SOUTHERN SUN LIMITED
FORMERLY TSOGO SUN HOTELS LIMITED
(REGISTRATION NUMBER 2002/006356/06)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

Corporate information and advisers

Country of incorporation and domicile	South Africa
Registered office and business address	4th Floor South Tower Nelson Mandela Square Corner 5th and Maude Streets Sandton 2196
Postal address	Private Bag X200 Bryanston 2021
Banker	Nedbank Limited 1st Floor, Corporate Park, Nedcor Sandton, 135 Rivonia Road, Sandown, 2196
Auditors	PricewaterhouseCoopers Inc. Registration number: 1998/012055/21 4 Lisbon Lane, Waterfall City, Jukskei View, Johannesburg, 2090 Private Bag X36 2157
Secretary	Southern Sun Secretarial Services Proprietary Limited and represented by Laurinda Rosalind van Onselen.
Sponsor and corporate advisor	Investec Bank Limited 100 Grayston Drive, Sandown, 2196
Transfer secretaries	JSE Investor Services Proprietary Limited (previously Link Market Services South Africa) Proprietary Limited 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001

Contents

The reports and statements set out below comprise the annual financial statements presented to the shareholders:

Statement of Responsibility and Approval by the Board of Directors

The company's directors are required by the Companies Act of South Africa, Act 71 of 2008 (Companies Act) to maintain adequate accounting records and to prepare financial statements for each financial year that fairly present the state of affairs of the company at the end of the financial year and of the results of operations and cash flows for the year. In preparing the accompanying annual financial statements, the Listings Requirements of the Johannesburg Stock Exchange Limited (JSE) together with International Financial Reporting Standards (IFRS) have been followed, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. The annual financial statements incorporate full and responsible disclosure. The directors accept responsibility for the preparation, integrity and fair presentation of the annual financial statements. The directors are responsible for the establishment and adequate functioning of a system of governance, risk management and internal controls in the company including controls over the security of the company website and electronic distribution of annual reports and other financial information. Consequently, the directors have implemented a broad range of processes and procedures designed to provide control by the directors over the company's operations. The directors have oversight of the information included in the integrated annual report and are responsible for both its accuracy and its consistency with the annual financial statements.

The directors have reviewed the company's budget and cash flow forecast for the year to 31 March 2024. On the basis of this review, and in light of the current financial position and existing borrowing facilities, the directors are satisfied that the company is a going concern and they have accordingly adopted the going-concern basis in preparing the annual financial statements. The company's independent auditors, PricewaterhouseCoopers Inc., have audited the annual financial statements and their unqualified report appears on pages 9 to 14. PricewaterhouseCoopers Inc. was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The board recognises and acknowledges its responsibility for the company's systems of internal financial control. The company adheres to a code of conduct, which covers ethical behaviour and compliance with legislation. The control systems include written accounting and control policies and procedures, clearly defined lines of accountability and delegation of authority, and comprehensive financial reporting and analysis against approved budgets. The responsibility for operating these systems is delegated by the directors who confirm that they have reviewed the effectiveness thereof. The directors consider that the systems are appropriately designed to provide reasonable, but not absolute, assurance that assets are safeguarded against material loss or unauthorised use and that transactions are properly authorised and recorded.

The effectiveness of the internal financial control systems is monitored through management reviews, comprehensive reviews and testing by internal auditors and the independent auditors' testing of appropriate aspects of the internal financial control systems during the course of their statutory examinations of the company and the underlying subsidiaries.

Competence of the company secretary
The board of directors has considered and satisfied itself of the appropriateness of the competence, qualifications and expertise of the Company Secretary, Southern Sun Secretarial Services Proprietary Limited (represented by Laurinda Rosalind van Onselen). The Company Secretary has direct access to the board. The board confirms that Laurinda Rosalind van Onselen is not a director of the company and provided the board with independent guidance and support. An arm's-length relationship exists between the Company Secretary and the board.

Directors' Approval of the Annual Financial Statements
for the year ended 31 March 2023

The preparation of the annual financial statements set out on pages 7 to 42 have been supervised by Laurelle McDonald (CA) SA. These annual financial statements were approved by the board of directors on 28 July 2023 and are signed on its behalf by:

MN von Aulock (CEO)	**L McDonald (CFO)**
Chief Executive Officer	**Chief Financial Officer**

Declaration by the Company Secretary

In terms of Section 88(2)(e) of the Companies Act of South Africa, ("the Act"), I, confirm that for the year ended 31 March 2023, Southern Sun Limited has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Act and that all such returns and notices are true, correct and up to date.

Laurinda Rosalind van Onselen

Company secretary

28 July 2023

Report of the Audit and Risk committee

Committee mandate and terms of reference

In terms of the Companies Act of South Africa, the audit and risk committee (the committee) reports that it has adopted formal terms of reference, and that it has discharged all of its responsibilities for the year in compliance with the terms of reference.

Statutory duties

The committee is satisfied that in respect of the financial year it has performed all the functions required by law to be performed by an audit and risk committee, including as set out in section 94 of the Companies Act of South Africa and in terms of the committee’s terms of reference and as set out in the corporate governance report. In this connection, and with specific regard to the preparation of the annual financial statements, the committee has:

- evaluated the independence and effectiveness of the existing external auditors, PricewaterhouseCoopers Inc., and is satisfied that the existing external auditors are independent of the company having given due consideration to the parameters enumerated under section 92 of the Companies Act of South Africa.
- the committee has nominated Deloitte & Touche for appointment as independent external auditors, for the financial year ending 31 March 2024, at the company's annual general meeting to be held on 20 September 2023. The committee has evaluated and is satisfied that both the audit firm and the individual auditor are suitable for appointment, as contemplated in terms of paragraph 22.15(h) of the Listings Requirements of the JSE. Mr D Steyn is the individual registered auditor and member of the foregoing firm who will undertake the audit for the financial year ending 31 March 2024;
- ensured and satisfied itself that the appointments of the external auditors, the designated auditor and IFRS adviser are in compliance with the Companies Act of South Africa, the Auditing Profession Act, 2005 and the Listings Requirements of the JSE;
- evaluated and is satisfied with the quality of the external audit and reports issued by the external auditors;
- in consultation with executive management, agreed to the engagement letter, terms, external audit plan and fees for the 2023 financial year;
- in accordance with the company’s non-audit services policy, considered and pre-approved all non-audit services provided by the external auditors, ensuring that the independence of the external auditors is not compromised;
- considered and pre-approved all material audit and non-audit services provided by the external auditors, ensuring that the independence of the external auditors is not compromised;
- reviewed and assessed the company’s risk identification, measurement and control systems and their implementation;
- reviewed and approved the company accounting policies (refer note 1 to the annual financial statements);
- considered all significant transactions and accounting matters that occurred during the year and evaluated whether the accounting treatment is appropriate in terms of IFRS;
- considered the impact of auditing, regulatory and accounting developments during the year, particularly the implications of new standards that became effective during the year;
- established appropriate financial reporting procedures for the company in accordance with paragraph 3.84g(ii) of the Listings Requirements of the JSE;
- considered the JSE’s most recent 2022 report and annexure 3 on proactive monitoring of financial statements, and where necessary those of previous periods, and taken appropriate action where necessary to respond to the findings as highlighted in the JSE report when preparing the annual financial statements for the year ended 31 March 2023;
- evaluated and is satisfied with the effectiveness of the Chief Audit Executive and the outsourced internal audit function;
- considered the outsourced internal audit service provider and is satisfied with their independence and ability to effectively complete the internal audit plan;
- reviewed the written assessment of internal audit on the design, implementation and effectiveness of the internal financial controls, in addition to the findings noted by the external auditors during the course of their annual audit in support of their annual audit opinion. Based on these results, the committee is of the opinion that the internal financial controls provide reasonable assurance that financial records may be relied upon for the preparation of reliable consolidated annual financial statements; and
- dealt with concerns or complaints relating to accounting practices and internal audit of the group, the content or auditing of the group’s consolidated annual financial statements, the internal financial controls of the group, or any other related matter.

Competence of the Chief Financial Officer

The committee has also considered and satisfied itself of the appropriateness of the expertise and experience of the Chief Financial Officer, Mrs L McDonald, and the finance function.

Report of the Audit and Risk committee

Recommendation of the annual financial statements

The committee has evaluated the annual financial statements of Southern Sun Limited for the year ended 31 March 2023 and based on the information provided to the committee, the committee recommends the adoption of the annual financial statements by the board.

MH Ahmed
Chairperson: Audit and risk committee

28 July 2023

Directors' Report

1. Nature of business

The company is a South African incorporated public company domiciled in the Republic of South Africa engaged principally in investment holding.

There have been no material changes to the nature of the company's business from the prior year.

2. Company results

The financial results of the company for the year are set out in the annual financial statements and accompanying notes thereto. No income was received in the year under review (2022: R Nil) and the profit after tax for the year under review amounted to R 634.4 million (2022: R 471.9 million).

3. Share capital

Southern Sun Limited has authorised share capital of 2 000 000 000 ordinary no par value shares and the issued share capital of the company including treasury shares is 1 477 905 694 (2022: 1 477 905 694) ordinary no par value shares (refer to note 14).

4. Dividends

The directors considered it prudent to retain cash resources in order to ensure that the company is able to meet its obligations until trading normalises. Accordingly, the directors have not declared a final cash dividend for the year ended 31 March 2023.

5. Directors

The directors in office at the date of this report are as follows:

Directors	Designation
JA Copelyn (Chairman)	Non-executive
JR Nicolella	Non-executive
MH Ahmed (Lead Independent)	Non-executive Independent
SC Gina	Non-executive Independent
ML Molefi	Non-executive Independent
JG Ngcobo	Non-executive Independent
CC September	Non-executive Independent
MN von Aulock (CEO)	Executive
L McDonald (CFO)	Executive

6. Directors' interests in contracts

No material contracts in which the directors have an interest were entered into during the year under review.

7. Majority shareholder

The company’s ultimate majority shareholder is Hosken Consolidated Investments Limited (HCI) (a company listed on the JSE) which, at the balance sheet date, directly and indirectly owned 40.6% (2022: 40.6%) of the company’s issued share capital (excluding treasury shares). HCI directly owns 9.1% (2022: 8.7%) and is the majority shareholder of TIHC Investments (RF) Proprietary Limited (TIHC) and TIHC directly owns 28.2% (2022: 28.2%) of Southern Sun. HCI also controls the HCI Foundation which directly owns 3.3% (2022:3.7%) of the company.

8. Events after the reporting period

Other than what is disclosed in note 26, the directors are not aware of any other matters or circumstances arising since the balance sheet date and the date of these annual financial statements, not otherwise dealt with within the financial statements, that would affect the operations or results of the company significantly.

Directors' Report

9. Going concern

The annual financial statements are prepared on the going-concern basis. Based on the cash flow forecasts and available cash resources, management believes that the company has sufficient resources to continue operations as a going concern in a responsible and sustainable manner. Refer to note 3 for further details. The board of directors of the company has assessed the cash flow forecasts and is of the view that the company has sufficient liquidity to meet its obligations over the next 12 months.

As at 31 March 2023, the company has net cash and cash equivalents of R1 million (2022: R1 million). This liquidity risk is mitigated by the company's access to sufficient internal funding and cash reserves of the subsidiaries to meet its obligations as they become due. The majority of the current liability balance is balances with subsidiaries, whom are unlikely to call on the loans within the next 12 months.

The current liabilities exceed the current assets by R545 million (2022: R507 million). Included in current liabilities of R571 million (2022: R581 million), are loans from subsidiary companies of R522 million (2022: R522 million), if required, the company is in a position to obtain support from the group to settle these liabilities.

10. Auditors

Southern Sun has applied the Independent Regulatory Board for Auditors’ rule on Mandatory Audit Firm Rotation, as required, for its financial year ending 31 March 2024. This rule is no longer mandatory following a court ruling on 2 June 2023.

Following the conclusion of a tender process, Southern Sun’s audit and risk committee has recommended, and the board of directors of the Company (the board) has endorsed the proposed appointment of Deloitte & Touche as the external auditor of the company, with Dirk Steyn as the designated audit partner, for the financial year ending 31 March 2024.

Deloitte & Touche will be appointed into office in accordance with section 90 of the Companies Act of South Africa until the forthcoming annual general meeting.

The Company's current external auditor, PricewaterhouseCoopers Inc. will continue to serve as the Company's external auditor in respect of its financial year ended 31 March 2023.

11. Secretary

The company secretary is Southern Sun Secretarial Services Proprietary Limited represented by Rosa van Onselen.

Postal address:	Private Bag X200 Bryanston 2021
Business address:	4th Floor South Tower Nelson Mandela Square Corner 5th and Maude Streets Sandton 2196

12. Consolidated financial statements

Consolidated annual financial statements have been prepared in terms of IFRS 10, Consolidated Financial Statements, available for public use that comply with International Financial Reporting Standards. These group annual financial statements are available on the company's website at www.southernsun.com. Details of the company's subsidiaries are included in note 8 to these annual financial statements.

Independent auditor's report

To the Shareholders of Southern Sun Limited

Report on the audit of the separate financial statements

Our opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Southern Sun Limited (the Company) as at 31 March 2023, and its separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Southern Sun Limited's separate financial statements set out on pages 15 to 42 comprise:

- the separate statement of financial position as at 31 March 2023;
- the separate statement of profit and loss for the year then ended;
- the separate statement of changes in equity for the year then ended;
- the separate cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

pwc

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	***How our audit addressed the key audit matter***
Impairment reversal of investments in subsidiaries Refer to Note 8 - Investments in subsidiaries to the separate annual financial statements. The Company holds investments in various subsidiaries which conduct the hotel operations and own the hotel properties. As at 31 March 2023, the carrying value of these investments in subsidiaries amounted to R9.6 billion, after recognition of a total impairment reversal of R627.7 million which comprised the impairment reversal for the investment in Southern Sun Investments Proprietary Limited ("SSI"), which holds an investment in the Hospitality Property Fund Limited ("HPF Ltd"). The Company's policy is to assess investments in subsidiaries at each reporting date for indicators of impairment as required by International Accounting Standard 36 'Impairment of Assets' (IAS 36). Where indicators of impairment or impairment reversals are identified, impairment assessments are performed. Impairment losses recognised in prior periods may be increased or reversed depending on the outcome of the impairment assessment. The amount of the impairment reversal is the amount by which the carrying amount of the asset shall be increased to its recoverable amount, being the higher of the value in use and the fair value less cost to sell. The impairment reversal can not exceed the accumulated impairment losses recognised in prior periods. The recoverable amount for each subsidiary has been determined by calculating the higher of the value in use and the fair value less costs to sell.	We updated our understanding of and tested the relevant controls related to the budgeting process, which included controls in relation to the following: ● setting, approval and review of budgets by the Company and its subsidiaries (together the Group) at the Group level; and ● approval of budgets by the Board of Directors. We assessed the reliability of the Group's budgets included in the business plans (which form the basis of the cash flow forecasts), by comparing prior period budgets to actual results, and accepted management's budgeting techniques applied. We tested the reasonability of the COVID-19 related and other adjustments made to the approved budgets by evaluating the adjusted prices and expected demand, taking into account the trading environment and regulatory requirements at the time and based on discussions held with management. We accepted the adjustments made, based on our assessment above. We further assessed whether there were any impairment indicators for all investments in subsidiaries in terms of IAS 36 and if there were any indications that previous impairments may be reversed. For those investments that had indicators of impairment or potential reversals we performed the following procedures: ● We assessed the appropriateness of the valuation methodology against industry practice and IAS 36 requirements and found the methodology used by management to be in line with industry practice; ● We evaluated the cash flows in year one of the valuation. The cash flows were expected to be affected by the continued recovery of the industry from easing of restrictions as a result of the reduced impact

The value in use was calculated using a discounted cash flow model ("DCF") based on the net cash flows of the underlying subsidiary.

The following key assumptions were applied in the valuations:

● *Net cash flows, terminal capitalisation rates and terminal growth rates:*
Net cash flows were forecasted taking into account the continued improvement in the trading environment following the COVID-19 pandemic, with appropriate terminal capitalisation rates and terminal growth rates applicable to the subsidiary's operations.

● *Discount rates:*
Factors such as prevailing market conditions and country specific risks are taken into account in the calculation of the discount rates by use of the risk premium.

The fair value less costs to sell for the unlisted investment was calculated using a DCF model by discounting the forecasted cash flows using the assumptions mentioned above, and after considering the capital expenditure requirements and deducting the costs to sell.

Based on management's impairment assessments, the carrying value of the investment in SSI was increased during the year due to the factors described in note 8 to the separate financial statements.

The impairment reversal of the investments in subsidiaries is considered to be a matter of most significance to our current year audit due to:

● the significant judgements made by management in determining the net cash flows, terminal capitalisation rates, terminal growth rates and discount rates; and
● the magnitude of the impairment reversal recorded in the separate statement of profit or loss for the year ended 31 March 2023.

of Covid-19 and the expected recovery of the industry. Based on our work performed, we accepted the impact that management has projected; and

- We evaluated the cash flows in the valuations from year two onward to assess the reasonableness of the expected cash flows with reference to historical cash flows. We accepted management's projected cash flow for these years.

Utilising our valuation expertise we tested the reasonableness of management's assumptions for the terminal growth rates, terminal capitalisation rates and discount rates by performing the following procedures:

- We assessed the reasonableness of the terminal capitalisation rates used in the valuation of the underlying investment properties owned by the subsidiary companies against market related data for similar investment properties and based on our work performed, we accepted management's assumptions;
- We assessed the reasonableness of the terminal growth rates by independently determining a range of rates comparable to forecasted consumer price index growth in the hotel industry. We compared the rates applied by management to our independently determined rates and found management's rates to be within our range of rates; and
- We assessed the reasonableness of the discount rates used in the valuations by independently calculating a range of rates which would be considered reasonable against comparable companies in the hotel industry, adjusted for the Company's target capital structure. We compared our range of rates to the rates applied by management. We found management's rates to be within our independently computed range of rates.

We agreed with management's assessment of the estimated costs of disposal in the relevant models.

We recalculated each of the recoverable amounts determined by management, as well as the impairment reversal recognised for mathematical accuracy. We noted no material differences.

We tested the sensitivity analyses performed by management to determine the degree by which the key assumptions

	needed to change in order to trigger impairment, by comparing the changes in the discount rates, terminal capitalisation rates, terminal growth rates and forecasted cash flows disclosed by management to our independently determined range of assumptions. We also performed sensitivity analysis to evaluate the minimum changes in these inputs that would result in a material change to the fair value calculation for both disclosure and measurement purposes. Based on the outcome of our procedures, we did not note any aspect requiring further consideration.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Southern Sun Limited Annual Financial Statements for the year ended 31 March 2023" and "Southern Sun Integrated Annual Report 2023", which includes the Directors' Report, the Report of the audit and risk committee and the Declaration by the Company Secretary as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

Our opinion on the separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the separate financial statements

The directors are responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Southern Sun Limited for 54 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Pietro Calicchio
Registered Auditor
Johannesburg, South Africa
28 July 2023

Statement of Profit or Loss for the year ended 31 March

	Notes	2023 R '000	2022 R '000
Derecognition of financial guarantee	4	14 861	-
Recognition of financial guarantee	4	(6 183)	-
Amortisation of financial guarantee	4	503	-
Impairment reversal of investments in subsidiaries	8	627 709	478 188
Remeasurement on financial guarantee	4	-	(3 006)
Other operating expenses	5	(2 508)	(3 139)
Operating profit		**634 382**	**472 043**
Finance costs	6	-	(107)
Profit before taxation		**634 382**	**471 936**
Taxation	7	-	(4)
Profit for the year		**634 382**	**471 932**

Earnings per share

	Notes	2023	2022
Per share information			
Number of shares in issue*		1 468 067 179	1 477 905 694
Weighted average number of ordinary shares	18	1 476 384 655	1 477 905 694
Basic earnings per share (cents)	18	42.97	31.92
Diluted earnings per share (cents)	18	42.27	31.92

*Net of treasury shares

The statement of other comprehensive income has not been presented as there has been no movements recognised in other comprehensive income for 2023 or 2022.

The notes on pages 19 to 42 form an integral part of the annual financial statements.

Statement of Financial Position as at 31 March

	Notes	2023 R '000	2022 R '000
Assets			
Non-Current Assets			
Investments in subsidiaries	8	9 642 231	9 014 522
Investment in associate	9	690 973	690 973
Other financial assets	10	8	8
		10 333 212	**9 705 503**
Current Assets			
Loan to subsidiary	11	20 585	68 009
Trade and other receivables	12	4 150	4 150
Cash and cash equivalents	13	1 376	1 338
		26 111	**73 497**
Total Assets		**10 359 323**	**9 779 000**
Equity and Liabilities			
Equity			
Share capital	14	5 288 956	5 333 022
Retained income		4 499 473	3 865 091
		9 788 429	**9 198 113**
Liabilities			
Current Liabilities			
Financial guarantee contracts	15	5 680	14 861
Loans from group companies	16	522 445	522 445
Trade and other payables	17	42 380	43 241
Bank overdraft	13	389	340
		570 894	**580 887**
Total Equity and Liabilities		**10 359 323**	**9 779 000**

The notes on pages 19 to 42 form an integral part of the annual financial statements.

Statement of Changes in Equity for the year ended 31 March

	Ordinary share capital R '000	Treasury shares R '000	Retained income R '000	Total equity R '000
Balance at 01 April 2021	**5 333 022**	**-**	**3 393 159**	**8 726 181**
Profit for the year	-	-	471 932	471 932
Total comprehensive income for the year	**-**	**-**	**471 932**	**471 932**
Balance at 01 April 2022	**5 333 022**	**-**	**3 865 091**	**9 198 113**
Profit for the year	-	-	634 382	634 382
Total comprehensive income for the year	**-**	**-**	**634 382**	**634 382**
Purchase of treasury shares*	-	(44 828)	-	(44 828)
Issue of treasury shares	-	762	-	762
Total distributions to owners of company recognised directly in equity	**-**	**(44 066)**	**-**	**(44 066)**
Balance at 31 March 2023	**5 333 022**	**(44 066)**	**4 499 473**	**9 788 429**

* The company bought back 10 million SSU shares at an average price of R 4.46.

The notes on pages 19 to 42 form an integral part of the annual financial statements.

Cash Flow Statement for the year ended 31 March

	Notes	2023 R '000	2022 R '000
Cash flows from operating activities			
Cash utilised in operations	19	(3 369)	(3 139)
Interest paid	6	-	(107)
Income tax paid	20	-	(2 631)
Net cash utilised in operating activities		**(3 369)**	**(5 877)**
Cash flows from investing activities			
Loans to group companies repaid	11	47 424	-
Loans to group companies advanced	11	-	(44 136)
Net cash from / (utilised in) investing activities		**47 424**	**(44 136)**
Cash flows from financing activities			
Purchase of treasury shares	14	(44 828)	-
Issue of treasury shares	14	762	-
Net cash utilised in financing activities		**(44 066)**	**-**
Net decrease in cash and cash equivalents, net of bank overdrafts		**(11)**	**(50 013)**
Cash and cash equivalents at the beginning of the year, net of bank overdrafts		998	51 011
Cash and cash equivalents at the end of the year, net of bank overdrafts	13	**987**	**998**

The notes on pages 19 to 42 form an integral part of the annual financial statements.

Accounting Policies

1. Significant accounting policies

The significant accounting policies adopted in the preparation of the annual financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

1.1 Basis of preparation

The annual financial statements have been prepared in accordance with the framework concepts and the recognition and measurement criteria of International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the listing requirements of the JSE and the requirements of the Companies Act of South Africa and have been prepared under the historical cost convention. The term IFRS includes International Financial Reporting Standards ('IFRS'), International Accounting Standards ('IAS') and interpretations issued by the IFRS Interpretations Committee ('IFRS IC') or the former Standing Interpretations Committee ('SIC'). The standards referred to are set by the International Accounting Standards Board ('IASB').

Consolidated annual financial statements have been prepared in terms of IFRS 10, Consolidated Financial Statements, available for public use that comply with International Financial Reporting Standards. These group annual financial statements are available on the company's website at www.southernsun.com. Details of the company's subsidiaries and associate are included in note 8 and 9 respectively, to these financial statements.

1.2 Investments

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the company has control. The company controls an entity when the company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investment in subsidiaries are included in the financial statements from the date control commences until the date control ceases.

The investment is recognised at cost at initial recognition, including transaction costs that are directly attributable to the acquisition of the investment. Any other acquisition-related costs are expensed as incurred. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the investment at the time of its acquisition. Investment in subsidiaries are subsequently measured at cost less any impairment charges,

Associates

Associates are entities over which the company has directly or indirectly significant influence but not control, generally accompanying a shareholding of 20% to 50%, where significant influence is the ability to influence the financial and operating policies of the entity.

Investments in associates are accounted for using the cost method at initial recognition and is net of impairment losses.

1.3 Investments and other financial assets

Classification

The company classifies financial assets into the following measurement categories:
- Those to be measured at fair value through profit or loss; and
- Those to be measured at amortised cost (debt instruments).

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flow.

Accounting Policies

1.3 Investments and other financial assets (continued)

Recognition and derecognition

Financial assets are recognised when the company becomes a party to the contractual provisions of the respective instrument. Financial assets are derecognised when the right to receive cash flows from the asset has expired or has been transferred and the company has transferred substantially all risks and rewards of ownership. Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value, including calculating a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within other operating expenses. A change is considered substantial if the qualitative factors are considered substantial and if the net present value of the cash flows under the new terms discounted at the original effective interest rate is at least 10% different from the carrying amount of the original debt. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes. If the terms are not substantially different for financial assets or financial liabilities, the company recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments within other operating expenses (for all other modifications).

Measurement

At initial recognition, the company measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset.

- Debt instruments
  These are the assets held to collect contractual cash flows where those cash flows represent solely payments of principal and interest and are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss included in other operating expenses. Interest income is recognised using the effective interest method.
- Equity investments
  The company subsequently measures all equity investments (where the group does not have control) at fair value. Where the company has elected to present fair value gains and losses on equity investments in profit or loss. Dividends on these equity investments are recognised in profit or loss as part of other income when the company's right to receive payments is established.

Impairment

The company assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost.

The company applies the simplified approach to measuring expected credit losses ("ECL") which uses lifetime expected losses to be recognised from initial recognition of trade receivables. The balance of the company's financial assets measured at amortised cost comprise loan receivables and cash and cash equivalents to which the general model is applied.

Impairment losses are presented in other operating expenses.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Accounting Policies

1.4 Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the company are initially measured at fair value and are subsequently measured at the higher of:
- The expected credit loss ("ECL") in accordance with IFRS 9; or
- The amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with IFRS 15.

The ECL's are a probability weighted estimate of credit losses (the cash shortfalls) over the expected life of the guarantee. Accordingly, the cash shortfalls are the expected payments to reimburse the holder for the credit loss that it incurs. No fee is charged by the company for providing the guarantee to group companies. The fair value of the liability on initial recognition is recognised through profit and loss.

1.5 Share capital and equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds and are included in the share capital account.

1.6 Loans to / (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

1.7 Impairment of non-financial assets

This policy covers all assets, except financial assets (refer note 1.3) and deferred income tax assets (refer note 1.10).

At each balance sheet date the company reviews the carrying amounts of its investments in subsidiaries and associates to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an investment, the company estimates the recoverable amount of the cash generating unit ("CGU") to which the investment belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. For the purposes of assessing impairment, investments are grouped at the lowest levels for which there are separately identifiable cash flows (CGU's). If the recoverable amount of a CGU is estimated to be less than its carrying amount, the carrying amount of the CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

1.8 Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the reporting period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

Accounting Policies

1.9 Income

Interest income

Interest income is recognised using the effective interest rate method.

Dividend income

Dividend income is recognised when the right to receive payment is established, and is included in revenue.

1.10 Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

The current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. The company's liability for current taxation is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full using the liability method, in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements, except where the temporary difference arises from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither accounting nor taxable profit or loss.

Deferred tax liabilities are recognised where the carrying value of an asset is greater than its tax base, or where the carrying value of a liability is less than its tax base. Deferred tax is recognised in full on temporary differences arising from investment in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it is probable that future taxable profit will be available against which the temporary differences (including carried forward tax losses) can be utilised.

Deferred tax is measured at the tax rates expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income taxes relate to income taxes levied by the same taxation authority on either the taxable entity, or different taxable entities where there is an intention to settle the balances on a net basis.

1.11 Dividend distributions

Dividend distributions to the company's shareholder are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's board of directors.

1.12 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Principles of critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Accounting Policies

1.12 Critical accounting estimates and judgements (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the key assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that an impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value-in-use of non-financial assets are inherently uncertain and could materially change over time. They are significantly affected by a number of economic factors.

Investments in subsidiaries and associates

The company tests investments in subsidiaries and associates when there is an indicator for impairment in accordance with the accounting policy stated in note 1.7. The recoverable amounts of the assets have been determined based on the higher of fair value less costs to sell and the value-in-use calculations. These calculations require the use of estimates as noted in note 8 and note 9 of the annual financial statements.

Financial guarantee contract

The financial guarantees are valued at the higher of the IFRS 9 expected credit loss (ECL) allowance or the amortised initial fair value on day one.

The valuation of the guarantees includes assumptions on credit default rates, credit risks, credit ratings and expected credit losses. The ECL model includes estimates relating to the probability of a default by the borrower and the resultant loss to the guarantor for each underlying borrower.

The capital on the loans and notes is repayable at the end of the loan or note term. Management has assessed whether the day-one fair value of the guarantees should be amortised and concluded that amortisation on a straight-line basis is appropriate. Refer to note 15.

Notes to the Annual Financial Statements

2. New International Financial Reporting Standards and amendments

(a) International Financial Reporting Standards and amendments effective for the first time for March 2023 year ends

The following standards and amendments to existing standards have been published that are mandatory for the company's accounting period ended March 2023.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets on onerous contracts – cost of fulfilling a contract

The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of costs to fulfil a contract.

The company is not impacted by the amendment.

(b) International Financial Reporting Standards, interpretations and amendments issued but not effective

The company is concluding on the impact of the new standards, interpretations and amendments that have been issued but are not effective as of 31 March 2023. None of which are expected to have a material effect on the consolidated position or performance of the company.

IFRS 17 Insurance Contracts

Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.

Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contracts, including those with a coverage period of one year or less.

For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.

IFRS 17 must be applied for financial years commencing on or after 1 January 2023. The company will apply the new standard for the financial period beginning on 1 April 2023.

The company is not expected to be impacted by the amendment relating to insurance contracts.

Amendments to IAS 12 Deferred Tax - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

The amendment adds an additional requirement for transactions which will not give rise to the recognition of a deferred tax asset or liability on initial recognition. Previously, deferred tax would not be recognised on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit or loss. The additional requirement provides that the transaction, at the time of the transaction must not give rise to equal taxable and deductible temporary differences.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

Notes to the Annual Financial Statements

2. New International Financial Reporting Standards and amendments (continued)

IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable.

The effective date of the amendment is for years beginning on or after 01 January 2023.

The company expects to adopt the amendment for the first time in the 2024 annual financial statements.

It is unlikely that the amendment will have a material impact on the company's annual financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the annual financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The effective date of the amendment is for years beginning on or after 01 January 2023.

The company expects to adopt the amendment for the first time in the 2024 annual financial statements. It is unlikely that the amendment will have a material impact on the annual financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in annual financial statements that are subject to measurement uncertainty."

The effective date of the amendment is for years beginning on or after 01 January 2023.

The company expects to adopt the amendment for the first time in the 2024 annual financial statements. It is unlikely that the amendment will have a material impact on the annual financial statements

Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after 01 January 2024.

The company expects to adopt the amendment for the first time in the 2025 annual financial statements. It is unlikely that the amendment will have a material impact on the annual financial statements.

Notes to the Annual Financial Statements

3. Financial instruments and risk management

Financial risk management

Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company.

Risk management process

The company applies the same financial risk management policies as the group. The capital risk management policy is written from a group perspective and disclosed below.

The Southern Sun board recognises that the management of business risk is crucial to the group's continued growth and success and this can only be achieved if all three elements of risk – namely threat, uncertainty and opportunity – are recognised and managed in an integrated fashion. The audit and risk committee is mandated by the board to establish, coordinate and drive the risk process throughout the group. It has overseen the establishment of a comprehensive risk management system to identify and manage significant risks in the operational divisions, business units and subsidiaries. Internal financial and other controls ensure a focus on critical risk areas, are closely monitored and are subject to management oversight and internal audit reviews.

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

In addition to the risk management processes embedded within the group, the group executive committee identifies, quantifies and evaluates the group’s risks annually utilising a facilitated risk assessment workshop. The severity of risks is measured in qualitative as well as quantitative terms, guided by the board’s risk tolerance and risk appetite measures. The scope of the risk assessment includes risks that impact on shareholder value or that may lead to a significant loss, or loss of opportunity. Risk responses to each individual risk are designed, implemented and monitored.

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

Financial risk management is carried out by a central treasury department (Group Treasury) under policies approved by the board of directors. The board provides principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and non-derivative financial instruments and investing excess liquidity.

Credit risk is managed at an entity level for trade receivables.

Credit risk

The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The company has no significant concentrations of credit risk. Overall credit risk is managed on a group basis with exposure to trade receivables managed at entity level.

Notes to the Annual Financial Statements

3. Financial instruments and risk management (continued)

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as trade and other receivables and inter-company loans receivable from group companies. For banks and financial institutions, only group Audit and Risk Committee approved parties are accepted (on behalf of the board). The group has policies that limit the amount of credit exposure to any bank and financial institution. The group limits its exposure to banks and financial institutions by setting credit limits based on their credit ratings and generally only with counterparties with a minimum credit rating of BBB by Standard & Poors and Baa3 from Moody's. For banks with a lower credit rating, or with no international credit rating, limits are set by the Audit and Risk Committee on behalf of the board. The utilisation of credit limits is regularly monitored.

The company is exposed to credit risk arising from financial guarantee contracts issued by the group that may require a payment to be made to reimburse the holder for a loss it incurs due to a specified debtor failing to make payment when due, in accordance with the terms of the debt instrument. The total outstanding balance on the loans, for which the financial guarantee contracts are provided are R 1 964 million (2022: R868 million), refer note 15 for details regarding these financial guarantee contracts.

Liquidity risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. The majority of the current liability balance is balances with subsidiaries, whom are unlikely to call on the loans in the next 12 months.

Management monitors rolling forecasts of the company's liquidity headroom on the basis of expected cash flow and the resultant borrowing position compared to available credit facilities. This process is performed during each financial year for five years into the future in terms of the company's long-term planning process.

The company, through Group Treasury, sources it's funding from four large South African banks thereby reducing liquidity concentration risk. The facilities comprise a mix of short, medium and long-term nature.

The table below analyses the company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Inclusive of capital and interest: At 31 March 2023	**Less than 1 year R'000**	**Between 1 and 2 years R'000**	**Between 2 and 5 years R'000**	**Over 5 years R'000**
Loans from group companies	522 445	-	-	-
Financial guarantee contract*	5 680	-	-	-
Trade and other payables	42 380	-	-	-
Bank overdraft	389	-	-	-
	570 894	**-**	**-**	**-**

Inclusive of capital and interest: At 31 March 2022	**Less than 1 year R'000**	**Between 1 and 2 years R'000**	**Between 2 and 5 years R'000**	**Over 5 years R'000**
Loans from group companies	522 445	-	-	-
Financial guarantee contract*	14 861	-	-	-
Trade and other payables	43 241	-	-	-
Bank overdraft	340	-	-	-
	580 887	**-**	**-**	**-**

* The company's maximum exposure to liquidity risk amounts to the total outstanding balance on the loans for R1 964 million (2022: R868 million).

Notes to the Annual Financial Statements

3. Financial instruments and risk management (continued)

Market risk

Currency risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company does not have significant exposure to currency risk as most of it's operations are in South Africa with a limited number of its subsidiaries operating in countries outside of South Africa. Those subsidiaries operating outside of South Africa mitigate the currency risk by sourcing debt in US Dollar due to their cash generated from operations being largely denominated in US Dollar. As a result, no forward cover contracts are required and therefore currency risk is not hedged.

Interest rate risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates

At 31 March the interest rate profile of the company's interest-bearing financial instruments was: variable rate instruments

Variable rate instruments	Carrying amount 2023 R'000	Carrying amount 2022 R'000
Cash and cash equivalents	987	998

The company had no fixed rate instruments in the current and prior year.

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates would have increased/decreased profit or loss by R 9 870 (2022: R9 980). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2022.

Other price risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market.

Notes to the Annual Financial Statements

3. Financial instruments and risk management (continued)

Categories of financial instruments

The tables below reconciles the company's accounting categorisation of financial assets and liabilities (based on initial recognition) to the classes of assets and liabilities as shown on the face of the balance sheet:

Categories of financial assets

At 31 March 2023

	Fair value through profit or loss - Designated	Amortised cost	Total
	R '000	R '000	R '000
Loan to subsidiary	-	20 585	20 585
Trade and other receivables	-	4 150	4 150
Cash and cash equivalents	-	1 376	1 376
Other financial assets	8	-	8
	8	**26 111**	**26 119**

At 31 March 2022

	Fair value through profit or loss - Designated	Amortised cost	Total
	R '000	R '000	R '000
Loan to subsidiary	-	68 009	68 009
Trade and other receivables	-	4 150	4 150
Cash and cash equivalents	-	1 338	1 338
Other financial assets	8	-	8
	8	**73 497**	**73 505**

Notes to the Annual Financial Statements

	2023 R '000	2022 R '000

3. Financial instruments and risk management (continued)

Categories of financial liabilities

At 31 March 2023

	Amortised cost R '000	Financial guarantees R '000	Total R '000
Loans from group companies	522 445	-	522 445
Trade and other payables	42 380	-	42 380
Bank overdraft	389	-	389
Financial guarantee contracts	-	5 680	5 680
	565 214	**5 680**	**570 894**

At 31 March 2022

	Amortised cost R '000	Financial guarantees R '000	Total R '000
Loans from group companies	522 445	-	522 445
Trade and other payables	43 241	-	43 241
Bank overdraft	340	-	340
Financial guarantee contracts	-	14 861	14 861
	566 026	**14 861**	**580 887**

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern and provide optimal returns for the shareholder through maintaining an optimal capital structure.

The company defines capital as equity funding provided by the shareholder and debt funding from external parties. Shareholder funding comprises permanent paid up capital and other reserves as disclosed in the balance sheet. Debt funding comprises loans from banking institutions.

The board's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The board of directors monitors the cost of capital, which the company defines as the weighted average cost of capital, taking into account the company's internally calculated cost of equity (shareholder funding) and long-term cost of debt assumptions.

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound equity position. Debt funding is managed by Group Treasury and the company does not have any external borrowings on its balance sheet.

In order to maintain or adjust the capital structure, in the absence of significant investment opportunities, the company may adjust the amount of dividends paid to the shareholder, return capital to the shareholder or issue new shares.

Capital structure	2023 R '000	2022 R '000
Stated capital	5 288 956	5 333 022
Total capital	**5 288 956**	**5 333 022**

Notes to the Annual Financial Statements

	2023 R '000	2022 R '000

4. Remeasurement on financial guarantees

Remeasurement of financial guarantees (note 15)	(9 181)	3 006

5. Other operating expenses

Other operating expenses comprise the following:

Auditor's remuneration	-	180
Directors fees- Non-executive directors	2 487	2 287
Other expenses	21	672
	2 508	**3 139**

6. Finance costs

South African Revenue Service	-	107

7. Income tax expense

Current tax - prior year adjustment	-	4

Reconciliation of the tax expense

	2023 R '000		2022 R '000	
Profit before income tax	634 382		471 936	
Income tax thereon at 27% (2022: 28%)	171 283	27.0 %	127 423	28.0 %
Disallowed expenditure	678	0.1 %	5 628	0.2 %
Current tax - Prior year adjustment	-	- %	4	- %
Impairment reversal of investments in subsidiaries	(169 482)	(26.7)%	(133 893)	(28.4)%
Remeasurement on financial guarantee	(2 479)	(0.4)%	842	0.2 %
	-	**- %**	**4**	**- %**

8. Investments in subsidiaries

Name of company	Issued share capital 2023	Issued share capital 2022	Effective holding 2023	Effective holding 2022	Shares at cost less impairment 2023 R '000	Shares at cost less impairment 2022 R '000
Acquisitive Investments Proprietary Limited	100	100	100.00 %	100.00 %	*	*
Affirmed Investment Proprietary Limited	100	100	100.00 %	100.00 %	*	*
Elsivert Proprietary Limited	75 489	75 489	100.00 %	100.00 %	75 488	75 488
Holiday Inns Proprietary Limited	1 607	1 607	100.00 %	100.00 %	17 105	17 105
Majormatic 194 Proprietary Limited	132	132	100.00 %	100.00 %	11 494	11 494
Southern Sun Hotel Interests Proprietary Limited	1 061 000	1 061 000	100.00 %	100.00 %	2 713 095	2 713 095
Southern Sun Offshore Proprietary Limited (1)	200	200	100.00 %	100.00 %	1 930 123	1 930 123
Sun1 Hotels Proprietary Limited	4 000	4 000	100.00 %	100.00 %	*	*
Southern Sun Investments Proprietary Limited (2)	100	100	100.00 %	100.00 %	4 894 926	4 267 217
Volnay Investments Proprietary Limited	1	1	100.00 %	100.00 %	*	*
					9 642 231	**9 014 522**

* Amount less than R1 000.

The recoverable amounts for certain of the subsidiaries (as listed below) were reassessed to determine if the recoverable amount had changed materially resulting in possible reversals of past impairments given the continued recovery of the hospitality industry and the improvement in trading in the underlying hotel operations.

All the above subsidiaries are unlisted.

Assessment of investments

Management has adopted a more optimistic view of the recovery in trading levels and an overarching assumption has been made in the various discounted cash flows that the underlying hotel operations in the subsidiaries will return to long-term average occupancy levels excluding the impact of Covid-19. The forecast period in which the various hotel operations return to their long-term average occupancy has been individually considered based on their specific regional and market dynamics. Management has assumed an increased return of domestic and international corporate business during FY24H1 and volumes increasing steadily into FY24H2 as foreign inbound travel volumes increase ahead of the summer season

1) The future trading conditions and post recovery of the Covid-19 pandemic has been taken into account in the forecasted cash flows together with the change in the risk free rate and this has resulted in no material change to the value in use of the offshore investment. The future cash flows were revised, taking into account the average Ebitdar margin of 31.91% (2022: 31.60%). These cash flows have been discounted at rates between 10.10% (2022: 7.80%) and 14.20% (2022: 14.80%), depending on the economy of the trading entity generating the cash flows. The increase in the discount rate is mainly driven by the increase in the in-country risk premium. A terminal growth rate of between 2.6% (2022: 1.8%) and 3.4% (2022: 2.5%) was used to forecast future cash flows. As a result, and based on the assessments made there were no impairment reversals (2022: R310 million impairment reversal recognised).

2) The recoverable amount of Southern Sun Investments Proprietary Limited (SSI) was determined with reference to the fair value less cost to sell. SSI's main asset comprises an investment in HPF. The recoverable amount of HPF was determined with reference to the fair value less cost to sell. HPF's main asset comprises an investment in HPF Properties Proprietary Limited, which is a property owning company that fair values its property portfolio independently on an annual basis. HPF's recoverable amount at 31 March 2023 amounted to R8.3 billion (2022: R7.3 billion) and SSI's share of HPF amounts to R4.9 billion (2022: R4.3 billion) (59.20% (2022: 59.20%)). These cash flows have been discounted at a rate of 13.5% (2022: 13.6%). A terminal capitalisation rate of 9.6% (2022: 5.2%) was used in the valuation. Due to the improved market conditions and trading outperforming expectation, the fair value of the investment increased resulting in a reversal of impairments recognised previously of R628 million (2022: R168 million impairment reversal recognised). The determination of the recoverable amount is a level 3 valuation.

Notes to the Annual Financial Statements

8. Investments in subsidiaries (continued)

The key assumptions, as mentioned in above descriptions, used in determining the recoverable amount are as follows:
- Ebitdar – management used budgeted gross Ebitdar based on past performance and market developments to determine net cash flows;
- Terminal growth rate – cash flows beyond the first five-year period are extrapolated using estimated terminal growth rates in order to calculate the terminal recoverable amount. The growth rate estimations consider risks associated with the hospitality industry in which the CGUs operate; and
- Discount rate – the discount rate is calculated by using a bond risk-free rate and an equity premium adjusted for specific risks relating to the relevant operating segments;
- Terminal capitalisation rate - used to estimate the recoverable amount of the underlying properties owned by HPF at the end of the holding period. The capitalisation rate estimations took into account market related data for similar properties in the hospitality industry.

The table below indicates the sensitivities of the changes in the recoverable amount of the investments taking into account the following changes to assumptions:

	2023		2022	
	Increase R'000	**Decrease R'000**	**Increase R'000**	**Decrease R'000**
5% change in net cash flow				
Southern Sun Investments Proprietary Limited	474 410	(474 410)	534 660	(534 660)
Southern Sun Offshore Proprietary Limited	86 742	(86 742)	129 974	(129 974)
25 bps change in the terminal capitalisation rate				
Southern Sun Investments Proprietary Limited	(167 097)	176 242	(119 586)	126 191
25 bps change in the terminal growth rate				
Southern Sun Offshore Proprietary Limited	47 220	(44 300)	74 607	(69 260)
50 bps change in the discount rate				
Southern Sun Investments Proprietary Limited	(179 880)	184 463	(315 700)	329 578
Southern Sun Offshore Proprietary Limited	(112 109)	127 371	(179 729)	209 035

The group comprises a large number of companies. The list above only includes directly held subsidiary undertakings. In addition to the above mentioned subsidiaries, the company has interests in other indirectly held subsidiaries. A register detailing such information in respect of all subsidiaries of the company is available for inspection at the registered office of the company, which may be inspected by members or their duly authorised agents.

9. Investment in associate

Name of company	**Effective holding 2023**	**Effective holding 2022**	**Carrying amount 2023 R '000**	**Carrying amount 2022 R '000**
Hospitality Property Fund Limited	40.75 %	40.75 %	690 973	690 973

Unlisted

The company owns 40.75% (2022: 40.75%) of the issued shares of Hospitality Property Fund Limited.

As at 31 March	690 973	690 973

Management assessed the investment in associate for impairment indicators as at 31 March 2023 and none were noted.

10. Other financial assets

At fair value through profit or loss - designated		
Investment in Western Province Rugby Union debentures	8	8

Notes to the Annual Financial Statements

	2023 R '000	2022 R '000

10. Other financial assets (continued)

Non-current assets

Designated as at FV through profit/(loss) (FV through income)	8	8

The financial assets are denominated in SA Rand.

The maximum exposure to credit risk at the reporting date is the fair value of the financial assets. The company does not hold any collateral as security.

11. Loan to subsidiary

Southern Sun Hotel Interests Proprietary Limited	20 585	68 009

The loan with Southern Sun Hotel Interests Proprietary Limited is unsecured, interest free and is repayable on demand. The expected credit loss (ECL) for the above loan with Southern Sun Hotel Interests Proprietary Limited has been assessed with reference to the liquidity of the entity to repay the loan. Based on this, there is no significant expected credit loss.

Exposure to credit risk

The company establishes allowances for credit losses (impairment allowances) on loans to subsidiaries equal to the twelve month expected credit losses on these items unless there has been a significant increase in credit risk since initial recognition of these loans. Where there has been a significant increase in credit risk since initial recognition, impairment allowances are adjusted to equal the lifetime expected credit losses on these loans. The loans are repayable on demand. The loan balances will only be written off in situations where the subsidiaries are liquidated.

Forecasts are performed on a quarterly basis to assess future cash flows and to identify increased credit risks of subsidiaries and whether the subsidiaries will be in a position to settle the loans with related parties or if credit losses should be provided for.

12. Trade and other receivables

Financial instruments:		
Accrued interest income	3 932	3 932
Other receivables	218	218
	4 150	**4 150**

The expected credit loss of the trade and other receivables balances were considered and was immaterial.

The carrying amounts of the company's trade and other receivables are denominated in SA Rand.

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Current accounts	1 376	1 338
Bank overdraft	(389)	(340)
	987	**998**
Current assets	1 376	1 338
Current liabilities	(389)	(340)
	987	**998**

Notes to the Annual Financial Statements

	2023 R '000	2022 R '000

13. Cash and cash equivalents (continued)

The above cash and cash equivalents are available on demand and bear interest at market related rates. A master netting arrangement is in place with Nedbank Limited, however, the balances do not qualify for set off.

The expected credit loss of the cash and cash equivalents balance was considered and was immaterial.

The carrying amounts of the company's cash and cash equivalents are denominated in SA Rand.

14. Share capital

Authorised
2 000 000 000 ordinary shares of no par value

Unissued ordinary shares are under the control of the directors in terms of a resolution of the shareholders passed at the last annual general meeting. This authority remains in force until the next annual general meeting. Directors are authorised to issue shares subject to the limits of the Companies Act, memorandum of incorporation and JSE requirements.

	2023 R '000	2022 R '000
Issued		
Ordinary shares of no par value (1 April 2023 and 2022: 1 477 905 694 ordinary shares)	5 333 022	5 333 022
Purchase of treasury shares (2023: 10 000 000 ordinary shares, 2022: nil)*	(44 828)	-
Issue of treasury shares (2023: 161 485 ordinary shares, 2022: nil)	762	-
Ordinary shares of no par value 2023: 1 468 067 179 (2022: 1 477 905 694)	**5 288 956**	**5 333 022**

*The company bought back 10 million SSU shares at an average price of R 4.46.

15. Financial guarantee contracts

	2023 R '000	2022 R '000
Bowwood & Main No.294 SPV (RF) Proprietary Limited	-	14 861
Hospitality Guarantee SPV (RF) Proprietary Limited	5 680	-
	5 680	**14 861**

In the prior year, using reasonable and supportable evidence, the likelihood of which guarantor would be called upon in a default scenario by the debt holder was incorporated into the valuation of the financial guarantee liability for the company. As a result, the financial guarantee liability was R14.8 million as at 31 March 2022, mainly due to the refinancing of the group's Mozambican USD and MZN-denominated facilities for a further five and three years respectively to 31 July 2027 and 31 March 2026. Various secured interest bearing borrowings were in place across various subsidiaries of the company. The facilities were secured by certain assets, i.e the investment in Hospitality Property Fund Limited, mortgage bonds registered over certain properties and the cession of cash and cash equivalents. In addition, financial guarantees were also in place as described below.

The company, Southern Sun Investments Proprietary Limited, Southern Sun Hotel Interests Proprietary Limited and Southern Sun Offshore Proprietary Limited, being the guarantor companies, had entered into a security sharing agreement between themselves and the bank, wherein they were jointly and severally liable. These guarantor companies had provided a guarantee to a security SPV, Bowwood & Main No.294 SPV (RF) Proprietary Limited, whom in turn had provided a guarantee to all the lenders (being Absa Bank Limited and Nedbank Limited).

The company's maximum exposure to liquidity risk amounts to the total outstanding balance on the loans of R868 million. The day one fair value was determined as set out below.

Notes to the Annual Financial Statements

	2023 R '000	2022 R '000

15. Financial guarantee contracts (continued)

The allowance account for credit losses is determined with reference to the following:
- Stage 1: 12-month ECLs for those financial assets where there has not been a significant increase in credit risk since initial recognition;
- Stage 2: Lifetime ECLs for those financial assets where there has been a significant increase in credit risk on a collective basis;
- Stage 3: Lifetime ECLs for all credit impaired financial assets.

The ECL model also includes financial guarantees issued. Management applied assumptions, judgements and estimates in developing the ECL model.

For the purpose of the expected credit loss ("ECL") calculation the USD swap curves was obtained from an independent source, including Thomson Reuters, at the inception date of the guarantees and at year-end (31 March 2022), in line with prior year. An “Actual/360” day count fraction for the notes and facilities denominated in USD as set out in the guarantee contracts and a loss given default ("LGD") of 60% was assumed, i.e. a recovery rate of 40% in the valuation model.

This is in line with standard market practice in the credit derivative trading market, for companies that are not currently in financial distress, as is the case with the credit reference entities. We applied the same LGD input assumption into the ECL calculations at year end, to avoid inconsistencies and value adjustments that are not linked to the change in the credit profile (as these are all captured in the credit spreads and probability of default (PDs) applied).

The probabilities of default used in the ECL calculations were sourced using S&P’s 2020 Annual Global Corporate Default and Rating Transition Study. The ratings were determined using Altman’s Revised Z-Score Model, adapted for non-manufacturers and Emerging Markets. The derived Z-scores and mapped comparable credit ratings are below. Further forward-looking macro factors were incorporated to take into account the impact of COVID-19.

	2022	
Borrower	**Z-score**	**Credit rating**
SSA Mauritius	5.465	BB+
Ikoyi Hotels	4.333	B
Southern Sun Mozambique	(5.374)	D

The risk of default for the impact of COVID-19 on the credit ratings was incorporated by considering the Credit Default Swap "CDS" spread at 31 March 2022 versus an average spread for the increase in credit risk as a result of COVID-19 and its related impacts.

The S&P cumulative default probabilities in year 1 have been adjusted to reflect the jump in spread and factor in the potential forward-looking macro impact of COVID-19.

In December 2022, the group concluded the refinancing of its debt with the aim of simplifying the security structure, further extending the facility tenures to between three and five years and reintroducing normalised covenants. Total facilities of R2.5 billion were raised across all four major South African banks with R2.1 billion of the proceeds applied towards the settlement of term loans in Hospitality Property Fund Limited (“HPF”) of R400 million and the settlement of outstanding HPF notes of R1.7 billion. The HPF corporate note programme was delisted with effect from 30 November 2022 and funds flow and settlement of the HPF term loans and note programme occurred on 9 December 2022. Various secured interest bearing borrowings are in place across various subsidiaries and fellow subsidiaries of the company.

The security SPV, Hospitality Guarantee SPV (RF) Proprietary Limited has been amended to provide security for all the group’s debt. All lenders (under the USD Facilities and the New ZAR Facilities) rank pari passu in the Hospitality Guarantee SPV and share in the security on a pro rata basis.

The previous guarantee provided to the security SPV, Bowwood & Main No.294 SPV (RF) Proprietary Limited has been released and accordingly derecognised.

Using reasonable and supportable evidence, the likelihood of which guarantor will be called upon in a default scenario by the debt holder was incorporated into the valuation of the financial guarantee liability for the company.

Notes to the Annual Financial Statements

	2023 R '000	2022 R '000

15. Financial guarantee contracts (continued)

The facilities are secured by certain assets, i.e. investments in subsidiaries, mortgage bonds registered over certain properties, book debts and the cession in cash and cash equivalents. In addition, financial guarantees are also in place as described below.

The company, Southern Sun Investments Proprietary Limited, Southern Sun Hotel Interests Proprietary Limited, Hospitality Property Fund Limited, The Cullinan Hotel Proprietary Limited, Merway Fifth Investments Proprietary Limited and Fezisource Proprietary Limited, being the guarantor companies, have entered into a security sharing agreement between themselves and the bank, wherein they are jointly and severally liable. These guarantor companies have provided a guarantee to the security SPV, Hospitality Guarantee SPV (RF) Proprietary Limited, whom in turn has provided a guarantee to all the lenders (being FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited, Absa Bank Limited and Absa Bank Moçambique, SA).

The company's maximum exposure to liquidity risk amounts to the total outstanding balance on the loans of R1 964 million as at 31 March 2023. The day one fair value has been determined as set out below.

The fair value of the guarantee is measured at the date of issue and amortised to the financial period end date. This amortised cost is compared to the ECL measured on a one year or lifetime basis depending on the stage and the higher of the two is recognised.

The allowance account for credit losses is determined with reference to the following:
- Stage 1: 12-month ECLs for those financial assets where there has not been a significant increase in credit risk since initial recognition;
- Stage 2: Lifetime ECLs for those financial assets where there has been a significant increase in credit risk on a collective basis;
- Stage 3: Lifetime ECLs for all credit impaired financial assets.

The ECL model also includes financial guarantees issued. Management has applied assumptions, judgements and estimates in developing the ECL model.

The risk of the guarantee on date of issue is determined by the cost of the guarantee where an arm’s length price was paid. Where no payment was made, the cost is determined by the saving in interest rate that was achieved by the issuance of guarantee where such a guarantee is supporting a lending transaction. In the absence of either of these, the risk of the guarantee is determined as the expected credit losses that will be occurred over the lifetime of the guarantee.

Guarantees were valued based on the risk of the counter-party whose obligations have been guaranteed. The ECL on the guarantee is limited by the fair value of the guarantor. The net asset value has been used as the indicator of fair value.

Where cross guarantees have been issued by a number of group companies, the risk lies with the group.

For purpose of the expected credit loss (“ECL”) calculation,the PD’s and LGD’s were measured using Moody’s Analytics RiskCalc. These are historical through-the-cycle PD and LGD measures.

The inputs into this were summarised information extracted from the March 2022 audited financial statements and the March 2023 management accounts of the Group and of Southern Sun Mozambique Limitada. For the guarantees related to the South African borrowings, we have measured the risk of the Group and the Group entities that own the majority of Group assets and are guarantors to the loans.

The resultant PD and LGD’s were then converted into ECL’s using Ratings or Moody’s Analytics RiskCalc SA financial statement PD and LGD models, adjusted for such items as implied group support. Calculated through-the-cycle loss rates were converted into point-in-time (PIT) losses and then into ECL percentages using Moody’s Analytics Impairment Calculation product and their GCorr economic forecast and scenarios.

The RiskCalc product (including its LossCalc module) was used to calculate PD’s and LGD’s based on the input of financial statements of a counterparty. The output is a through-the-cycle measure of PD an LGD, which have to be converted to Point-in-time measures (at measurement date) and then conditioned into a forward-looking measure, using forward looking indicators and scenarios to arrive at an ECL. RiskCalc uses a very comprehensive multi-decade historical database of company financial information and default events to calculate PD and LGD.

Notes to the Annual Financial Statements

	2023 R '000	2022 R '000

15. Financial guarantee contracts (continued)

The ImpairmentCalc product was used to convert (or condition) through-the-cycle PDs and LGDs as well as ratings into ECLs through the use of forward-looking information. ImpairmentCalc uses the Moody's multi-factor GCorr credit risk model, validated historic macro-economic data and forecast macro-economic data and scenarios with recommended weightings. The output of ImpairmentCalc is a term ECL (i.e. 12 months, Lifetime or a specific period in between).

Ratings, measured PD and LGD's are converted from Through-the-cycle ("TTC") to Point-in-time ("PIT") measures using Moody's Analytics ImpairmentCalc product. ImpairmentCalc then converts (or "conditions") these historic or point-in-time measures into forward looking measures that constitute the ECL. This conditioning utilises their proprietary models, their database of validated historic macroeconomic and default data and forecast scenarios and recommended weightings of scenarios.

Moody's Analytics does not disclose the specific macroeconomic variables that they have found to be best predictive of changes in credit risk in South Africa but do provide indicators of the impact of certain of their measures. The forecast GDP growth for the year to Q4 2023 ranges from -1.06% to 3.74% with the baseline at 2.43%. The economy has now reached pre-covid levels (Q4 2019) and forecast to remain above those levels under all three scenarios. GDP is not the only factor that determines the extent of the adjustment but is described here to illustrate the extent of impact on the general economy that is being taken into account.

After margining the properties subject to the bond, the expected realisable value exceeds the total liability being guaranteed. While the lenders can choose to demand payment from any of the guarantors, we can assume that the demand will be made against entities that can most easily repay. A lender will thus firstly demand repayment from guarantors that have available cash or near cash investments. The next easiest class of assets is property where the claim is supported by a bond. The process of realising the collateral has a high degree of certainty and is relatively quick. It provides more certainty than other forms of collateral and a general claim against the assets of a guarantor. There is a high degree of certainty that any claim under the guarantee would be against the company holding the properties – HPF Properties Proprietary Limited.

The 1 year PD of the Group measured by RiskCalc is 0.64% which maps to a Baa3. We have notched this up by 2 credit grades to Baa1 to reflect the quite significant impact of the collateral in preventing a claim against the guarantors.

For the PD of Southern Sun Mozambique, we have notched credit grade up by 3 grades from a B3 to a Ba3. There are two factors influencing the higher notching – firstly, the high quality of the collateral compared to the risk of the borrower will have a greater impact on the behaviour of the lender. Secondly, the size of the loans relative to the collateral further reduces the risk. The PD of Southern Sun Mozambique was measured by the Moody's Analytics Emerging Markets model with the country set to Mozambique.

Recognition of financial guarantee liability	6 183	-
Amortisation	(503)	-
Amortised fair value amount	**5 680**	**-**

Reconciliation

The following tables show the movement in the loss allowances for financial guarantee contracts.

Opening balance	14 861	11 855
Derecognition of financial guarantee liability	(14 861)	-
Recognition of financial guarantee liability	6 183	-
Remeasurement	-	3 006
Amortisation*	(503)	-
Closing balance	**5 680**	**14 861**

*Financial guarantees are amortised on a straight-line basis over the life of each guarantee.

Notes to the Annual Financial Statements

	2023 R '000	2022 R '000

16. Loans from group companies

Subsidiaries

	2023 R '000	2022 R '000
Sun 1 Hotels Proprietary Limited	476 428	480 625
Holiday Inns Hotel Corporation Proprietary Limited	17 105	17 105
Vidual Investments Proprietary Limited	22 360	18 163
The Beaufort West Hotel Trust	3 087	3 087
Marseille Trust	3 465	3 465
	522 445	**522 445**

All loans disclosed are unsecured, interest free and are repayable on demand. There were no cash flows during the year.

17. Trade and other payables

	2023 R '000	2022 R '000
Financial instruments:		
Capital expenditure payables	40 000	40 000
Accruals	2 380	3 241
	42 380	**43 241**

Capital expenditure payables include an amount payable on registration of the transfer in the appropriate Deeds Registry of StayEasy Pietermaritzburg into the name of a Southern Sun Group company. The registration is expected to be concluded within the next 12 months.

The carrying amounts of trade and other payables are denominated in SA Rand.

18. Earnings per share

	2023	2022
Basic and diluted earnings per share		
Basic earnings per share - continuing operations (cents per share)	42.97	31.92
Diluted earnings per share - continuing operations (cents per share)	42.27	31.92

Basic earnings per share was based on profits of R 634 381 089 (2022: R 471 931 782) and a weighted average number of ordinary shares of 1 476 384 655 (2022: 1 477 905 694).

Diluted earnings per share is calculated after taking into account the dilutive impact of the shares to be issued on exercise of share appreciation rights that may be exercised in future.

19. Cash used in operations

	2023 R '000	2022 R '000
Profit before taxation	634 382	471 936
Adjustments for:		
Finance costs	-	107
Impairment reversal of investments in subsidiaries	(627 709)	(478 188)
Remeasurement on financial guarantees	(9 181)	3 006
Changes in working capital:		
Decrease in payables	(861)	-
	(3 369)	**(3 139)**

Notes to the Annual Financial Statements

	2023 R '000	2022 R '000

20. Tax paid

	2023 R '000	2022 R '000
Tax liability at 1 April	-	(2 627)
Current tax provided	-	(4)
Tax liability at 31 March	-	-
	-	**(2 631)**

21. Commitments

There are no commitments at year end.

22. Contingencies and guarantees

Refer to note 15 for financial guarantees issued.

23. Related parties

Majority shareholder	Hosken Consolidated Investments Limited
Subsidiaries and associates	Refer to note 8 and 9 for a list of subsidiaries and associates

The company's ultimate majority shareholder is Hosken Consolidated Investments Limited (HCI) (a company listed on the JSE) which, at the balance sheet date, directly and indirectly owned 40.6% (2022: 40.6%) of the company's issued share capital. HCI directly owns 9.1% (2022: 8.7%) and is the majority shareholder of TIHC Investments (RF) Proprietary Limited (TIHC) and TIHC directly owns 28.2% (2022: 28.2%) of Southern Sun Limited. HCI also controls the HCI Foundation which directly owns 3.3% (2022: 3.7%) of the company.

Related party transactions include intergroup loans and interest thereon. Refer to notes 11 and 16 for more detail.

Directors of the company are considered to be key management, refer to note 24 for details in respect of key management compensation.

The company has recognised a financial guarantee contract due to the fact that the company together with other companies in the group provided guarantees for debt securities issued to subsidiaries of Southern Sun Offshore Proprietary Limited as well as borrowings raised in Southern Sun Investments Proprietary Limited. Refer to note 15.

Related party balances

	2023 R '000	2022 R '000
Owing (to) / receivable from related parties		
Southern Sun Hotel Interests Proprietary Limited	20 585	68 009
Sun 1 Hotels Proprietary Limited	(476 428)	(480 625)
Holiday Inns Hotels Corporation Proprietary Limited	(17 105)	(17 105)
Vidual Investments Proprietary Limited	(22 360)	(18 163)
The Beaufort West Hotel Trust	(3 087)	(3 087)
Marseille Trust	(3 465)	(3 465)
	(501 860)	**(454 436)**

Notes to the Annual Financial Statements

24. Directors' emoluments

Directors of the company are considered to be the company's key management personnel. All executive directors remuneration are paid by subsidiary companies. Remuneration and IFRS 2 Share-Based Payments and fees paid to key management during the year by the group are as follows:

Executive

2023

	Basic Remuneration R '000	Benefits R '000	Short term Incentives R '000	Total R '000
MN von Aulock (CEO)	7 678	607	1 704	9 989
L McDonald (CFO)	2 630	474	1 000	4 104
	10 308	**1 081**	**2 704**	**14 093**

2022

	Basic Remuneration R '000	Benefits R '000	Short term Incentives R '000	Total R '000
MN von Aulock (CEO)	6 203	258	-	6 461
L McDonald (CFO)	2 197	166	-	2 363
	8 400	**424**	**-**	**8 824**

Details of unexpired awards granted to executive directors and prescribed officers prior to 1 April 2023 are set out below:

Fair value of SARs – executive directors and prescribed officers

Name	Award date	SARs awarded and still outstanding 2022	Award price R	Strike price R	Fair value of SARs awarded R '000	Vesting date	Expiry date
MN von Aulock	1 October 2018	10 893 353^	4.13	4.03	9 180	30 September 2021	30 September 2024
	13 January 2021	1 142 857	1.49	1.50	819	13 January 2024	13 January 2027
	14 January 2022*	3 302 633	3.03	3.05	3 975	30 September 2024	30 September 2027
	14 January 2022*	3 302 632	3.03	3.05	4 128	30 September 2025	30 September 2027
	14 January 2022*	3 302 632	3.03	3.05	4 266	30 September 2026	30 September 2027
L McDonald	1 April 2018	324 907^	4.62	4.57	231	31 March 2021	31 March 2024
	1 April 2019	1 603 856	4.24	3.99	1 409	31 March 2022	31 March 2025
	13 January 2021	1 142 857	1.49	1.50	819	13 January 2024	13 January 2027
	14 January 2022*	1 651 316	3.03	3.05	1 987	30 September 2024	30 September 2027
	14 January 2022*	1 651 613	3.03	3.05	2 064	30 September 2025	30 September 2027
	14 January 2022*	1 651 316	3.03	3.05	2 133	30 September 2026	30 September 2027
	1 April 2022	1 048 752	3.34	3.45	1 786	31 March 2025	31 March 2028

* SARs awarded on 14 January 2022 vest in three equal tranches on the third, fourth and fifth anniversary from 30 September 2021.
^ SARs vested and still outstanding.

SARs are equity settled and will therefore have a dilutionary impact on shareholders on settlement. Based on the closing share price on 31 March 2023 of R4.30 and the average SSU share price for the 12 months to 31 March 2023 of R4.06, all SARs that have a dilutionary impact have been taken into account for the calculation of the diluted headline and diluted adjusted headline profit and the diluted number of weighted average shares. Between December 2022 and June 2023, the company has repurchased 99 million ordinary shares which will be used to settle LTI obligations to participants.

Notes to the Annual Financial Statements

24. Directors' emoluments (continued)

Non-executive

Directors' fees - paid by the company

	2023 R '000	2022 R '000
JA Copelyn (Chairman)	436	339
MH Ahmed (Lead Independent)	495	413
JR Nicolella	282	223
SC Gina	381	317
ML Molefi	394	322
JG Ngcobo	394	322
CC September	294	228
	2 676	**2 164**

25. Going concern

The annual financial statements are prepared on the going-concern basis. Based on the cash flow forecasts and available cash resources, management believes that the company has sufficient resources to continue operations as a going concern in a responsible and sustainable manner. Refer to note 3 for further details. The board of directors of the company has assessed the cash flow forecasts and is of the view that the company has sufficient liquidity to meet its obligations over the next 12 months.

As at 31 March 2023, the company has net cash and cash equivalents of R1 million (2022: R1 million). This liquidity risk is mitigated by the company's access to sufficient internal funding and cash reserves of the subsidiaries to meet its obligations as they become due. The majority of the current liability balance is balances with subsidiaries, whom are unlikely to call on the loans within the next 12 months.

The current liabilities exceed the current assets by R545 million (2022: R507 million). Included in current liabilities of R571 million (2022: R581 million), are loans from subsidiary companies of R522 million (2022: R522 million), if required, the company is in a position to obtain support from the group to settle these liabilities.

26. Events after the reporting period

The company announced on SENS that in accordance with the general authority granted by shareholders at the company’s annual general meeting held on Tuesday, 20 September 2022, Southern Sun has cumulatively, between 31 May 2023 and 22 June 2023, repurchased 89 436 049 ordinary shares, representing 6.1% of the company’s issued share capital at an average price of R4.33. Following the repurchase, the remaining general authority is for 196 145 090 shares, representing 13.3% of the total issued share capital at the time the authority was granted. The aggregate value of the repurchased shares is R387 million.

The directors are not aware of any other matter or circumstance arising since the balance sheet date and the date of this report other than the matters disclosed above and elsewhere in the annual financial statements.

Analysis of shareholding

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 - 1 000	17 549	87.61	1 515 800	0.10
1 001 - 10 000	1 534	7.66	5 358 573	0.36
10 001 - 100 000	493	2.46	16 782 078	1.14
100 001 - 1 000 000	309	1.54	108 474 770	7.34
Over 1 000 000	147	0.73	1 345 774 473	91.06
Total	**20 032**	**100.00**	**1 477 905 694**	**100.00**

Distribution of shareholders	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Assurance companies	31	0.15	45 213 684	3.06
Close corporations	26	0.13	1 314 966	0.09
Collective investment schemes	167	0.83	470 018 897	31.80
Control accounts	2	0.01	52	-
Custodians	17	0.09	3 462 193	0.23
Foundations and charitable funds	38	0.19	58 496 981	3.96
Hedge funds	9	0.05	22 151 189	1.50
Insurance companies	5	0.03	6 879 132	0.47
Investment partnerships	19	0.10	151 481	0.01
Managed funds	19	0.10	2 963 509	0.20
Medical aid funds	14	0.07	8 219 112	0.56
Organs of state	3	0.02	10 858 282	0.73
Private companies	113	0.56	482 834 954	32.67
Public companies	7	0.03	138 749 406	9.39
Public entities	1	-	270 297	0.02
Retail shareholders	18 941	94.55	35 817 600	2.42
Retirement benefit funds	465	2.32	147 457 386	9.98
Scrip lending	4	0.02	3 249 882	0.22
Share schemes	1	-	583 857	0.04
Sovereign funds	1	-	22 742 523	1.54
Stockbrokers and nominees	19	0.10	5 896 621	0.40
Trusts	125	0.62	10 573 089	0.72
Unclaimed scrip	5	0.03	601	-
Total	**20 032**	**100.00**	**1 477 905 694**	**100.00**

* In terms of section 56(3)(a) and (b) and section 56(5)(a), (b) and (c) of the Companies Act, foreign disclosures have been incorporated into this analysis (increasing the number of shareholdings).

Shareholder type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
> 10% HCI and its subsidiaries	4	0.02	600 008 966	40.60
Directors and associates	7	0.03	22 423 590	1.52
Public shareholders	20 021	99.95	855 473 138	57.88
Total	**20 032**	**100.00**	**1 477 905 694**	**100.00**

Fund managers with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Coronation Fund Managers	307 850 674	20.83
Allan Gray	210 534 901	14.25
PSG Asset Management	58 231 160	3.94
Total	**576 616 735**	**39.02**

Analysis of shareholding

Beneficial shareholders with a holding greater than 3% of the issued shares	Numbers of shares	% of issued capital
TIHC Investments (RF) Proprietary Limited	415 182 027	28.09
Coronation Fund Managers	159 712 211	10.81
Allan Gray	150 644 244	10.19
Hosken Consolidated Investments Limited	134 855 159	9.12
PSG Asset Management	58 226 160	3.94
HCI Foundation	48 118 289	3.26
Total	**966 738 090**	**65.41**

	Number of shareholdings
Total number of shareholdings	20 032
Total number of shares in issue	1 477 905 694
Share price performance	
Opening price 1 April 2022	R3.38
Closing price 31 March 2023	R4.30
Closing high for period	R5.05
Closing low for period	R3.10
Number of shares in issue	1 477 905 694
Volume traded during period	145 271 382
Ratio of volume traded to shares issued	9.83%
Rand value traded during the period	R590 429 697
Price/earnings ratio as at 31 March 2023	16.93
Earnings yield as at 31 March 2023	5.91
Dividends yield as at 31 March 2023	-
Market capitalisation as at 31 March 2023	R6 354 994 484

Directors' interests at 31 March 2023

	Direct beneficial	Indirect beneficial (1)	Associates	Total
Executive directors				
MN von Aulock	-	6 677 831	-	6 677 831
L McDonald	46 377	260 188	-	306 565
Non-executive directors				
JA Copelyn	-	14 855 338	-	14 855 338
JR Nicolella	-	-	59 479	59 479
Total	**46 377**	**21 793 357**	**59 479**	**21 899 213**

Directors' interests at 31 March 2022

	Direct beneficial	Indirect beneficial (1)	Associates	Total
Executive directors				
MN von Aulock	-	5 590 903	-	5 590 903
L McDonald	46 377	260 188	-	306 565
Non-executive directors				
JA Copelyn	-	14 855 338	-	14 855 338
JR Nicolella	-	-	59 479	59 479
Total	**46 377**	**20 706 429**	**59 479**	**20 812 285**

Please refer to note 2 below for changes in the above directors' interests subsequent to year end and the date of approval of the annual financial statements.

1) Certain directors are nominees of HCI and they (or their associates) may have an indirect interest in the company as a result of those interests held in HCI.

Analysis of shareholding

As announced on SENS, the following director increased his indirect beneficial shareholding in the company subsequent to year end:

	Date	Indirect beneficial
2) Executive directors		
MN von Aulock	13 July 2023	59 414
	14 July 2023	106 348