisory endorsement of the company's remuneration policy at the annual general meeting on 19 October 2016 was 85.4% in favour of the policy. 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 annual general meeting of the company, the group will engage with dissenting shareholders within 30 days of the annual general meeting.



# Remuneration report continued

KEY ELEMENTS OF REMUNERATION	Fixed pay			
	Base salaries	Non-executive directors' fees	Retirement benefits	Other benefits
<b>Purpose and link to strategy</b>	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
<b>Application dependent on employee type and level</b>	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
<b>Operation and performance measures</b>	<p><b>Base salaries</b></p> <p>Base salaries are subject to annual review. Tsogo Sun's policy is to be competitive at the median level with reference to market practice in companies comparable in terms of size, market sector, business complexity and international scope. However, base salaries of individuals and incumbents in key roles are aligned with the upper quartile level of the market. Group performance, individual performance and changes in responsibilities are also taken into consideration when determining increases to base salaries</p>	<p><b>Non-executive directors' fees</b></p> <p>The fees for the non-executive directors have been recommended by the remuneration committee to the board for its approval, taking into account fees payable to non-executive directors of comparable companies and the importance attached to the attraction and retention of high-calibre individuals as non-executive directors. Levels of fees are also set by reference to the responsibilities assumed by the non-executive directors in chairing the board and in chairing or participating in its committees and are approved by special resolution of the shareholders</p>	<p><b>Retirement fund membership</b></p> <p>Retirement funding for management, who are remunerated on a total package basis, is non-contributory and is included in their total cost of employment. For staff, retirement funding consists of employer and employee contributions dependent on fund membership. The group offers a pension fund (Tsogo Sun Group Pension Fund) and two provident funds (Alexander Forbes Retirement Fund (Provident Section) and Gold Reef Resorts Provident Fund). Other approved funds include union-negotiated funds and funds to which members have historically belonged</p>	<p><b>Healthcare</b></p> <p>The majority of employees with medical cover belong to the Tsogo Sun Group Medical Scheme, a restricted membership scheme administered by Discovery Health. The scheme offers hospital, chronic illness and day-to-day cover for 4 957 principal members (10 839 beneficiaries)</p> <p><b>Risk and insured benefits</b></p> <p>Arising through membership of the group's pension and provident funds, competitive death, disability and funeral benefits are made available to employees</p> <p><b>Long-service awards</b></p> <p>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</p>

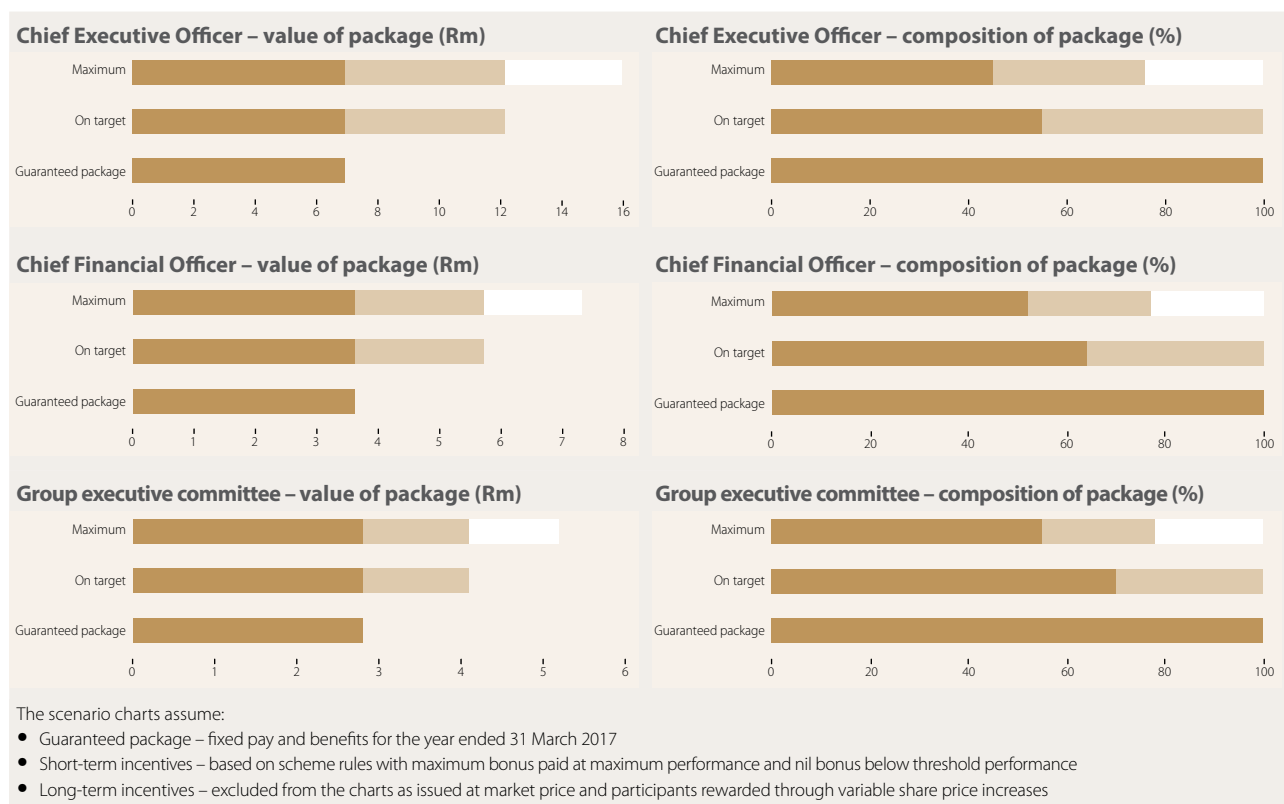
	Short-term incentives	Long-term incentives											
	Annual bonus plan	Executive facility and share appreciation plan											
	Rewards the achievement of annual financial performance balanced with other specific strategic priorities and ensures that above-market pay cannot be achieved unless challenging 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 (252 participants)										
	<p><b>Annual cash incentive</b> Potential bonus earnings are reviewed periodically by the remuneration committee with minimum and maximum bonus percentages of total package set for each broadband level for the achievement of 'threshold', 'on-target' and 'stretch target' performance. Financial 'threshold' target is set at 90% of target with a payout of 0%, 'stretch target' is set at 115% of target with a payout of 100%, with interpolation between the points. Targets are based on the annual budget approved by the board.</p> <p>Bonus awards are based on individual ratings achieved against the targets set for financial performance, relative growth against the market, where relevant, and personal performance against non-financial strategic priorities. The remuneration committee approves the scheme's targets and hurdles annually</p>	<p><b>Executive facility</b> A R200 million facility was made available in 2014 to senior executives for the sole purpose of acquiring shares in the company at R25.75 per share. The shares were acquired on 12 August 2014</p> <p>The board determined the allocation of the facility as follows:</p> <table border="0"> <tr> <td>MN von Aulock</td> <td>R86 million</td> </tr> <tr> <td>J Booysen</td> <td>R47 million</td> </tr> <tr> <td>RB Huddy</td> <td>R27 million</td> </tr> <tr> <td>FV Dlamini</td> <td>R20 million</td> </tr> <tr> <td>GD Tyrrell</td> <td>R20 million</td> </tr> </table> <p>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. It has been agreed with MN von Aulock that his shares be disposed of in an orderly manner and the loan repaid by December 2017</p> <p>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</p>	MN von Aulock	R86 million	J Booysen	R47 million	RB Huddy	R27 million	FV Dlamini	R20 million	GD Tyrrell	R20 million	<p><b>Share appreciation plan</b> 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</p> <p>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.</p> <p>Vesting and encashments during the 2017 financial year resulted in a charge of R63 million, as many appreciation units were encashed at higher share prices during the year, with a R1 change in the Tsogo Sun share price impacting the charge by R23 million</p>
MN von Aulock	R86 million												
J Booysen	R47 million												
RB Huddy	R27 million												
FV Dlamini	R20 million												
GD Tyrrell	R20 million												

# Remuneration report continued

## Remuneration implementation report

### 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 2017 for the executive directors and the group executive committee (excluding the executive directors) showing potential total remuneration of maximum, on target and minimum performance levels.



### Long-term incentive liability – cash-settled

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

Grant date	Appreciation units granted and still outstanding		Strike price R	Appreciation units vested and still outstanding		Expiry date	Liability <sup>(1)</sup>	Liability
	2017	2016		2017	2016		2017 Rm	2016 Rm
1 April 2011	–	2 838 644	15.06	–	2 838 644	31 March 2017	–	50
1 April 2012	2 198 145	5 445 352	17.66	2 198 145	5 445 352	31 March 2018	32	77
1 April 2013	5 533 403	7 324 946	24.56	5 533 403	7 324 946	31 March 2019	39	49
1 April 2014	7 814 913	8 203 713	25.72	7 814 913	–	31 March 2020	40	26
1 April 2015	6 650 450	7 112 025	26.54	–	–	31 March 2021	15	7
1 April 2016	8 643 804	–	22.82	–	–	31 March 2022	18	–
Other	647 403	2 313 767	–	277 759	–	–	4	25
Liability at 31 March							148	234
Gold Reef Share Appreciation Bonus Plan							–	3
<b>Total long-term incentive liabilities as at 31 March</b>							<b>148</b>	<b>237</b>
Share price utilised to value the liability at 31 March							<b>28.00</b>	28.60

<sup>(1)</sup> Executive directors and senior executives have R38 million in vested and unvested appreciation units at 31 March 2017

### Short-term incentive

The following table reflects the achievement against the short-term incentive targets for the executive directors and the group executive committee (excluding executive directors).

	Financial and related performance %	Non-financial strategic priorities %	Total 2017 achievement <sup>(1)</sup> %
Executive directors	24	87	35
Group executive committee	26	83	37

	Financial and related performance %	Non-financial strategic priorities %	Total 2016 achievement <sup>(2)</sup> %
Executive directors	51	83	56
Group executive committee	48	80	56

<sup>(1)</sup> To be paid during the 2018 financial year

<sup>(2)</sup> Paid during the 2017 financial year. Refer to page 26

### Non-executive directors

Non-executive directors receive fees for services on board and board committees. Non-executive directors do not receive short-term incentives and do not participate in any long-term incentive scheme. Increases are presented to the shareholders at the company's annual general meeting and reflect the market dynamics and the increasingly heavy demands being made on the individuals. Proposed non-executive directors' fees, for shareholder approval, appear in the table below:

	Actual 2016/2017 R'000	Proposed 2017/2018 R'000
Chairman of the board	965	1 028
Lead independent non-executive director and member of all board committees	570	607
Chairman of the audit and risk and social and ethics committees	570	607
Chairman of the remuneration committee	426	454
Non-executive director and member of a board committee	351	374
Non-executive director	277	295

### Director and senior management remuneration

#### Non-executive directors' fees

	2017 Directors' fees R'000	2016 Directors' fees R'000
Fees and services		
Paid by subsidiaries		
JA Copelyn	920	868
BA Mabuza	390	315
MSI Gani <sup>(1)</sup>	276	–
MJA Golding	264	310
VE Mphande	264	249
RG Tomlinson <sup>(2)</sup>	401	501
JG Ngcobo	335	315
Y Shaik	407	381
	<b>3 257</b>	2 939

<sup>(1)</sup> Appointed 11 August 2016

<sup>(2)</sup> Resigned 11 August 2016

# Remuneration report continued

## Director and senior management remuneration continued

### Executive directors' remuneration for the year ended 31 March

	Basic remuneration R'000	Benefits R'000	Short-term incentives <sup>(1)</sup> R'000	Long-term incentives <sup>(4)</sup> R'000	2017 Total R'000
Paid by subsidiaries					
MN von Aulock <sup>(3)</sup>	6 476	572	5 237	13 175	25 460
RB Huddy	3 213	500	2 277	8 202	14 192
	<b>9 689</b>	<b>1 072</b>	<b>7 514</b>	<b>21 377</b>	<b>39 652</b>

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

<sup>(1)</sup> Short-term incentives paid relate to the achievement against target for 2016. Refer to detail on page 25

<sup>(2)</sup> Short-term incentives paid relate to the achievement against target for 2015

<sup>(3)</sup> Resigned 1 June 2017

<sup>(4)</sup> The executive directors have R9 million in vested appreciation units at 31 March 2017. The appreciation units were allocated prior to 12 August 2014

### Other key management and prescribed officers

	Basic remuneration R'000	Benefits R'000	Short-term incentives <sup>(1)</sup> R'000	Long-term incentives <sup>(4)</sup> R'000	2017 Total R'000
Paid by subsidiaries					
J Booysen <sup>(3)</sup>	3 849	711	2 509	15 479	22 548
RF Weilers	3 986	–	2 041	823	6 850
	<b>7 835</b>	<b>711</b>	<b>4 550</b>	<b>16 302</b>	<b>29 398</b>

	Basic remuneration R'000	Benefits R'000	Short-term incentives <sup>(2)</sup> R'000	Long-term incentives R'000	2016 Total R'000
Paid by subsidiaries					
J Booysen	3 342	951	1 013	1 166	6 472
RF Weilers	3 720	–	718	5 150	9 588
	7 062	951	1 731	6 316	16 060

<sup>(1)</sup> Short-term incentives paid relate to the achievement against target for 2016. Refer to detail on page 25. Included in group executive committee

<sup>(2)</sup> Short-term incentives paid relate to the achievement against target for 2015

<sup>(3)</sup> Appointed Chief Executive Officer 1 June 2017

<sup>(4)</sup> The key management and prescribed officers have R6 million in vested and unvested appreciation units at 31 March 2017. The appreciation units for J Booysen were allocated prior to 12 August 2014

# Notice of annual general meeting

## **TSOGO SUN HOLDINGS LIMITED**

(Incorporated in the Republic of South Africa)

Registration number: 1989/002108/06

Share code: TSH

ISIN: ZAE000156238

(‘the company’)

Notice is hereby given to the shareholders of the company that the annual general meeting of the company (‘annual general meeting’) will be held at the company’s head office, main boardroom, Ground Floor, Palazzo Towers East, Montecasino Boulevard, Fourways, 2055, South Africa on Thursday, 19 October 2017 at 13:00, for the purpose of considering the following business to be transacted and, if deemed fit, passing with or without amendment, the ordinary and special resolutions and the non-binding advisory endorsements set out hereunder, and considering any other matters raised by shareholders, at the annual general meeting:

### **1 Receipt and adoption of annual financial statements and reports**

#### **Ordinary resolution 1**

“Resolved as an ordinary resolution to receive and adopt the annual financial statements of the group for the financial year ended 31 March 2017 tabled at the meeting at which this resolution was proposed, together with the reports of the directors, the audit and risk committee and the independent auditors contained therein, and further to receive the report back of the audit and risk committee, the social and ethics committee and the remuneration committee which are set out on pages 18 and 19 of the notice convening the annual general meeting at which this resolution was proposed.”

### **2 Reappointment of auditors**

#### **Ordinary resolution 2**

“Resolved as an ordinary resolution that upon the recommendation of the audit and risk committee, PricewaterhouseCoopers Inc. be and are hereby reappointed as independent auditors of the company until the conclusion of the next annual general meeting of the company.”

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

It is noted that Mr MN von Aulock, who served as a director and the Chief Executive Officer of the company since 24 February 2011, resigned as a director of the company with effect from 1 June 2017.

It is noted further that the board of directors of the company appointed Mr J Booysen as a director of the company with effect from 1 June 2017 to fill the vacancy arising from the resignation of Mr MN von Aulock, and as the Chief Executive Officer of the company with effect from 1 July 2017.

Summarised curricula vitae in respect of Mr J Booysen and of each of the directors who retire at the annual general meeting and who are standing for re-election, are set out on pages 16 and 17 of this notice of annual general meeting (‘this notice’).

#### **3.1 Ordinary resolution 3.1**

“Resolved as an ordinary resolution that Mr J Booysen (who was appointed by the board of directors of the company to serve as a director of the company with effect from 1 June 2017 and as Chief Executive Officer of the company with effect from 1 July 2017 to fill the vacancy arising following the resignation of Mr MN von Aulock), who is eligible and available for election as a director of the company, be and is hereby elected as a director of the company.”

#### **3.2 Ordinary resolution 3.2**

“Resolved as an ordinary resolution that Mr MA Golding (who has served on the board of directors of the company as a non-executive director since 24 February 2011 and who retires by rotation in terms of the company’s memorandum of incorporation), who is eligible and available for re-election as a director of the company, be and is hereby re-elected as a director of the company.”

#### **3.3 Ordinary resolution 3.3**

“Resolved as an ordinary resolution that Mr VE Mphande (who has served on the board of directors of the company as a non-executive director since 24 February 2011 and who retires by rotation in terms of the company’s memorandum of incorporation), who is eligible and available for re-election as a director of the company, be and is hereby re-elected as a director of the company.”

# Notice of annual general meeting continued

## **3.4 Ordinary resolution 3.4**

"Resolved as an ordinary resolution that Mr JG Ngcobo (who has served on the board of directors of the company as an independent non-executive director since 24 February 2011 and who retires by rotation in terms of the company's memorandum of incorporation), who is eligible and available for re-election as a director of the company, be and is hereby re-elected as a director of the company."

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

### **4.1 Ordinary resolution 4.1**

"Resolved as an ordinary resolution that Mr MSI Gani be and is hereby re-elected as a member of the company's audit and risk committee in terms of section 94(2) of the Companies Act, No 71 of 2008, as amended, until the conclusion of the next annual general meeting of the company."

### **4.2 Ordinary resolution 4.2**

"Resolved as an ordinary resolution that Ms BA Mabuza be and is hereby re-elected as a member of the company's audit and risk committee in terms of section 94(2) of the Companies Act, No 71 of 2008, as amended, until the conclusion of the next annual general meeting of the company."

### **4.3 Ordinary resolution 4.3**

"Resolved as an ordinary resolution that subject to the passing of ordinary resolution 3.4, Mr JG Ngcobo be and is hereby re-elected as a member of the company's audit and risk committee in terms of section 94(2) of the Companies Act, No 71 of 2008, as amended, until the conclusion of the next annual general meeting of the company."

Summarised curricula vitae in respect of each director standing for re-election to the audit and risk committee are set out on page 17 of this notice.

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

The company's remuneration policy is set out on pages 21 to 23 of this notice and will be submitted for endorsement by a non-binding advisory vote at the annual general meeting, thus providing shareholders with an opportunity to express their views on the company's remuneration policy. In the event that this non-binding advisory endorsement approving the company's remuneration policy is voted against by shareholders exercising 25% or more of the voting rights exercised, the company undertakes to engage with its shareholders.

### **Advisory endorsement 1**

"Resolved on a non-binding advisory basis, to endorse the company's remuneration policy (excluding the remuneration of the non-executive directors for their services as directors and/or as members of the board sub-committees) set out on pages 21 to 23 of the notice convening the annual general meeting at which this non-binding advisory endorsement was proposed."

## **6 Non-binding advisory endorsement approving the company's remuneration implementation report**

The company's remuneration implementation report is set out on pages 24 to 26 of this notice and will be submitted for endorsement by a non-binding advisory vote at the annual general meeting, thus providing shareholders with an opportunity to express their views on the company's remuneration implementation report. In the event that this non-binding advisory endorsement approving the company's remuneration implementation report is voted against by shareholders exercising 25% or more of the voting rights exercised, the company undertakes to engage with its shareholders.

### **Advisory endorsement 2**

"Resolved on a non-binding advisory basis, to endorse the company's remuneration implementation report set out on pages 24 to 26 of the notice convening the annual general meeting at which this non-binding advisory endorsement was proposed."

## **7 Non-executive directors' fees**

### **Special resolution 1**

"Resolved as a special resolution that the proposed fees payable to the non-executive directors of the company for their services as directors of the company and/or as members of the board sub-committees, as reflected in the remuneration implementation report on page 25 of the notice convening the annual general meeting at which this special resolution was proposed, be and are hereby approved for the period from 19 October 2017 until the conclusion of the next annual general meeting of the company."



The reason for special resolution 1 is that in terms of sections 66(8) and (9) of the Companies Act, No 71 of 2008, as amended ('Companies Act'), remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the shareholders within the previous two years and if not prohibited in terms of a company's memorandum of incorporation. The fees proposed to be paid to the non-executive directors of the company for their services as directors of the company and/or as members of the board sub-committees have been set as such to ensure that the remuneration of the non-executive directors remains competitive in order to enable the company to attract and retain persons of the calibre required to make meaningful contributions to the company.

The effect of special resolution 1, if passed and becoming effective, is that the non-executive directors of the company will be entitled to receive the proposed fees reflected in the remuneration implementation report on page 25 of this notice, for the period from 19 October 2017 until the conclusion of the next annual general meeting of the company.

## **8 General authority to repurchase shares**

### **Special resolution 2**

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

- this general authority to repurchase ordinary shares issued by the company shall be valid until the company's next annual general meeting, or 15 months from the date of the passing of this special resolution, whichever period is the shorter;
- any such acquisition of ordinary shares shall only be made in compliance with the provisions of section 48 read with section 46 of the Companies Act, No 71 of 2008, as amended ('Companies Act');
- any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);
- authorisation to effect repurchases is given by the company's memorandum of incorporation;
- acquisitions under this general authority to repurchase ordinary shares may not, in aggregate in any one financial year, exceed 10% of the company's issued ordinary share capital as at the date of the passing of this special resolution;
- no acquisitions under this general authority to repurchase ordinary shares may be made at a price which is more than 10% above the weighted average of the market price of the ordinary shares of the company for the 5 business days immediately preceding the date of such acquisition. The JSE should be consulted for a ruling if the company's ordinary shares have not traded in such five business day period;
- the company may only appoint one agent at any point in time to effect any repurchase(s) on the company's behalf;
- this authority includes an authority for shares to be repurchased, through the JSE's order book from a director or prescribed officer of the company or a person related to a director or prescribed officer, as contemplated in section 48(8)(a) of the Companies Act;
- the company and/or its subsidiaries may not repurchase ordinary shares during a prohibited period as defined by the Listings Requirements of the JSE unless they have in place a repurchase programme where the dates and quantities of ordinary shares to be traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing prior to the commencement of the prohibited period. The company must instruct an independent third party, which makes its investment decisions in relation to the company's securities independently of, and uninfluenced by the company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;
- the board of directors of the company authorises such transaction by passing a resolution authorising the repurchase, confirming that the company and its subsidiaries have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the company and its subsidiaries; and
- the pre-approval by the JSE of any derivative transaction that may or will result in the repurchase of shares in terms of this general authority is obtained."

The reason for and effect of special resolution 2, if passed and becoming effective, is to grant the company and its subsidiaries a general authority in terms of the Listings Requirements of the JSE for the company and/or a subsidiary of the company, to acquire ordinary shares in the company which are in issue from time to time.

# Notice of annual general meeting continued

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

Having considered the impact of an acquisition by the company and/or any of its subsidiaries of the maximum repurchase permissible under this general authority, the directors of the company are satisfied that:

- the company shall meet a solvency and liquidity test as contemplated in the Companies Act ('solvency and liquidity test');
- the company and the group will be able to pay its debts for a period of 12 months after the date of this notice;
- the assets of the company and the group will be in excess of the liabilities of the company and the group for a period of 12 months after the date of this notice. For this purpose, the assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual group financial statements;
- the share capital and reserves of the company and the group will be adequate for the ordinary course of business purposes for a period of 12 months after the date of this notice; and
- the working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of this notice.

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

Should the company or any subsidiary cumulatively acquire 3% of the initial number of ordinary shares in issue in terms of this general authority and for each 3% in aggregate of the initial number of ordinary shares acquired thereafter in terms of this general authority, the company will make an announcement to such effect in terms of the Listings Requirements of the JSE.

## **Disclosures**

The Listings Requirements of the JSE require the following disclosures be made as set out below:

### **Major shareholders**

Details of the major shareholders holding 1% or more are set out on page 20 of this notice.

### **Share capital of the company**

#### *Authorised*

1 200 000 000 ordinary shares having a par value of 2 cents per share  
20 000 000 preference shares of no par value

#### *Issued*

1 049 181 389 ordinary shares having a par value of 2 cents per share

### **Directors' responsibility statement**

The directors of the company, whose names appear on page 16 and 17 of this notice:

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

### **Material changes**

As at Friday, 15 September 2017, being the last practicable date before the finalisation of this notice, there have been no material changes in the financial or trading position of the company and its subsidiaries that have occurred between 31 March 2017 and 15 September 2017 other than the facts and developments reported on in the integrated annual report of the company for the financial year ended 31 March 2017.

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

### Special resolution 3

“Resolved as a special resolution that, to the extent required by section 45 of the Companies Act, No 71 of 2008, as amended (‘Companies Act’), the board of directors of the company may, during the period of two years commencing on the date of the adoption of this special resolution 3, and subject to compliance with the requirements of the Companies Act, the company’s memorandum of incorporation and the Listings Requirements of the JSE, each as presently constituted, and as amended from time to time, authorise the company to provide direct or indirect financial assistance, whether by way of loan, guarantee, the provision of security or otherwise, to:

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

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

The reason for special resolution 3, if passed and becoming effective, is that as part of the normal conduct of the business of the group, the company provides financial assistance to its subsidiaries and other related and interrelated companies and entities (as contemplated in the Companies Act), including the provision of guarantees, the sub-ordination of loans and the provision of other forms of security to third parties which provide funding to the group. In order to ensure, *inter alia*, that the group’s present and future subsidiaries and other related and interrelated companies and entities have access to financing and/or financial backing from the group and are able to appropriately structure the financing of the group’s corporate and working capital requirements, it is necessary that the company obtains the approval of shareholders in terms of special resolution 3.

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

The effect of special resolution 3, if passed and becoming effective, is to grant the directors the continued authority to authorise the provision of financial assistance by the company to any of its present or future subsidiaries and/or any other company or corporation that is or becomes a related or interrelated company or corporation of the company or to any member of its present or future subsidiaries and/or any other company or corporation that is or becomes a related or interrelated company or corporation of the company for the ensuing two years, subject to the requirements of the Companies Act, the company’s memorandum of incorporation and the Listings Requirements of the JSE.

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

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

### Special resolution 4

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

- the issue by the company of shares or securities convertible into shares, or the grant by the company of options for the allotment or subscription of shares or other securities of the company or the grant of any other rights exercisable for securities of the company in accordance with the provisions of any share-based incentive scheme established by the company; and/or
- the provision by the company of direct or indirect financial assistance (whether by way of loan, guarantee, the provision of security or otherwise) in connection with the subscription of any option or any securities issued or to be issued by the company or by a related or interrelated company or for the purchase of any securities of the company or of a related or interrelated company, at any time and from time to time during the period of two years commencing on the date of the adoption of this special resolution 4, in accordance with the provisions of any share-based incentive scheme established by the company (including the Gold Reef Share Scheme) or to a director, future director, prescribed officer or future prescribed officer of the company or to a person related or interrelated to the company or to their respective nominees, in accordance with the provisions of any share-based incentive scheme established by the company, be and are hereby approved."

The reason for and effect of special resolution 4, if passed and becoming effective, is (i) to authorise the issue of shares or options and the provision of financial assistance, to the extent necessary, for the purposes of complying with the company's obligations under any share-based incentive scheme established by the company; and (ii) although section 44 of the Companies Act contains an exemption in respect of employee share schemes that satisfy the requirements of section 97 of the Companies Act to the extent that any of the company's share or other employee incentive schemes do not satisfy such requirements, financial assistance (as contemplated in section 44) to be provided under such schemes will, *inter alia*, also require approval by special resolution of the shareholders.

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

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

### Record dates

The directors of the company have determined that the date on which a shareholder must be recorded as a shareholder in the company's register of shareholders in order to:

- receive notice of the annual general meeting is Friday, 15 September 2017; and
- participate in and vote at the annual general meeting is Friday, 13 October 2017.

The last day to trade in order to be registered in the company's register of shareholders to be able to participate in and vote at the annual general meeting will therefore be Tuesday, 10 October 2017.

### Voting

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

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

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

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

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

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

### **Proxies**

Shareholders holding certificated shares and shareholders holding dematerialised shares registered in such shareholders' own name and who are registered as such on Friday, 13 October 2017 are entitled to attend, participate in and vote at the annual general meeting and, if unable to do so in person, may appoint a proxy or proxies (acting in the alternative) to attend, participate in, speak and vote at the annual general meeting in such shareholders' stead. A proxy need not be a shareholder of the company. The completion and lodging of a form of proxy will not preclude a shareholder from attending, participating in, speaking and voting at the annual general meeting to the exclusion of the proxy/ies so appointed.

It is recommended that the attached form of proxy, duly completed, should be returned to the transfer secretaries of the company, Link Market Services South Africa Proprietary Limited, at their address on page 34, in accordance with the instructions contained therein so as to be received by the transfer secretaries (for administrative purposes only) by 13:00 on Wednesday, 18 October 2017, but in any event, prior to the proxy exercising such shareholder's rights as a shareholder at the annual general meeting or at any adjourned or postponed annual general meeting which date, if necessary, will be notified on the Stock Exchange News Service of the JSE and in the press.

### **Identification**

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

### **Availability of documents**

Copies of the financial statements and the integrated annual report of the company for the year ended 31 March 2017, containing the report of the directors, the independent auditors, the audit and risk committee, the social and ethics committee and the remuneration committee, may be obtained from the registered office of the company, Palazzo Towers East, Montecasino Boulevard, Fourways, 2055, South Africa, during normal business hours from Thursday, 28 September 2017 up to and including Thursday, 19 October 2017, or from the company's website, [tsogosun.com](http://tsogosun.com) from Thursday, 21 September 2017.

# Notice of annual general meeting continued

## Electronic communication

Should any shareholder (or a representative or proxy for a shareholder) wish to participate in the annual general meeting by way of electronic participation, that shareholder should make an application in writing (including details as to how the shareholder or its representative (including its proxy) can be contacted) to so participate, to the transfer secretaries, at their address below, to be received by the transfer secretaries at least seven business days prior to the annual general meeting (i.e. by Tuesday, 10 October 2017) in order for the transfer secretaries to arrange for the shareholder (or its representative or proxy) to provide satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act and for the transfer secretaries to provide the shareholder (or its representative or proxy) with details as to how to access the annual general meeting by means of electronic participation. Shareholders participating electronically will not be able to vote electronically and must follow the standard voting arrangements indicated above. The company reserves the right not to provide for electronic participation at the annual general meeting in the event that it determines that it is not practical to do so, or an insufficient number of shareholders (or their representatives or proxies) request to so participate.

## Enquiries

Any shareholder having difficulties or queries in regard to the annual general meeting is invited to contact the Company Secretary, GD Tyrrell, on +27 11 510 7840 or at [companysecretary@tsogosun.com](mailto:companysecretary@tsogosun.com).

## Results of the annual general meeting

The results of the annual general meeting will be issued on the Stock Exchange News Service of the JSE as soon as practically possible after the annual general meeting.

By order of the board



**Graham David Tyrrell**  
*Company Secretary*

20 September 2017

### Registered office

Palazzo Towers East  
Montecasino Boulevard  
Fourways, 2055  
Private Bag X200  
Bryanston, 2021

### Transfer secretaries

Link Market Services South Africa Proprietary Limited  
13th Floor, Rennie House, 19 Ameshoff Street  
Braamfontein, 2001  
PO Box 4844, Johannesburg, 2000  
[meetfax@linkmarketservices.co.za](mailto:meetfax@linkmarketservices.co.za)

## Tsogo Sun Holdings Limited

(Incorporated in the Republic of South Africa)

Registration number: 1989/002108/06

Share code: TSH

ISIN: ZAE000156238

('the company')

This form of proxy is for use by shareholders registered as such who hold certificated shares in the company and shareholders who hold 'own-name' dematerialised shares in the company, to appoint a proxy or proxies for the annual general meeting of the company to be held at 13:00 on Thursday, 19 October 2017 at the company's head office, main boardroom, Ground Floor, Palazzo Towers East, Montecasino Boulevard, Fourways, South Africa, or any adjournment or postponement thereof.

Shareholders who have dematerialised their shares in the company and do not have 'own-name' registration, must inform their Central Securities Depository Participant ('CSDP') or broker if they wish to attend the annual general meeting in person and must request their CSDP or broker to issue them with the necessary letters of representation authorising them to attend in person, alternatively, they must provide their CSDP or broker with their voting instructions should they not wish to attend the annual general meeting in person. Such dematerialised shareholders must not return this form of proxy to the transfer secretaries.

It is recommended that forms of proxy should be completed and delivered to the transfer secretaries, Link Market Services South Africa Proprietary Limited (for administrative purposes only) by no later than 13:00 (South African time) on Wednesday, 18 October 2017, but in any event, prior to the proxy exercising such shareholder's rights as a shareholder at the annual general meeting or at any adjourned or postponed annual general meeting which date, if necessary, will be notified on the Stock Exchange News Service of the JSE Limited and in the press.

I/We (full names in BLOCK LETTERS please)

of (insert address)

Email address

Telephone number

Mobile number

being the holder(s) of  (insert number) ordinary shares in the company, hereby appoint:

1. \_\_\_\_\_ or failing him/her,

2. \_\_\_\_\_ or failing him/her,

3. the Chairperson of the annual general meeting,

as my/our proxy to attend, speak at and participate in the annual general meeting or at any adjournment or postponement thereof, on my/our behalf, and to vote for and/or against the ordinary and special resolutions to be proposed at such annual general meeting, or any postponement or adjournment thereof, and/or to abstain from voting thereon, in respect of the ordinary shares in the company registered in my/our name/s.

I/we wish to vote as follows:

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

	Insert number of votes or an 'X' in the relevant column (see notes 2 and 3 overleaf)		
	For	Against	Abstain
<b>Ordinary resolution 1</b> – Receipt and adoption of annual financial statements and reports			
<b>Ordinary resolution 2</b> – Reappointment of auditors			
<b>Ordinary resolution 3.1</b> – Election of Mr J Booysen as a director			
<b>Ordinary resolution 3.2</b> – Re-election of Mr MA Golding as a director			
<b>Ordinary resolution 3.3</b> – Re-election of Mr VE Mphande as a director			
<b>Ordinary resolution 3.4</b> – Re-election of Mr JG Ngcobo as a director			
<b>Ordinary resolution 4.1</b> – Re-election of Mr MSI Gani to the audit and risk committee			
<b>Ordinary resolution 4.2</b> – Re-election of Ms BA Mabuza to the audit and risk committee			
<b>Ordinary resolution 4.3</b> – Re-election of JG Ngcobo to the audit and risk committee			
<b>Advisory endorsement 1</b> – Non-binding advisory endorsement of the company's remuneration policy			
<b>Advisory endorsement 2</b> – Non-binding advisory endorsement of the company's remuneration implementation report			
<b>Special resolution 1</b> – Approval of the proposed fees for non-executive directors			
<b>Special resolution 2</b> – General authority to repurchase shares			
<b>Special resolution 3</b> – General approval of the provision of financial assistance in terms of section 45 of the Companies Act			
<b>Special resolution 4</b> – Approval of the issue of shares or options and the grant of financial assistance in terms of the company's share-based incentive schemes			

Any shareholder entitled to participate in, attend, speak and vote at the annual general meeting may appoint a proxy or proxies (acting in the alternative) to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the company. The completion and lodging of a form of proxy will not preclude a shareholder from attending the annual general meeting, participating therein and speaking and voting thereat to the exclusion of the proxy/ies so appointed.

Signed at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2017

Signature(s)

Assisted by (where applicable)

Please read the summary of the rights contained in section 58 of the Companies Act, No 71 of 2008, as amended ('Companies Act') and the notes overleaf.



## Summary of rights contained in section 58 of the Companies Act

For purposes of this summary, the term 'shareholder' shall have the meaning ascribed thereto in section 57(1) of the Companies Act.

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

## Notes to form of proxy

1. A registered shareholder may appoint and insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting 'the Chairperson of the annual general meeting'; but any such deletion must be initialled by the shareholder. Should this space be left blank, the proxy will be exercised by the Chairperson of the annual general meeting. The proxy or proxies need not be shareholders of the company. The person whose name stands first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of any proxy whose name follows.
2. A shareholder's voting instructions to the proxy must be indicated by the insertion of an 'X' or the relevant number of votes exercisable by that shareholder in the appropriate box(es) provided overleaf. Failure to do so will be deemed to authorise the proxy to vote or abstain from voting at the meeting as he/she thinks fit in respect of the shareholders exercisable votes, and if the proxy is the chairperson of the annual general meeting, he/she shall be entitled to vote in favour of the resolutions proposed at the annual general meeting in respect of all the shareholders' votes exercisable thereat. If an 'X' has been inserted in one of the blocks relating to a particular resolution, it will indicate the voting of all the shares held by the shareholder concerned in respect of such resolution.
3. A shareholder or his/her proxy is not obliged to cast all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
4. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries.
5. It is recommended that the completed forms of proxy should be lodged with the transfer secretaries, Link Market Services South Africa Proprietary Limited, PO Box 4844, Johannesburg, 2000 or 13th Floor, Rennie House, 19 Ameshoff Street Braamfontein, Johannesburg, 2001 (for administrative purposes only by no later than 13:00 on Wednesday, 18 October 2017), but in any event, prior to the proxy exercising such shareholder's rights as a shareholder at the annual general meeting or at any adjourned or postponed annual general meeting which date, if necessary, will be notified on the Stock Exchange News Service of the JSE Limited and in the press.
6. The form of proxy must be dated and signed. The completion of any blank spaces overleaf need not be initialled, but any alterations or corrections to the form of proxy must be initialled by the signatory/ies.
7. Where there are joint holders of ordinary shares in the company:
  - 7.1 any one holder may sign this form of proxy; and
  - 7.2 the vote(s) of the senior shareholder (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's securities register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company or unless this requirement is waived by the Chairperson of the annual general meeting.
9. The Chairperson of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
10. The appointment by a shareholder of a proxy or proxies:
  - 10.1 is suspended at any time and to the extent that such shareholder chooses to act directly and in person in the exercise of any rights as a shareholder; and
  - 10.2 is revocable in which case a shareholder may revoke the proxy appointment by:
    - 10.2.1 cancelling it in writing or making a later inconsistent appointment of a proxy; and
    - 10.2.2 delivering a copy of the revocation instrument to the proxy and to the company.
11. The appointment of a proxy or proxies remains valid only until the end of the annual general meeting subject to any revocation thereof.

# Corporate information

## Company Secretary and registered office

### GD Tyrrell

(Registration number: 1989/002108/06)  
Palazzo Towers East  
Montecasino Boulevard  
Fourways, 2055  
(Private Bag X200, Bryanston, 2021)

## Sponsor

### Deutsche Securities (SA) Proprietary Limited

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

## Attorneys

### Tabacks Attorneys

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

### Nortons Inc.

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

## Auditors

### PricewaterhouseCoopers Inc.

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

## Investor relations

### Brunswick South Africa Limited

(Registration number: 1995/011507/10)  
23 Fricker Road  
Illovo Boulevard  
Illovo, 2196

## Transfer secretaries

### Link Market Services South Africa Proprietary Limited

(Registration number: 2000/007239/07)  
13th Floor, Rennie House  
19 Ameshoff Street  
Braamfontein  
Johannesburg, 2001  
(PO Box 4844, Johannesburg, 2000)

## Commercial bankers

### Nedbank Limited

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

### Rand Merchant Bank

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

### Absa Group Limited

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

