Southern Sun

INTEGRATED ANNUAL REPORT 2023

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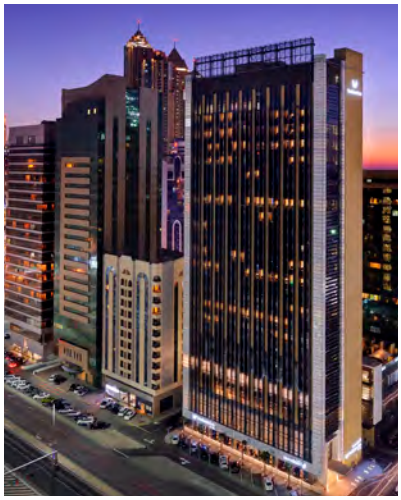
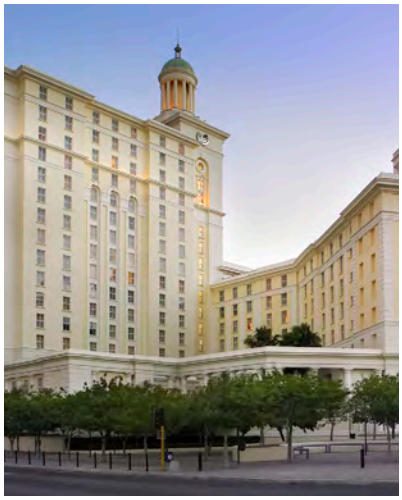
Icons for further digital information within the report:

Further relevant reading within this report

Find more detailed information on our website relating to Southern Sun and our integrated annual report





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Integrated governance

Social platforms via other media:

Like our Facebook page to connect with Southern Sun on a regular basis www.facebook.com/southernsunhotels

Link to our Twitter account to follow the latest news regarding Southern Sun www.twitter.com/southernsungrp

View Southern Sun's images on Instagram www.instagram.com/southernsunhotels

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Consolidated annual financial statements

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Shareholder information

www.southernsun.com

ABOUT THIS REPORT

REPORTING APPROACH

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

The financial and other information has been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), the South African Companies Act, 71 of 2008 (Companies Act), the JSE Limited (JSE) Listings Requirements, the King Report on Corporate Governance™ for South Africa, 2016 (King IV)[1] and the International Integrated Reporting Council's (IIRC) International <IR> Framework as applicable.

The group is continuously considering methods of improving its combined assurance model. Assurance for elements of this integrated annual report was provided through a combination of external and internal sources, in line with King IV and guidance from the IIRC. At this stage, external assurance is obtained as follows:

Assured element	Assurance provided	Assurance provider
Consolidated financial statements	External audit	PricewaterhouseCoopers Inc. (PwC)
Broad-Based Black Economic Empowerment (B-BBEE) level 1 contributor status	Verification	Empowerdex Proprietary Limited
Internal audit	Internal controls	GRiPP Advisory Proprietary Limited
Information Technology	Cyber security maturity	Performanta South Africa Proprietary Limited

SCOPE AND BOUNDARIES

The contents of this report relate to Southern Sun (Southern Sun or the company) and its subsidiaries (the group) for the 2023 financial year and beyond. This report covers Southern Sun's performance for the year ended 31 March 2023 compared to the prior year ended 31 March 2022. The matters included address material issues for the group (Southern Sun and its subsidiaries), associates and joint ventures.

The process we utilised in determining and applying materiality is included on page 35 of the report.

Non-financial disclosures, except for environmental disclosures, focus on the South African operations, which generate 91% of our income.

The scope and boundaries of environmental disclosures are defined on page 45.

REPORTING SUITE

Our integrated annual report has been prepared to provide our target audience with a holistic and transparent view of our business model and strategy.

More detailed information is also contained in our supplementary reporting suite, accessible on www.southernsun.com/investors.

BOARD APPROVAL

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

John Copelyn
Chairman

Marcel von Aulock
Chief Executive Officer (CEO)

28 July 2023

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GROUP OVERVIEW

OUR VISION

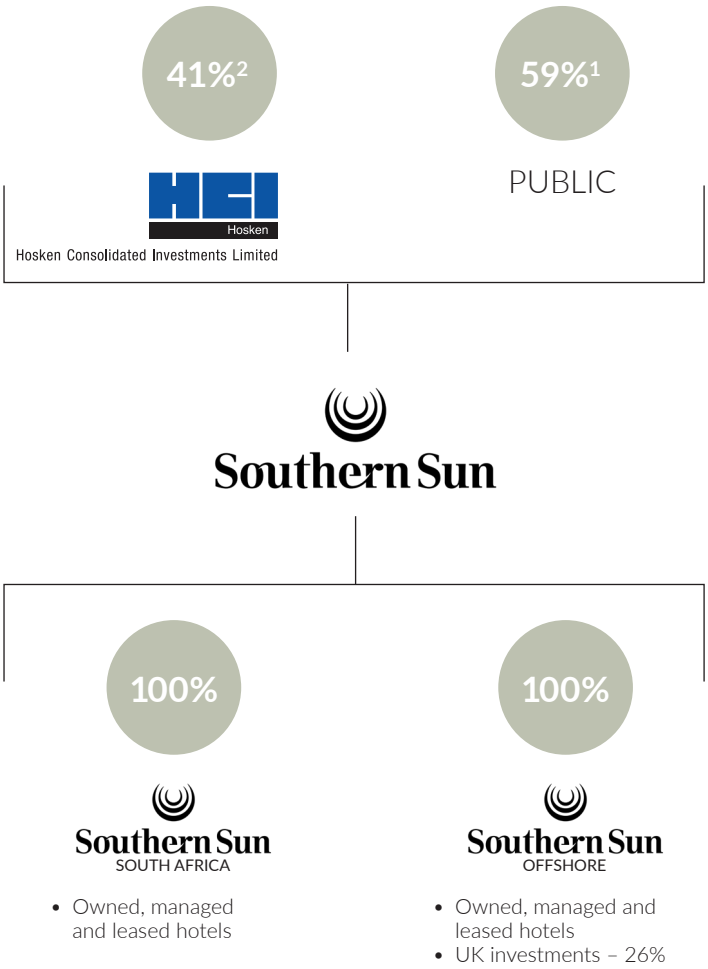
OUR VISION IS TO BE THE LEADING HOSPITALITY GROUP IN SOUTHERN AFRICA BY CREATING EXCEPTIONAL EXPERIENCES AT EVERY ONE OF OUR DISTINCTIVE DESTINATIONS.

WHO WE ARE

With over 50 years of excellence providing a home away from home, Southern Sun has earned the trust of our guests, who find exceptional quality and service with flair at every one of our distinctive destinations. From functional to luxurious and from exciting to relaxing, Southern Sun offers a brand and a service to suit every traveller's needs.

Comprising an extensive collection of over 90 hotels and resorts in South Africa, Africa, the Seychelles and the Middle East, a wide selection of restaurants and bars, and strategically located conference and banqueting facilities, Southern Sun provides exceptional hospitality products of unparalleled variety and scale.

OUR GROUP STRUCTURE



[1] *Includes directors and associates that own 1.5% of the company's total issued capital.*
[2] *Southern Sun repurchased a further 89 million of its own shares on the open market, subsequent to year end, resulting in HCI's interest in the company increasing to 43.5% net of treasury shares.*

OUR OWNERS

Our key shareholder at 31 March 2023 was Hosken Consolidated Investments Limited (HCI), a JSE-listed investment holding company that directly and indirectly owned 40.6% of the total issued share capital of the company, including treasury shares.

The HCI shareholding is of particular importance to the group as it provides the bulk of the 59.9% effective black ownership. Our empowerment ownership is an important part of our transformation agenda and a factor considered by government and other public bodies in awarding contracts. Furthermore, our empowerment ownership may influence relationships with customers or suppliers as it contributes to their Broad-Based Black Economic Empowerment (B-BBEE) status.

JOINT STATEMENT FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

OPERATIONS

The 2023 financial year began with a great deal of uncertainty. The recovery in trading volumes post the Covid-19 pandemic, which first started gaining momentum in FY22 Q3 but was brought to a sudden halt by the impact of the discovery of the Omicron variant and the subsequent *red listing* of South Africa in FY22 Q4. While the *red listing* was lifted quite quickly, the damage to that summer season was done. Fortunately, although FY23 Q1 was subdued, the balance of the year resumed the path to recovery and ended up surpassing all expectations, particularly in the second half of the year. Overall occupancy of 51.5% for the year is the result of FY23H1 occupancy at just over 46% and FY24H2 occupancy at just under 57%. Due to the group's high level of operational gearing, the second half consequently produced much higher profitability and pleasingly adjusted HEPS for the year, which at 30cps is above the pre-Covid adjusted HEPS of 26cps, albeit that the month of March 2020 was already heavily impacted by the pandemic.

Following the implementation of the separation agreement with TSG, reported on in the prior year, the level of third-party management fees is less material to the group and 81 of our 95 hotels are now operated for our own account and the balance for external owners. This has given us the opportunity to revisit our segmental reporting and we now show regional revenue and profitability by province with the smaller provinces aggregated and Africa, the Sandton Consortium and the hotels we lease to external parties still disclosed separately.

This new disclosure reveals that all regions performed substantially better than the prior year as the recovery was experienced across the board. The Western Cape is the group's largest region in terms of Ebitdar and has experienced a strong recovery in international inbound tourism and event-related visitors. KwaZulu-Natal continued to perform well on the back of local travel, eventing and government-related business, a trend also seen in the Mpumalanga, Eastern Cape, Northern Cape, Free State and Limpopo provinces. Gauteng has recovered well relative to FY22 but certain hotels in outer Sandton and Rosebank are still well below pre-Covid-19 levels as new supply and a general lack of corporate travel is experienced.

In all regions the group has maintained the cost efficiency brought about by the substantial restructuring over the last two years and Ebitdar of R1 436 million was above the R1 352 million reported for FY20 despite occupancy being some 8 percentage points lower compared to FY20.

Left: John Copelyn, *Non-executive Chairman*
Right: Marcel von Aulock, *Chief Executive Officer*

SOUTHERN SUN HAS AN IRREPLACEABLE PORTFOLIO OF HOTELS ACROSS THE COUNTRY. OUR CURRENT ENTERPRISE VALUE (MARKET CAPITALISATION PLUS NET DEBT) REPRESENTS A SUBSTANTIAL DISCOUNT TO THE FAIR MARKET VALUE OF OUR PROPERTIES AND AN EVEN GREATER DISCOUNT TO THEIR REPLACEMENT VALUE. IN ADDITION TO MAINTAINING THE EFFICIENCIES WE HAVE ACHIEVED, THE GROUP HAS ADOPTED A MORE INWARD FOCUSED STRATEGY AND WILL BE LARGELY ALLOCATING AVAILABLE CAPITAL, BOTH FINANCIAL AND HUMAN, TO OUR EXISTING PORTFOLIO.

During FY23, the group has implemented two transactions previously reported to shareholders which has resulted in an aggregate reduction in the group's gearing levels by R947 million, strengthening the balance sheet and positioning the group to maximise benefits from the recovery in trading.

The first of these transactions is the implementation of the transaction with TSG, referred to above, on 30 September 2022 which culminated in the termination of the various management and licensing agreements in respect of 15 hotels owned by TSG, the acquisition by the group of the Southern Sun Mbombela and StayEasy Mbombela hotels and related assets and net cash proceeds to the group of R257 million.

As part of the approvals required to implement the TSG transaction, shareholders also approved the group's name change to Southern Sun, the final step in our rebranding process. Southern Sun is a well-known brand with more than 50 years of heritage and, having navigated the worst of the pandemic, the transaction with TSG presented the ideal opportunity to re-establish ourselves as the leading hospitality group in southern Africa and create excitement and optimism among our employees, suppliers and guests, all of whom continue to support us and have embraced the rebranding as a natural fit for the group.

The second transaction was the disposal of the group's Southern Sun Ikoyi hotel in Ikoyi, Nigeria to Kasada for US$32 million and the assumption by the buyer of US$11 million net debt in country. A portion of the proceeds was used to settle the remaining US$7 million debt that the group had in Mauritius and the balance was repatriated to South Africa and used to settle local debt.

These transactions combined with better than expected trading, resulted in a year-end net debt position of some R1.3 billion, significantly down from R3.3 billion at the start of the pandemic. The group's debt package has been favourably refinanced and all covenants normalised.

Trading volumes are expected to continue to recover and we are focusing on yielding rate where possible, while still ensuring we offer great value to our customers. The challenges we face are numerous and well documented, including load shedding and the cost of diesel, high interest rates, poor business confidence and large-scale municipal dysfunctionality across the country.

However the FY24 calendar has a number of large events including the upcoming BRICS summit in Johannesburg, multiple sporting events from the Netball World Cup, club and test rugby, to the world table tennis championship and the second ePrix scheduled to return to Cape Town. International visitors are showing good demand for the summer season and South Africa continues to be a popular destination for the European and US market, and so despite the challenges we remain optimistic for the year.

Southern Sun has an irreplaceable portfolio of hotels across the country. Our current enterprise value (market capitalisation plus net debt) represents a substantial discount to the fair market value of our properties and an even greater discount to their replacement value. In addition to maintaining the efficiencies we have achieved, the group has adopted a more inward focused strategy and will be largely allocating available capital, both financial and human, to our existing portfolio.

We are planning a number of refurbishments and product refreshments over the next few years to ensure our product remains best in class and supports our desire to drive above-inflationary rate increases.

Some highlights include:

- The bedroom refurbishment at the Southern Sun Rosebank to align with the look-and-feel of the refurbished lobby which was launched as part of the hotel's rebranding to a Southern Sun in February 2020
- The refurbishment of the bedrooms and corridors at the Southern Sun Sandton (recently rebranded from Holiday Inn) following the restaurant upgrade and the introduction of a higher level suite offering
- A substantial upgrade of the conference areas, corridors, bedrooms and lobby area of the Southern Sun Cullinan, our flagship hotel in the brand as well as the extension of the pool deck, and
- Mock-ups and design work for refurbishment at Southern Sun Bloemfontein, Southern Sun Mbombela and Southern Sun Newlands, among others.

This physical investment is supported by a focus on service delivery in all hotels across all departments, where the people of Southern Sun follow the commitments to customers, suppliers and colleagues to be consistent, be present and show respect. We continue to invest in training and development programmes across all levels of the business.

In addition to investing in our physical product we have taken advantage of the discount at which we trade, to invest in our business and have cumulatively repurchased just under 100 million ordinary shares representing some 6.7% of the company's issued share capital for a total investment of some R430 million.

APPRECIATION

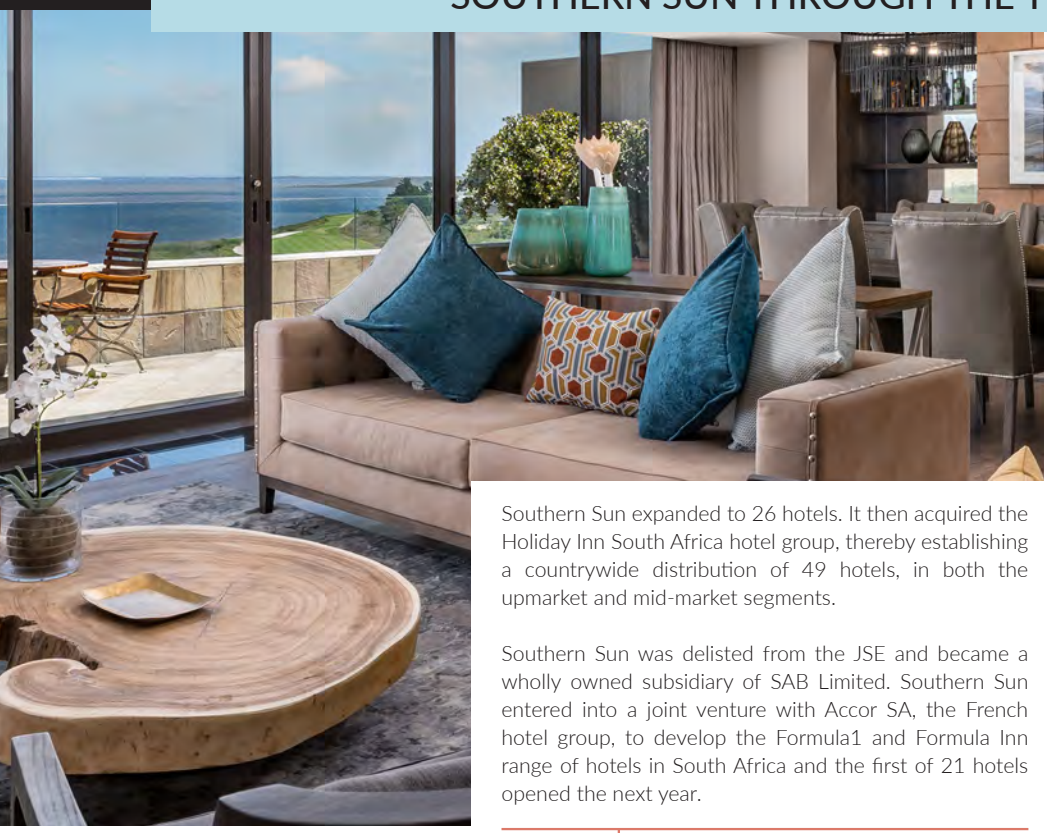
Our sincere gratitude goes to the people of Southern Sun for their continued support and dedication to our values. We also want to thank the group's stakeholders and financiers for their support during the last few difficult years and through the recovery.

John Copelyn
Non-executive Chairman

Marcel von Aulock
Chief Executive Officer

THROUGH THE YEARS

SOUTHERN SUN THROUGH THE YEARS



1969 to 1983

South African Breweries Limited (SAB Limited) and hotelier, Sol Kerzner, partnered to create Southern Sun Hotels (Southern Sun), the largest hotel group in the southern hemisphere at the time. Southern Sun commenced operations with six hotels, including the iconic Beverly Hills Hotel in uMhlanga Rocks, Durban, and was subsequently involved in the development of many of the most prestigious hotels of the era, including the Cape Sun, Sandton Sun and Sun City. Southern Sun expanded through the acquisition and development of hotels in South Africa and neighbouring countries, throughout the 1970s and early 1980s.

The casino interests of Southern Sun, including the newly built Sun City operations, were separated from its hotel business into what later became Sun International. Southern Sun retained the South African hotel operations during a difficult time for the hotel industry in South Africa as international sanctions against the apartheid government resulted in a severe contraction in demand.

1983 to 1994

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

Southern Sun was delisted from the JSE and became a wholly owned subsidiary of SAB Limited. Southern Sun entered into a joint venture with Accor SA, the French hotel group, to develop the Formula1 and Formula Inn range of hotels in South Africa and the first of 21 hotels opened the next year.

1994 to 1999

Southern Sun acquired a 50% interest in a consortium with Liberty called The Cullinan, which owned three hotels.

Southern Sun formed a joint venture with a consortium of B-BBEE investors to form Tsogo Sun, to pursue casino licence opportunities afforded through the enactment of the National Gambling Act which regulated gambling activities and promoted uniform standards in relation to gambling in South Africa. Early success saw the Tsogo Sun Group awarded casino licences in Mpumalanga (Emnotweni Casino in Mbombela and The Ridge Casino in Emalahleni) and most importantly the Montecasino licence in Fourways, Johannesburg. These were followed by the successful applications for Suncoast Casino in Durban and Hemingways Casino in East London.

The Tsogo Sun Group expanded its hotel operations into the rest of Africa.

2003 to 2011

The Tsogo Sun Group entered into a landmark empowerment deal, through which the hotel and casino businesses were housed under one entity owned 51% by an empowerment consortium and 49% by SABMiller plc. Through a series of transactions and acquisitions, HCI acquired the various empowerment shareholders' interests in Tsogo Sun and remains a key shareholder of Southern Sun.

Tsogo Sun acquired Century Casinos' operations in Caledon and Newcastle and in 2011 it acquired the Gold Reef Resorts portfolio, which consisted of seven casinos in South Africa, via a reverse listing.

2012 to 2018

This period saw the acquisition of a controlling stake in Hospitality Property Fund Limited (Hospitality), through the injection of 10 hotel properties into Hospitality in an asset-for-share transaction. This stake was increased in 2017 through the addition of 29 hotel properties to Hospitality for a combination of shares and cash.

Tsogo Sun acquired 26% of International Hotel Properties Limited (IHPL), a hotel-owning company in the United Kingdom.

Tsogo Sun acquired the remaining 53% of the joint venture owning and operating Formula1 hotels in South Africa from Accor SA and rebranded these properties as SUN1 hotels. This period also saw the group acquire an additional 10% interest in The Cullinan with that entity acquiring five hotels from Liberty that were previously managed by the Tsogo Sun Group, bringing the number of hotel properties in Cullinan to eight. In addition, Tsogo Sun acquired Southern Sun Hyde Park and The Grace in Rosebank (rebranded to 54 on Bath) hotels from Hyprop.

Offshore, Tsogo Sun acquired 75.5% of Ikoyi Hotels Limited which owned Southern Sun Ikoyi Hotel in Lagos, Nigeria, as well as a 25% interest in RBH Hotel Group Limited (RBH), a leading hotel management company in the United Kingdom.

In July 2014, SABMiller plc exited from its long-term 39.6% shareholding in Tsogo Sun through a fully marketed secondary placement.

2019

In 2019, the group celebrated its 50th anniversary and on 12 June 2019, the hotel business was unbundled by Tsogo Sun, culminating in the separate listing of Tsogo Sun Hotels on the main board of the JSE.

2020 to 2021

Covid-19, a black swan event never before experienced in the long history of the group, resulted in the deactivation of the vast majority of the group's hotels in order to protect the health of our guests and employees.

The group successfully concluded the acquisition of 100% of Hospitality's ordinary shares in exchange for the issue of 1.77 TGO shares for every 1 HPB share and Hospitality subsequently delisted from the JSE as an equity issuer and ceased to trade as a Real Estate Investment Trust (REIT). In addition, the group disposed of its 50% interest in the Maia Luxury Resort & Spa for aggregate proceeds of R467 million.

The group continued to successfully weather multiple waves of Covid-19 with the support of its lenders, employees, trading partners, suppliers, tenants and landlords, and loyal guests.

The group concludes agreements with the Tsogo Sun Gaming group to terminate the various management and licensing agreements between them and to acquire the Southern Sun Emnotweni and the StayEasy Emnotweni from the Tsogo Sun Gaming group.

The group concludes an agreement to dispose of its interest in Southern Sun Ikoyi in Nigeria.

The group successfully rebrands to Southern Sun.

2021 to 2022

The group successfully rebrands the InterContinental hotel in Sandton to Sandton Towers and positions it together with the Sandton Sun as the Sandton Sun & Towers; the Holiday Inn Sandton is also rebranded to Southern Sun Sandton, introducing a new era of hospitality in the city. The group converts SunSquare Gardens into a pet friendly hotel and launches SunPet.

Local and international travel patterns normalise and trading levels continue to recover post Covid-19. Large scale exhibitions like Meetings Africa and Africa's Travel Indaba are held for the first time since 2019, and the group is the Official Hotel Partner to the Rugby World Cup Sevens, as international sporting events return to South African shores.

2022 to 2023

STRATEGY AND PERFORMANCE REVIEW

HOW WE CREATE LONG-TERM SUSTAINABLE VALUE

SUSTAINABILITY

OUR STRATEGIC OBJECTIVES ARE

GROWTH

The five key pillars of our sustainability include

DELIVER TO OUR BENEFICIARIES

Sharing value with our beneficiaries is a critical part of maintaining our social licence to operate

- **Level 1** (2022: Level 1) B-BBEE contributor
- Black ownership **60%** (2022: 62%)
- **R2.8 billion** (2022: R1.8 billion) value added to black economic empowered businesses and government
- **45** (2022: 67) beneficiaries supported through the Southern Sun Entrepreneurs programme.

FINANCIAL STRENGTH AND DURABILITY

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

- Non-declaration of dividends
- Reducing debt levels to **R1.3 billion** (2022: R2.8 billion)
- Maintaining cost efficiencies
- Managing liquidity
- Unutilised facilities plus cash of **R1.6 billion** (2022: R2.0 billion)
- **3.2** (2022: 2.3) years weighted average expiry of debt facilities
- **99%** (2022: 57%) of the group's net debt is hedged.

PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE

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

- **16 942*** (2022: 18 783) hotel rooms across all market segments
- **82%** (2022: 84%) hotel guest satisfaction.

REGULATORY COMPLIANCE

As a multinational business, the group is subject to a wide range of legislation and compliance is critical to our reputation and sustained profitability

- No significant regulation breaches.

SKILLED HUMAN RESOURCES

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

- **5 874** (2022: 5 998) direct employees
- **94%** (2022: 94%) of employees are African, Coloured and Indian and **56%** (2022: 56%) are women.

* *Excludes the Southern Sun Ikoyi hotel as well as the rooms of 15 hotels owned by TSG where the management and franchise agreements were cancelled following the conclusion of the Separation agreement between Southern Sun and TSG.*

A COMPANY HAS TO STAY IN BUSINESS TO BE ABLE TO TAKE ADVANTAGE OF THE COMMERCIAL OPPORTUNITIES THAT ARE PRESENTED TO IT.

GROWTH

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

ORGANIC GROWTH

Optimal operation of the group's capitals generates growth in cash flow and thus value	2023[1]	2022[1]
Income (Rm)	**5 081***	2 708
Ebitdar (Rm)	**1 436**	590
Ebitdar margin (%)	**28***	22
Adjusted headline profit/(loss) per share (cents)	**30.0**	(8.0)
Free cash flow (Rm)	**753**	223
Maintenance capital expenditure (Rm)	**104**	43

[1] *Includes discontinued operations*
* *Excludes the Separation payment*

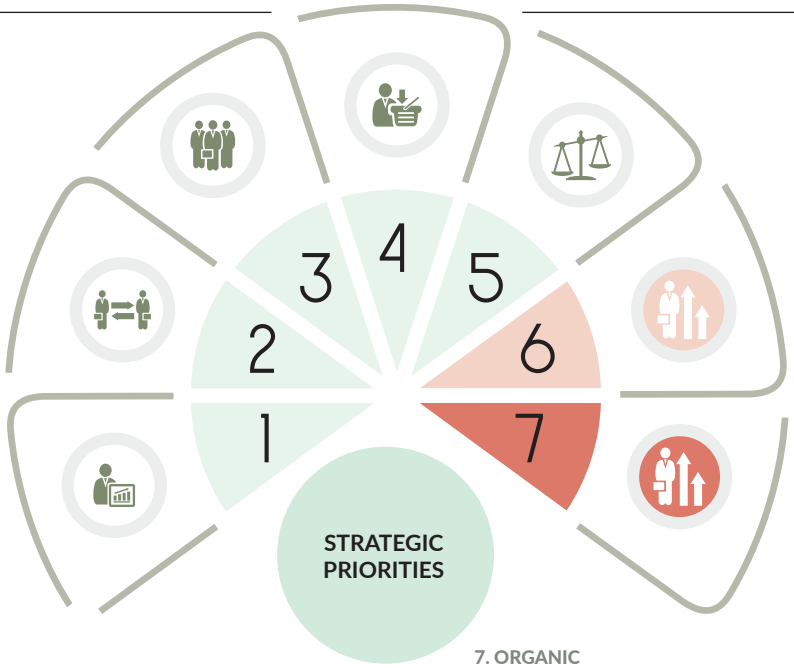
INORGANIC GROWTH

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

- Acquisition of 5 sectional title units at The Radisson Blu Waterfront Hotel
- Acquisition of StayEasy Mbombela and Southern Sun Mbombela

STRATEGIC PRIORITIES AND GROWTH DRIVERS

SUSTAINABILITY



3. SKILLED HUMAN RESOURCES

- Adequate resources and skills
- Engaged workforce

2. DELIVER TO OUR BENEFICIARIES

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

1. FINANCIAL STRENGTH AND DURABILITY

- Judicious use of gearing and adequate facilities
- Own most of our assets due to our 100% ownership of Hospitality

4. PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE

- Adequate maintenance capex
- Strong development skills in-house
- Proactive marketing of products and brands
- Management of booking channels
- Rebranding of hotels to Southern Sun's collection of brands

5. REGULATORY COMPLIANCE

- Compliance is part of our corporate culture
- Compliance is viewed as a necessary investment and not an unavoidable cost

7. ORGANIC

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

6. INORGANIC

- New projects/acquisitions

GROWTH

GROWTH DRIVERS

ECONOMIC RECOVERY

- Growth in revenue per available room (Revpar) as economy improves through higher occupancies and the resultant rate increase and yielding opportunities
- Focus on costs to protect margins

ECONOMIC CYCLE

- Hospitality industry's economic cycle is generally closely tied to the macroeconomic cycle
- Cyclical and seasonal nature of the business links into the macroeconomic environment and key analytics on trends remain crucial to support investment decisions

PORTFOLIO MANAGEMENT

- Hotel operations require specialist expertise and are highly management and labour intensive
- A constant focus on improvement and development for each hotel is necessary in order to maintain products that are relevant to their markets

LOCATION

- Hotels, restaurants and conference facilities in prime locations, where visibility and accessibility to major business hubs or points of leisure interest are important demand drivers

INVESTMENT IN SOUTH AFRICAN HOTELS

- Property acquisitions
- Management contracts in South Africa

EXPANSION IN OFFSHORE HOTELS

- Management contracts in Africa and the Middle East
- Investment in UK management company

CAPITAL CAPACITY

- Maintain an appropriate weighting of debt and equity. Balance cash requirements for reinvestment with shareholders' expectations for dividends
- Ensure sufficient flexibility to adapt to prevailing economic conditions in order to maintain and improve the portfolio

BUSINESS MODEL

OUR CAPITALS – RESOURCES AND RELATIONSHIPS

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

THE CAPITALS THAT GENERATE THESE CASH FLOWS INCLUDE:

- Our **hotel real estate** together with our employees who provide guests with our signature hospitality experience.
- **Our intangible capitals such as licences, brands, trademarks, technology and systems,** which provide seamless delivery of experiences.
- Our financial resources to pursue **growth opportunities.**
- Our **quality and strong relationships** with key stakeholders.

Capitals	Utilisation of the capitals	Strategic objective	Page
Manufactured	Significant focus is placed on the quality of the facilities and experiences offered at each of our hotels. To remain relevant, a variety of quality experiences must be provided at appropriate price points across all market segments. Our hotels have a wide geographic distribution that is key to the group's competitive advantage. We have continuously invested in developing and maintaining our properties to keep them relevant and fresh.	Product relevance to customer experience Growth	50
Natural	Our utilisation of natural capital is predominantly driven by our requirement for optimally located properties upon which we have instituted property-specific environmental management systems focused mainly on energy, water, waste management and responsible procurement.	Deliver to our beneficiaries	43
Human	People are at the core of delivering the Southern Sun experience, both front and back of house. A pool of qualified, trained and talented people is required to deliver these experiences, supported by empowered management and relevant support services. Employee development and engagement remain focus areas to ensure we attract and retain the highest-calibre people to drive our strategy.	Skilled human resources	55
Intellectual	Our brands underpin the quality experiences of our customers. We are consistently striving to innovate our physical product, technology, accessibility and brands to remain relevant to our customers. Our intellectual capital is largely driven by our people, processes and systems, market intelligence and specialist business partners.	Product relevance to customer experience Regulatory compliance	50
Financial	Our ability to generate cash flows as well as access to well-priced debt and equity funding determines our ability to fund organic and inorganic growth.	Financial strength and durability	48
Social and relationship	The quality and strength of relationships with our key stakeholders are vital to the long-term sustainability of Southern Sun. Building trust and credibility with our key stakeholders is crucial to retaining our social and regulatory licence to operate.	Deliver to our beneficiaries Regulatory compliance	43

Execution of a robust and adaptable strategy, informed by and responding to material risks and opportunities will lead to optimal utilisation of capitals and generation of cash flows and ultimately, value.

Our **strategy in action** section provides more insight into our performance and outlook as well as how our capitals are deployed in our strategy and business model to generate and sustain value in the long term.

BUSINESS MODEL
continued

OPERATING MODEL

KEY FEATURES

The group owns, leases and manages hotels in South Africa, sub-Saharan Africa, the Seychelles and United Arab Emirates.

PORTFOLIO PHILOSOPHY

There are five key elements to our business, which can be represented as follows:

Southern Sun

REAL ESTATE

- 1 LAND
- 2 BUILDINGS

MANAGEMENT OF HOTEL OPERATIONS

- 3 OPERATIONS
- 4 MANAGEMENT

BRANDS

- 5

REAL ESTATE

Southern Sun owns **76 hotels** in South Africa and a further five offshore.

- 1 LAND
- 2 BUILDINGS

76 HOTELS

- **70** Managed by the group
- **6** Managed by external operators including Marriott and Radisson

SOUTH AFRICA

5 HOTELS

- **5** Managed by the group

OFFSHORE

With 85% of our hotel real estate owned either through freehold or leasehold title, we prefer the *asset-heavy* hotel model as it provides strategic advantage of scale in South Africa. This model allows the group to retain control over its assets, thereby ensuring security of tenure and resilience through economic cycles. While this model is more capital intensive, it allows for greater returns on effort.

MANAGEMENT OF HOTEL OPERATIONS

3
OPERATIONS

4
MANAGEMENT

14
HOTELS

Managed for third parties

The group manages operations for both South African and offshore third parties as this is a low-risk option to enter new markets and to operate hotels as a franchisee where necessary due to brand differentiation requirements. However, the group does not act as a franchisor of its brands. In addition, the offshore division seeks to access new hotel opportunities either through management contracts or new builds (on its own or via joint ventures), primarily within its existing operating markets.

The majority of Southern Sun's occupancy depends on the transient traveller, government, corporates, sporting events, and group and convention markets. Relationships with key customers and travel intermediaries, and access to the correct distribution networks, are critical in driving both occupancies and average room rates throughout the group.

Hotel operations are managed via six operational departments, five of which are regionally based and one which is brand focused. The regional departments are Cape, KwaZulu-Natal, central northern, eastern northern and offshore (Africa, Seychelles and Middle East), while resorts (mostly timeshare) has a brand-based office due to its unique product offering.

In South Africa, the group will only manage operations for third parties if they are strategically important (due to partner requirements or location) and where there is no option to own.

KEY CENTRALISED SERVICES

The regional and brand management teams are supported by key centralised services which aim to ensure the hotels have access to the required expertise at the most efficient cost structure. These key centralised services include:

Accounting
Central accounting services both for the organisation as a whole, which operates under SAP, and activities such as centralised payroll, debtors, creditors and cash book, tax, procurement and management information systems.

Brands, Marketing and eCommerce
The Brands function is the centralised custodian of the group's family of brands including its architecture and strategy, brand assets, brand standards and customer experience, ensuring that our brand promise is delivered by the hotels. Marketing is aligned with the brand strategy and group objectives and includes core promotions such as the SunBreaks and TravelSmart campaigns, seasonal and individual hotel special offers, targeted advertising and sales support. The group's partnerships, public relations, and social media presence are all centralised and aligned with Brands and Marketing to ensure consistent messaging and appropriate management of the group's communications. eCommerce includes central reservations, website and channel management, all of which are provided across the group, ensuring that the hotels have access to the necessary booking channels, global distribution systems and sales channels at competitive costs. Customer relationship management includes the group's frequentGuest rewards programme. 30% of the group's rooms' revenue is generated from frequentGuest members who demonstrate their loyalty to our brands and recognise the value of SunRands offered to them through their membership.

Sales and Revenue
A centralised sales team focuses on direct sales to existing key and potential new accounts. These involve account management and product training for larger customers including sports bodies, government, state-owned entities, conference organisers and corporate clients. The long-standing relationships we have developed with organisations such as the South African Rugby Union, stem from our ability to handle complex travel requirements countrywide, during normal season and extraordinary tournament periods. Our revenue management team supports the sales team, providing a more cohesive outlook towards top-line generation, particularly contracted and negotiated revenue streams, which make up a material portion of our business. Closing the deal will always be a fine balancing act between price and volume.

Information Technology
IT services include sourcing and maintaining appropriate operating systems such as reservations, property management, sales and catering and the human resource management system (including payroll). These services also include procurement and support of hardware including physical and virtual private branch exchanges (PABXs), personal computer requirements, networking of hotel systems and WiFi infrastructure. IT security services have also continued to improve and implement systems that focus on the protection of the personal information of our guests, employees, suppliers, and associates and the protection of the business from cybercrimes and external infiltrations.

Development
Development services includes facilities management, project management of major repairs and renovation projects, and new property developments.

Human Resources
Human resource services include policies and procedures, payroll management, labour and employment equity compliance, pension and medical-aid administration, industrial relations, the group's B-BBEE monitoring, compliance and planning (incorporating the flagship Southern Sun Entrepreneurs programme) as well as training and human capital development.

This collectively makes up the management (manco) division's activities, through which the group provides central services to its hotel operations.

BUSINESS MODEL *continued*

OPERATING MODEL *continued*

SOUTHERN SUN'S KEY DIFFERENTIATOR IN SOUTH AFRICA IS ITS WIDE DISTRIBUTION OF QUALITY HOTEL PRODUCTS.

BRANDS

5

LUXURY PORTFOLIO

Each hotel in the luxury portfolio is individually branded and operated according to its unique personality, inspired by its location, design and surroundings. These luxury hotels are typically graded as five-star hotels and are some of the most iconic properties in their regions. They include: Arabella Hotel, Golf & Spa near Hermanus, the Mount Grace Hotel & Spa in Magaliesburg, Sandton Sun and Sandton Towers in Sandton; Beverly Hills in uMhlanga; 54 on Bath in Rosebank and Paradise Sun on Praslin Island, Seychelles.

The group also operates an InterContinental branded hotel at the Johannesburg OR Tambo International Airport under licence from the InterContinental Hotels Group plc (IHG).

Western Cape, KwaZulu-Natal, Gauteng, Seychelles

7 HOTELS

1 205 ROOMS

LUXURY

54 ON BATH · Arabella HOTEL, GOLF & SPA · BEVERLY HILLS · INTERCONTINENTAL JOHANNESBURG O.R.TAMBO AIRPORT · SANDTON SUN · SANDTON TOWERS · MOUNT GRACE HOTEL & SPA · Paradise Sun praslin seychelles

FULL SERVICE PORTFOLIO

SOUTHERN SUN HOTELS AND SOUTHERN SUN RESORTS

Southern Sun Hotels is our legacy full-service brand and is typically graded as four-star when applicable. The majority of these hotels are located in key urban nodes, servicing both business and leisure travellers. These renowned hotels have substantial food and beverage offerings as well as conference facilities.

Southern Sun Resorts include a significant timeshare offering and are located in attractive tourist destinations such as uMhlanga, Plettenberg Bay, Cape Town, the Drakensberg and Mpumalanga.

South Africa, Mozambique, Tanzania, Zambia	31 HOTELS	6 408 ROOMS

GARDEN COURT

The Garden Court brand is a well-established and successful midmarket offering, spanning 18 hotels with 3 933 rooms. This brand includes large, well-known hotels such as Garden Court Marine Parade and Garden Court Sandton City through to smaller properties such as Garden Court Morningside and Garden Court Victoria Junction.

South Africa, Zambia	18 HOTELS	3 933 ROOMS

SUNSQUARE

SunSquare hotels are our alternative and trendy offering to the mid-scale market. With properties at Cape Town City Bowl and Cape Town Gardens, these hotels are situated in great locations and include our creative in-house concept restaurants Vigour & Verve and Zepi.

Cape Town	2 HOTELS	338 ROOMS

FULL SERVICE

Southern Sun HOTELS
Southern Sun RESORTS
Garden Court
SUN SQUARE

ECONOMY PORTFOLIO

STAYEASY

This brand comprises nine hotels with 1 370 rooms and caters to the economy segment. Offering great value and comfortable rooms, these hotels are in key business locations such as Century City and the City Bowl in Cape Town, Eastgate, Pietermaritzburg and Pretoria. The group also has two StayEasy hotels in Lusaka, Zambia, and Maputo, Mozambique. The Maputo hotel is the latest StayEasy brand build.

Cape Town, Eastgate, Pietermaritzburg, Pretoria, Mbombela, Zambia, Mozambique	10* HOTELS	1 503* ROOMS

SUN1

The SUN1 brand comprises the portfolio of economy hotels acquired from Accor, which were originally built as Formula1 hotels in South Africa. This portfolio consists of 21 hotels countrywide. SUN1 offers well-appointed rooms sleeping up to three guests at a great price. SUN1 Southgate, with 138 rooms, is the largest SUN1 hotel.

Countrywide	21 HOTELS	1 689 ROOMS

ECONOMY

stayeasy
SUN1

SANDTON CONVENTION CENTRE

The world-class Sandton Convention Centre with 22 000 m² of flexible event space, is the foremost venue for hosting exhibitions, events and conferences of all sizes and scales in South Africa. From meetings in 10-seater boardrooms to functions for 4 500 guests in the grand pavilion, the SCC can host every imaginable requirement. It is flanked by three of our hotels (Garden Court Sandton City, Sandton Sun and Sandton Towers), which together offer over 1 000 hotel rooms.

Southern Sun's key differentiator in South Africa is its wide distribution of quality hotel products. Delivering consistently exceptional guest experiences remains the focus at our hotels and differentiates them in a commoditised industry.

In each region, the group operates hotels across several well-recognised brands, servicing a variety of travellers seeking luxury, full service and economy offerings.

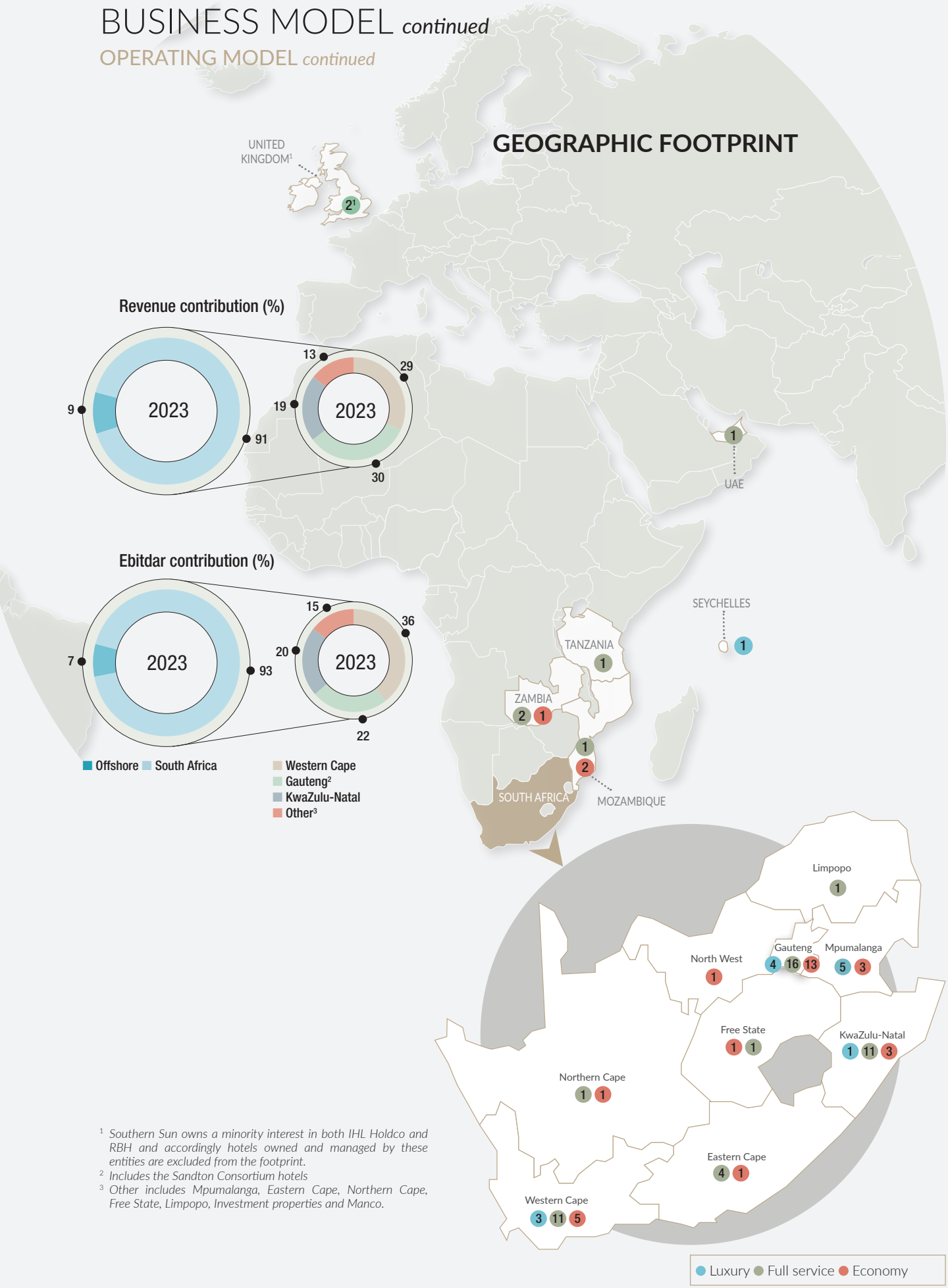
* *Includes Tete Ferry Sun in Mozambique.*

SANDTON CONVENTION CENTRE

BUSINESS MODEL *continued*

OPERATING MODEL *continued*

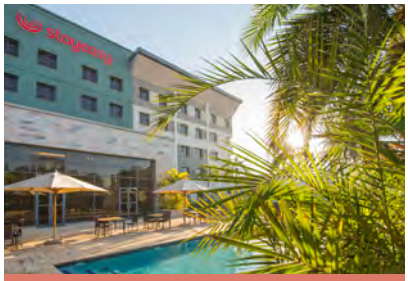
GEOGRAPHIC FOOTPRINT



[1] *Southern Sun owns a minority interest in both IHL Holdco and RBH and accordingly hotels owned and managed by these entities are excluded from the footprint.*
[2] *Includes the Sandton Consortium hotels*
[3] *Other includes Mpumalanga, Eastern Cape, Northern Cape, Free State, Limpopo, Investment properties and Manco.*

LUXURY BRANDS

FULL SERVICE BRANDS



ECONOMY BRANDS

	LUXURY BRANDS	FULL SERVICE BRANDS	ECONOMY BRANDS
SOUTHERN SUN BRANDS	54 ON BATH; Arabella HOTEL, GOLF & SPA; BEVERLY HILLS; MOUNT GRACE HOTEL & SPA; SANDTON SUN; SANDTON TOWERS; Paradise Sun praslin seychelles	Southern Sun HOTELS; Southern Sun RESORTS; SUN SQUARE; Garden Court	stayeasy; SUN 1
EXTERNAL BRANDS	WESTIN HOTELS & RESORTS; InterContinental; Radisson	arda | KOPANONG HOTEL & CONFERENCE CENTRE; CHAMPAGNE SPORTS RESORT CENTRAL DRAKENSBERG; B BIRCHWOOD HOTEL & CONFERENCE CENTRE	

80	6	9
SOUTHERN SUN OPERATED	THIRD-PARTY OPERATED	OFFSHORE

PORTFOLIO SEGMENTATION

as at 31 March 2023

	Owned/leased		Managed		Total	
Southern Sun operated	**Hotels**	**Rooms**	**Hotels**	**Rooms**	**Hotels**	**Rooms**
Western Cape	**14**	**3 095**	**3**	**257**	**17**	**3 352**
Luxury	1	145	–	–	1	145
Full service	8	2 263	3	257	11	2 520
Economy	5	687	–	–	5	687
KwaZulu-Natal	**10**	**2 281**	**4**	**588**	**14**	**2 869**
Luxury	1	89	–	–	1	89
Full service	6	1 913	4	588	10	2 501
Economy	3	279	–	–	3	279
Gauteng	**29**	**5 029**	**1**	**138**	**30**	**5 167**
Luxury	3	753	1	138	4	891
Full service	13	3 060	–	–	13	3 060
Economy	13	1 216	–	–	13	1 216
Other	**17**	**2 024**	**2**	**138**	**19**	**2 162**
Luxury	–	–	–	–	–	–
Full service	10	1 402	2	138	12	1 540
Economy	7	622	–	–	7	622
Third-party operated	**6**	**1 866**	**–**	**–**	**6**	**1 866**
South Africa	**76**	**14 295**	**10**	**1 121**	**86**	**15 416**
Offshore	**5**	**780**	**4**	**746**	**9**	**1 526**
Total 2023	**81**	**15 075**	**14**	**1 867**	**95**	**16 942**
Total 2022	81	15 032	32	3 751	113	18 783

INVESTMENT CASE

WHY INVEST IN SOUTHERN SUN

Quality assets

Ownership

High-quality assets
Location
Geographic distribution

1

HIGH-QUALITY ASSETS IN KEY LOCATIONS

We operate high-quality hotels in which we invest significant capital to continually maintain and improve.

The location of the majority of our hotel properties in urban areas throughout South Africa maximises public exposure and ensures access to critical supplies and services.

The wide geographic distribution of our hotel properties in South Africa is mainly in key urban centres and is a fundamental market differentiator.

The 81 hotels owned or leased by the group represent 89% of our total rooms

2

VAST MAJORITY OF ASSETS OWNED

Our portfolio philosophy is based on a preference to own all components of the hotel businesses (land, buildings, operations, management and brand) wherever possible.

Although this approach can be more capital intensive, we believe it facilitates superior returns on effort, avoids the challenges of joint ownership and ensures control over strategic assets is retained.

Of the group's 95 hotels, we own or lease 81 (representing 89% of our total rooms) and manage 14 for third parties.

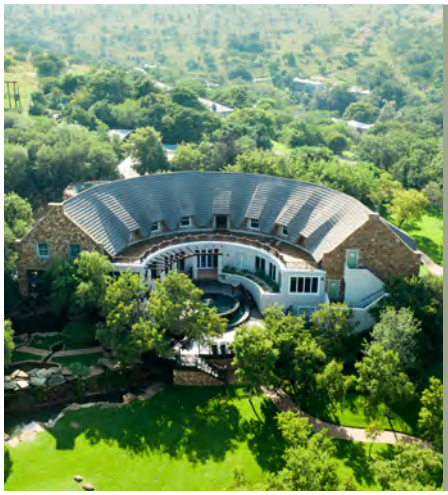
Participants in our frequentGuest programme contributed 30% (2022: 36%) of total rooms revenue for the year ended 31 March 2023

3

RESPONSIVE TO CUSTOMER NEEDS

We seek to deliver the high-quality accommodation, conferencing, dining and eventing experiences that our guests desire.

The Southern Sun frequentGuest programme with SunRands currency provides us with detailed information about trends across our customer base and the activities of individual clients. This enables us to improve our offering in response to changing consumer behaviour and to meet the demands of members more effectively.



50 YEARS OF HOSPITALITY & ENTERTAINMENT

4

STRONG PORTFOLIO OF BRANDS

Within each region, the group operates hotels across a number of well-recognised brands, servicing a broad spectrum of travellers from luxury to economy.

Over our 54-year heritage, we have achieved strong recognition across the business and leisure markets in South Africa and Africa.

By having a centralised marketing department and plan, marketing spend at individual units can be re-directed, and in some cases rationalised, to focus on marketing initiatives that are beneficial across our entire portfolio. In recent years this has enabled efficiencies in our marketing efforts, reducing cost and improving brand alignment.

Use debt prudently
Monitor our leverage ratio and other covenant requirements
Manage interest rate risk

5

FINANCIAL STRENGTH AND DURABILITY

In order to withstand the impacts of macroeconomic cycles, we aim to ensure that debt is used prudently, with regular monitoring of our leverage ratios and other covenant requirements including our interest cover ratio and facility headroom.

The group also ensures availability of sufficient credit facilities with long-term maturities, providing additional sources of liquidity.

The group manages its interest rate risk for all South African debt, by using floating-to-fixed interest rate swaps, in line with its group policy, which requires a long-term hedging profile of approximately 50%, deviating to a minimum of 25% and a maximum of up to 100% of gross debt.

Social investment in community development was R9 million during the year ended 31 March 2023

6

COMMITMENT TO BROAD-RANGING STAKEHOLDERS

We are committed to the upliftment and development of local communities. Key guiding principles in respect of the communities within which we operate commit us to actively engage in partnerships that bring measurable benefits to stakeholders, enable us to achieve our long-term business goals, and to support organisations which aim to strengthen and develop civil society.

During the year ended 31 March 2023, the group's social investment in community development amounted to R9 million (2022: R11 million). This represents 0.28 percentage points (pp) more than the tourism sector code target.

We consider ourselves a leader in the empowerment of previously disadvantaged people, businesses and communities in South Africa.

CHIEF FINANCIAL OFFICER'S REVIEW

ANNUAL REVIEW

All regions performed well and exceeded FY20 (pre-Covid-19) levels except the outer Sandton node, reflecting the delayed recovery in corporate transient travel exacerbated by many companies in the node still operating a hybrid remote-working model.

Excluding the once-off payment of R399 million received from Tsogo Sun Gaming Limited (TSG) on implementation of the Separation agreement (Separation payment), the group achieved total revenue (including discontinued operations) for the year ended 31 March 2023 of R5.1 billion (FY22: R2.7 billion), a growth of 87.6% on FY22 and 13.5% above FY20 revenue of R4.5 billion. Similarly, the group generated Ebitdar (including discontinued operations) of R1.4 billion (FY22: R590 million), significantly higher than FY22 and a growth of 6.2% on FY20 Ebitdar of R1.35 billion. This performance is particularly encouraging considering group occupancy of 51.5% (FY22: 30.6%) for the FY23 year is well below the 59.3% achieved in FY20.

In addition, the group has grown average room rates (ARR) by 18.3% and 16.3% from FY22 and FY20, respectively. This is mainly attributable to ARR growth in the group's core portfolio as well as the consolidation of luxury properties with higher ARRs such as The Westin Cape Town, Arabella Hotel, Golf & Spa and Mount Grace Hotel & Spa that were previously treated as investment properties. Luxury hotel guests have proven more resilient to prevailing economic pressures such as inflation and rising interest rates, being influenced more by location and personal preference rather than price. Having reduced the group's operational gearing through the cost restructuring undertaken during Covid-19, the flow-through from revenue growth to Ebitdar has improved, positively impacting profitability despite lower occupancy.

The group's Ebitdar margin of 28.3% (excluding the Separation payment) is well above the prior year margin of 21.8% but below FY20 because of the consolidation of hotels previously treated as investment properties.

Notwithstanding the upward trend in trading and return to normalised travel patterns, the group remains heavily exposed to the South African economy which faces slow GDP growth, high unemployment and a lack of policy certainty and solutions to the country's ongoing energy crisis from government. The continuous load shedding has a detrimental impact on consumer and corporate sentiment.

The group has spent R41 million on diesel in FY23 to power its owned hotels compared to R10 million in FY22 and R11 million in FY20. While not specifically tracked, the group has also seen consistent increases in repairs and maintenance, some of which would relate to generator and other equipment faults caused by load shedding. Repairs and maintenance costs in FY23 of R159 million (FY22: R103 million) has increased by 54.4% and 15.2% on FY22 and FY20, respectively.

Given our learnings from the pandemic, the group can quickly reduce costs in response to revenue contraction and after the refinancing of the group's debt package and significantly reduced debt levels, a short to medium-term retraction in occupancy no longer poses an existential threat to the group. We will continue the discipline of managing cash flow and liquidity closely and maintaining the cost efficiencies achieved while at the same time focusing on the completion of various refurbishment projects that were placed on hold, particularly at flagship properties so that we avoid downtime during high-demand periods.

Laurelle McDonald, *Chief Financial Officer*

THE RESULTS PRESENTED IN THIS INTEGRATED ANNUAL REPORT REFLECT THE IMPACT OF CONTINUED RECOVERY IN TRADING LEVELS, PARTICULARLY IN THE SECOND HALF OF THE YEAR, AS LOCAL AND INTERNATIONAL TRAVEL PATTERNS NORMALISED AND DEMAND FOR CONFERENCING AND EVENTS INCREASED.

FY23
AT A GLANCE

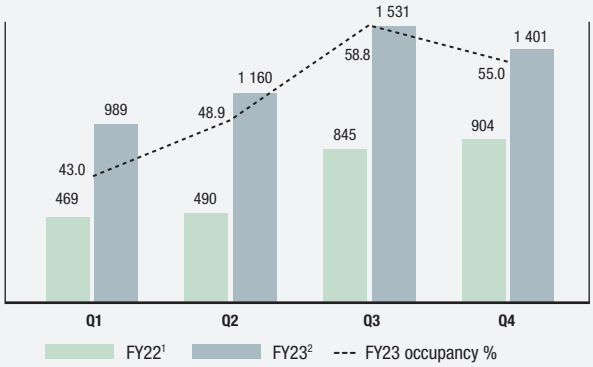
OCCUPANCY AT
51.5%

TOTAL EBITDAR AT
R1.4 billion

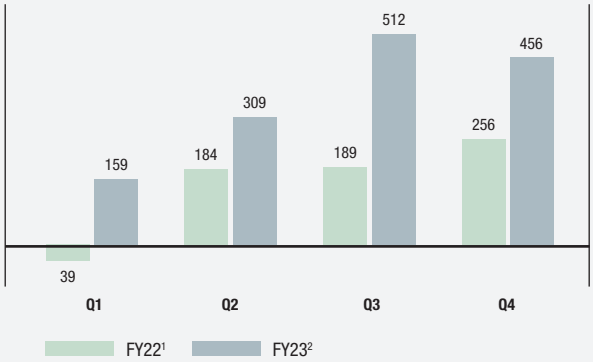
TOTAL ADJUSTED HEADLINE PROFIT OF
R443 million

NET DEBT REDUCED TO
R1.3 billion

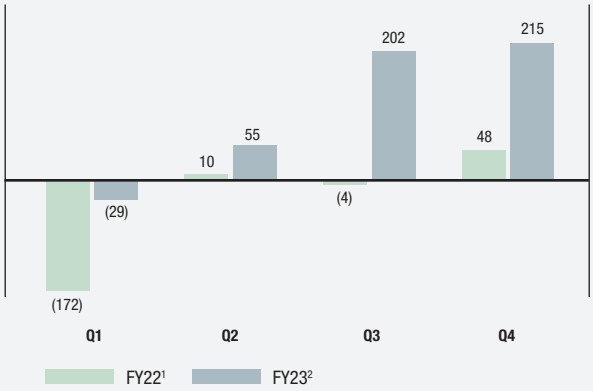
Quarterly performance – Revenue (Rm)



Quarterly performance – Ebitdar (Rm)



Quarterly performance – Adjusted earnings (Rm)



[1] *Ebitdar and adjusted earnings for FY22 includes insurance proceeds received of R191 million (R139 million after tax).*
[2] *Revenue, Ebitdar and adjusted earnings for FY23 exclude the Separation payment of R399 million (R313 million net of tax).*

SUMMARISED INCOME STATEMENT REVIEW

Income statement (Rm)

	FY23[1]	FY22[1]	Note
Income	**5 081**	2 708	1
Rooms revenue	**3 314**	1 641	
Food and beverage revenue	**1 304**	731	
Property rental income	**195**	90	
Other income[2]	**268**	246	
Overheads	**(3 645)**	(2 309)	
Insurance proceeds[3]	**–**	191	
Ebitdar[2, 3]	**1 436**	590	2
LTI expense	**(18)**	(10)	
Property rentals	**(134)**	(3)	3
Property rentals	**(288)**	(144)	
Property rentals – IFRS 16	**154**	141	
Amortisation and depreciation	**(351)**	(365)	
Amortisation and depreciation	**(272)**	(291)	
Amortisation and depreciation – IFRS 16	**(79)**	(74)	
Exceptional items	**640**	(44)	4
Profit before interest and taxation	**1 573**	168	
Finance costs (net)	**(314)**	(358)	5
Finance costs (net)	**(182)**	(230)	
Finance costs – IFRS 16	**(132)**	(128)	
Share of profits from associates	**25**	26	6
Income tax	**(270)**	8	7
Attributable profit/loss for the year	**1 014**	(156)	8

[1] *This summarised income statement reflects total group results including discontinued operations – refer to note 42 in the consolidated annual financial statements for further details on discontinued operations.*
[2] *FY23 'Other income and Ebitdar' excludes the Separation payment received from TSG of R399 million which has been treated as an exceptional item.*
[3] *FY22 Ebitdar includes business interruption insurance proceeds of R191 million.*

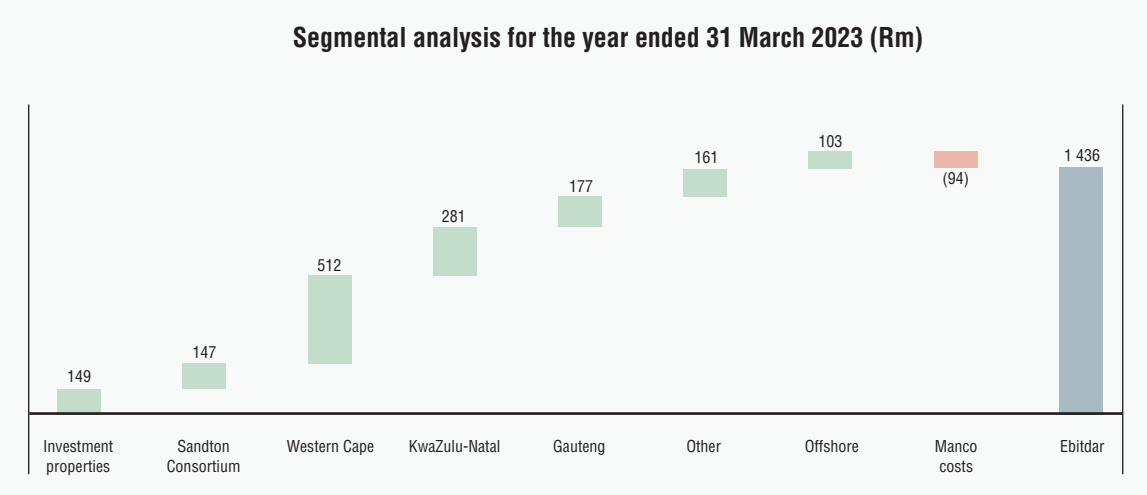
Note 1 INCOME

Total income for the year ended 31 March 2023 of R5.1 billion (FY22: R2.7 billion) ended R2.4 billion above the prior year with a R1.7 billion and R573 million increase in hotel rooms' revenue and food and beverage revenue, respectively. This performance was driven by a 20.9pp increase in occupancy from 30.6% to 51.5% and an 18.3% increase in ARR from R1 072 to R1 268. Property rental income ended R105 million above the prior year at R195 million while other income ended R22 million above the prior year at R268 million, reflecting the overall improvement in trading levels with management fee, conferencing, parking and spa income all increasing compared to the prior year.

Note 2 EBITDAR

The group generated Ebitdar of R1.4 billion (FY22: R590 million) a R846 million increase on the prior year and equating to an Ebitdar margin of 28.3% compared to 21.8% in the prior year.

It is important to note that while the take-on of eight hotel operations managed by Marriott and Radisson between FY20 and FY22 (Arabella Hotel, Golf & Spa, Hazyview Sun, The Edward, Mount Grace Hotel & Spa, Southern Sun The Marine, Garden Court Victoria Junction, Radisson Blu Gautrain and The Westin Cape Town) improved the group's ARRs, the consolidation of trading revenue and expenses in the group's results has a dilutionary impact on Ebitdar margin. The same applies to the conversion of the Sandton Consortium hotels from managed properties to leased properties on 1 November 2019. This is because rental and management fee income from these hotels were included in revenue which flowed through to Ebitdar at a margin of 100%.



Note 3 PROPERTY AND EQUIPMENT RENTALS

Property and equipment rental expense of R134 million (FY22: R3 million) represents the variable portion of lease payments including the impact of rent concessions in the prior year and modifications. Excluding the impact of IFRS 16, the group incurred cash rent of R288 million for the year compared to R144 million in the prior comparative year. The overall increase in the group's rent expense reflects the normalisation in trading and the reinstitution of the leases over the Sandton Consortium.

Note 4 EXCEPTIONAL ITEMS

Exceptional gains for the period of R640 million (FY22 loss: R44 million) relate to the Separation payment received on implementation of the transaction with TSG as well as the profit on the Ikoyi Hotels Disposal of a combined R658 million together with upward revaluations of investment properties of R4 million, net of losses on disposal of property, plant and equipment, trademark impairments, restructuring costs and transaction costs totalling R22 million.

Note 5 FINANCE COSTS

Net finance costs of R314 million (FY22: R358 million) include interest on capitalised leases of R132 million (FY22: R128 million) and have reduced because of the reduction in the group's net interest-bearing debt levels, despite rising base interest rates (margins on the group's refinanced facilities were in line with or in some cases, less than, the margins on the term loans and notes that were settled). As a consequence of the group's debt refinancing, income of R28 million relating to the reclassification of interest rate hedges to the income statement has been offset against net finance costs.

Note 6 SHARE OF PROFITS FROM ASSOCIATES

The share of profit from associates of R25 million (FY22: R26 million) reduced by R1 million, but includes net impairments of R10 million (comprising investment property impairments of R15 million net of fair value gains on interest rate hedges of R5 million) in the current year and upward revaluations of investment properties of R11 million in the prior year. The base can be attributable to improving trading conditions. Hotel trading in the UK has recovered quickly, particularly in the regional markets but discount rates on investment properties have increased.

Note 7 INCOME TAX

The income tax expense for the year of R270 million (FY22 credit: R8 million) relates mainly to the tax raised on the Separation payment received from TSG as well as increased trading levels during the year. The group's operating subsidiaries remain in assessed loss positions although much of the loss has been utilised by the gain relating to the Separation payment from TSG. Deferred income tax assets amounting to R312 million have been recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Note 8 ATTRIBUTABLE PROFIT/(LOSS)

	2023 Net of tax Rm	2022 Net of tax Rm
Attributable profit/(loss)[1]	**1 014**	(156)
Separation payment	**(313)**	–
Profit on disposal of subsidiary	**(259)**	–
Cash flow hedges reclassified to profit or loss	**(21)**	–
Fair value adjustment of investment properties	**(3)**	(43)
Loss on disposal of PPE	**4**	1
Transaction and restructuring costs	**7**	3
Impairment of PPE	**–**	89
Impairment of trademark	**4**	–
Tax effect of rate change	**–**	(1)
Share of associates' exceptional items	**10**	(11)
Adjusted headline profit/(loss)[1, 2]	**443**	(118)
Weighted average number of shares in issue (millions)	**1 476**	1 478
Basic adjusted headline profit/(loss) per share (cents)	**30.0**	(8.0)

[1] *Adjusted headline profit/(loss) is defined as profits or losses attributable to equity holders of the company adjusted for after-tax exceptional items (including headline adjustments) that are regarded as sufficiently material and unusual that they would distort the numbers if they were not adjusted. This measure is not required by IFRS, is audited at year end, and is commonly used in the industry.*

[2] *Net insurance proceeds after tax of R139 million has been included in the group's adjusted headline loss for the year ended 31 March 2022. This is consistent with the treatment of the insured losses which were not adjusted out of headline losses or adjusted headline losses when they were incurred in the financial period ended 31 March 2022.*

LIQUIDITY, FUNDING CAPACITY AND COVENANTS

In December 2022, the group successfully concluded the refinancing of its debt package 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 the four major South African banks, ensuring that the group remain multi-banked and is not exposed to concentration risk. R2.1 billion of these facilities was applied towards the settlement of HPF's maturing term loans and corporate notes, with the balance allocated towards headroom for the group's short-term working capital requirements.

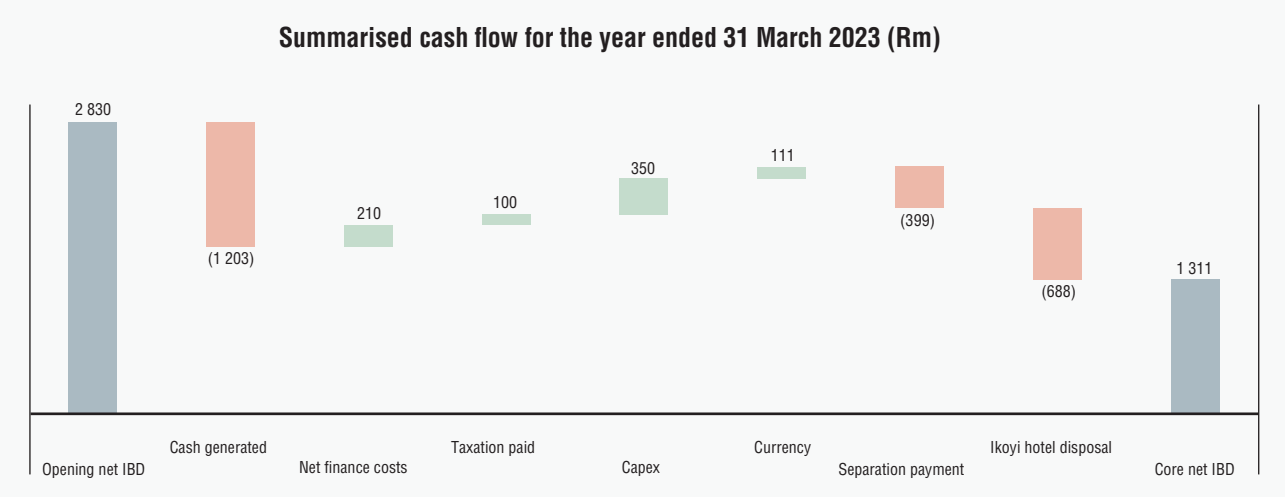
The leverage ratio and interest cover ratio for the initial covenant measurement period ending 31 March 2023, were set at less than 3.5 and greater than 2.0, respectively. In addition, the group is required to maintain a minimum liquidity level of R500 million until 31 March 2023.

Improved profitability and cash generation during the year, along with the application of the proceeds from the TSG transaction and Ikoyi hotel disposal towards the settlement of the group's interest-bearing borrowings, created facility headroom of R1.0 billion.

This facility headroom of R1.0 billion together with available core cash of R653 million, meant that the group has comfortably exceeded the liquidity covenant by R1.2 billion, achieved a leverage ratio of 1.1, and an interest cover ratio of 4.8 for the 31 March 2023 measurement date. The minimum liquidity requirement falls away after 31 March 2023 when the covenants become more restrictive over time, based on a sliding scale:

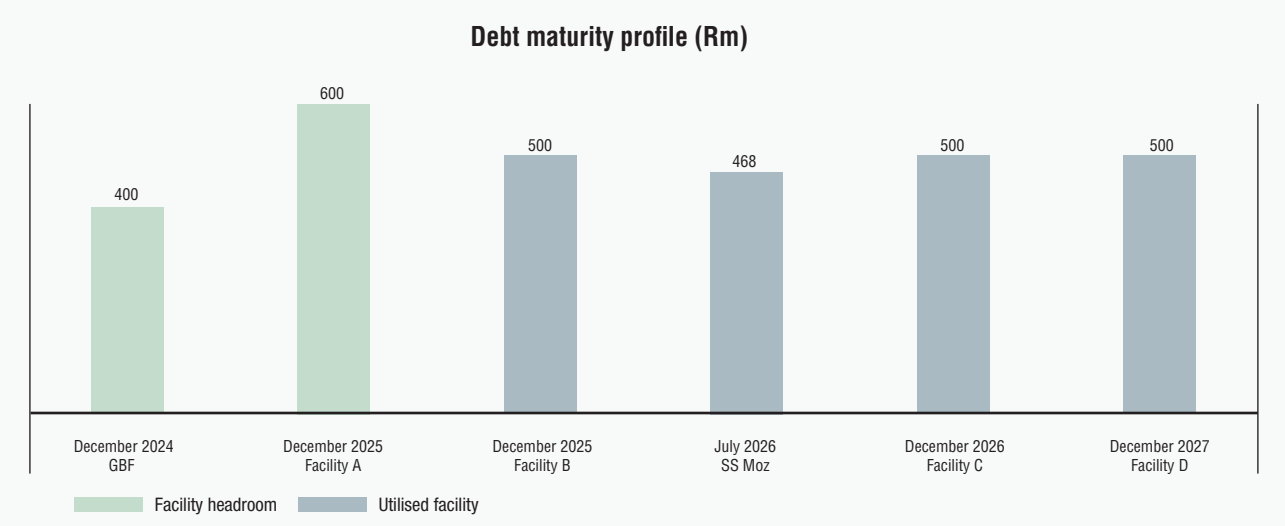
- The maximum leverage cover ratio reduces to 3.0 for periods after 31 March 2023, to 2.5 for periods after 31 March 2024 and to 2.0 for periods after 31 March 2025.
- The minimum interest cover ratio increases to 2.5 for periods after 31 March 2023.

Based on current performance and management's forecast cash flows to 31 March 2024, there is no reason to believe that the group will not meet these covenant levels.



Interest-bearing debt (IBD) net of cash at 31 March 2023 (Rm)

	FY23	FY22
External debt – offshore (US Dollar-based)	**468**	667
External debt (Rand-based)	**1 500**	2 831
Pre-paid borrowing costs	**(4)**	(3)
Gross IBD	**1 964**	3 495
Cash on hand – South Africa hotels	**(529)**	(584)
Cash on hand – offshore hotels	**(124)**	(81)
Net IBD	**1 311**	2 830
Cash held as security for the SS Ikoyi refinancing	**(230)**	–
Net IBD as per balance sheet	**1 081**	2 830
Analysed as South Africa hotels	**967**	2 244
Hotels offshore	**344**	586
Cash held as security for the SS Ikoyi refinancing	**(230)**	–



Laurelle McDonald
Chief Financial Officer (CFO)
28 July 2023

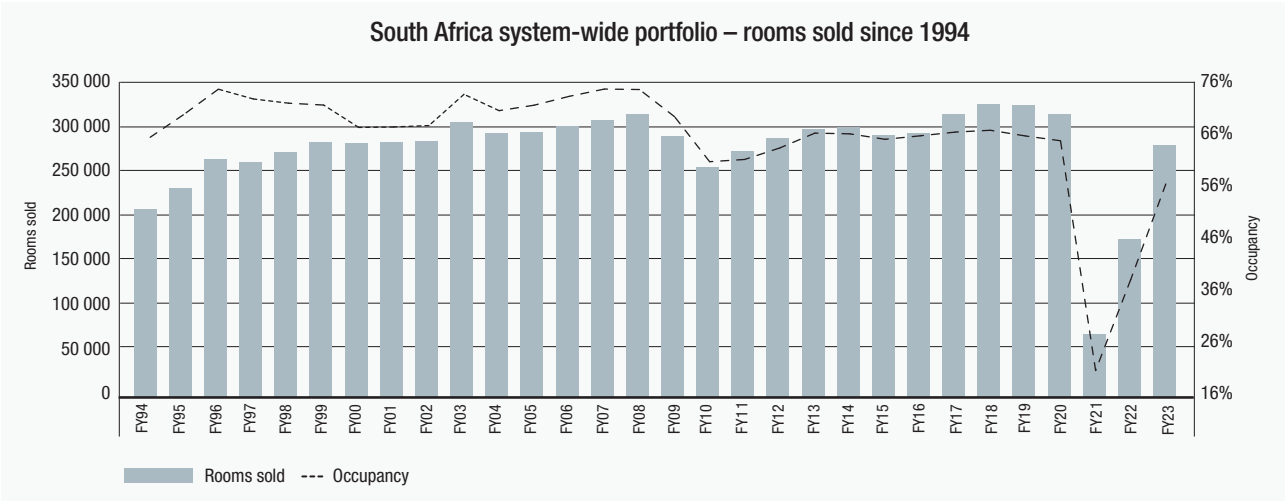
THE ENVIRONMENT IN WHICH WE OPERATE

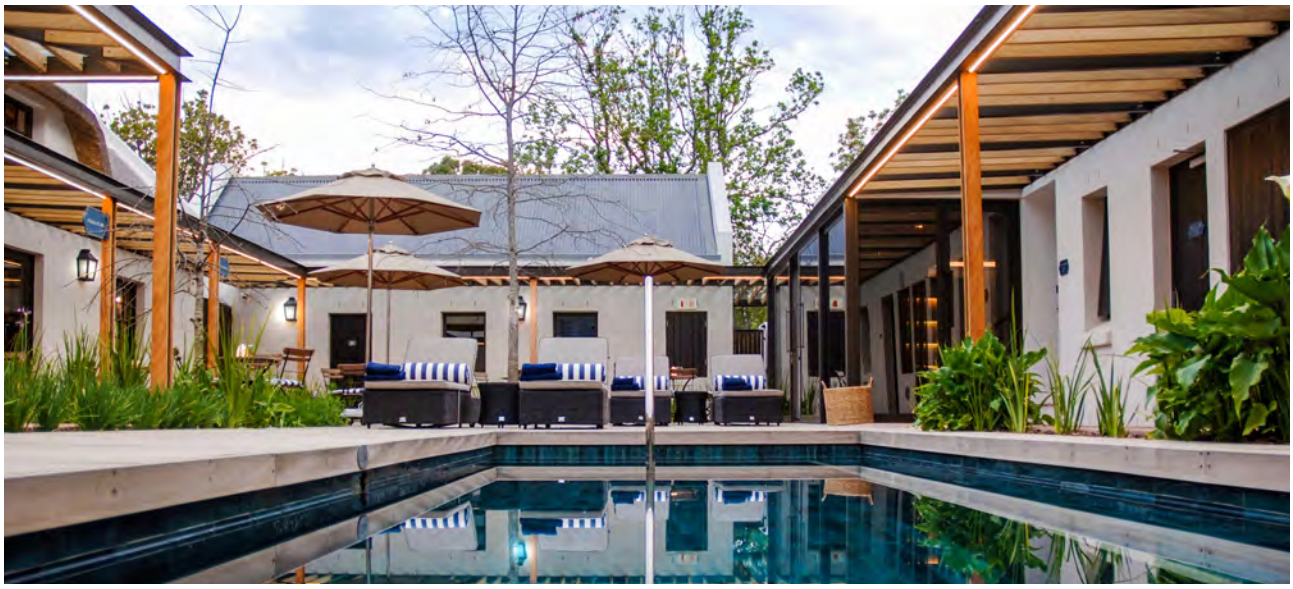
The hotel business in South Africa is highly competitive and, since the barriers to entry are low, it is often the case that additional, and in some cases, unviable supply, is added to the market.

While these hotels inevitably experience financial distress, the room stock once built does not exit the market, and it can take a substantial period of time for demand to catch up to supply. Given the impact that Covid-19 has had on the industry, it is unlikely, but not impossible, that significant new room stock will be brought to market in the medium term while demand recovers.

Following the first democratic elections in 1994, the demand for hotel rooms grew rapidly and rooms sold by the group grew by an average of more than 6% per annum between 1994 and 1999. The market responded to this demand with the construction of new hotels and until 2008, demand growth continued to exceed the growth in supply with occupancies and average room rates continuing to rise.

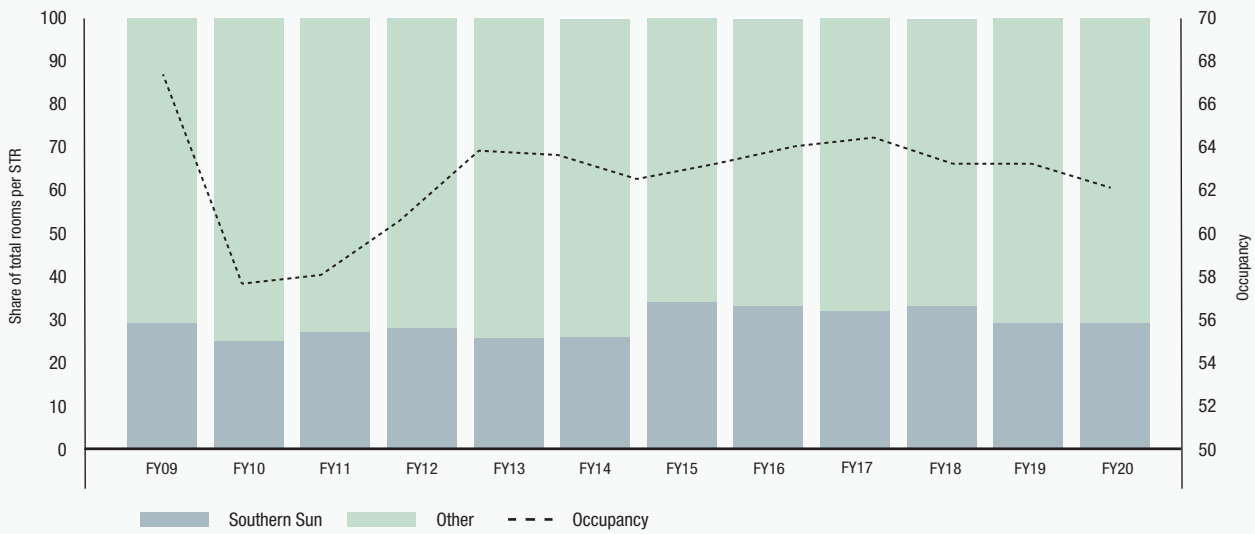
During 2008, the impact of the global recession constrained demand but construction of new hotels continued until the 2010 FIFA World Cup™ since these projects were already in progress. Market occupancies fell from 74% in 2007 to 58% in 2011, due to the combination of constrained demand and increased supply. Demand subsequently improved, and with minimal growth in hotel supply, market occupancies showed recovery from 2011 but stagnated and have ranged between 61% and 65% from 2012 to 2020. The devastating impact of the Covid-19 pandemic and the recovery in the second half of the 2022 and into the 2023 financial year is best illustrated in the graph below which reflects rooms sold by the group in South Africa since 1994 and the occupancies achieved:





POLITICAL	ECONOMIC	SOCIO-CULTURAL	TECHNOLOGICAL	ENVIRONMENTAL	REGULATORY
Political, social, labour and economic conditions in South Africa or regionally could adversely affect our businesses	Declines in demand for our services due to general economic conditions and depressed sentiment could negatively impact our business by decreasing income and profitability	In order for the group to compete effectively with other consumer options our operations must deliver a quality experience at a price that our customers are willing to pay	The development, maintenance and improvement of our systems require ongoing investment by the group	The environmental focus areas include the reduction of consumption, preservation of the environment and the responsible management of the supply chain and waste	As a multinational business, Southern Sun is subject to a wide range of legislation, which is monitored on an ongoing basis.

The chart below shows the group's overall market share relative to the STR Global statistics for South Africa since the global financial crisis until the Covid-19 lockdowns began in March 2020. Over this time the overall formal market has grown by some 41% from approximately 38 272 rooms in 2009 to 53 916 rooms in March 2020 immediately prior to the lockdown.



Note: Movement in rooms available is a combination of new rooms stock and new sign up to STR Global.

Given the disruption to the market caused by Covid-19 with many hotels being closed for part or all of the year and a number of participants simply not submitting data to STR Global, the chart has not been updated to include data for 2021 and 2022 as it is not comparable to prior periods.

Given the historic long-term growth of demand in the industry as the economy grows, we expect the market to rebalance in the medium term.

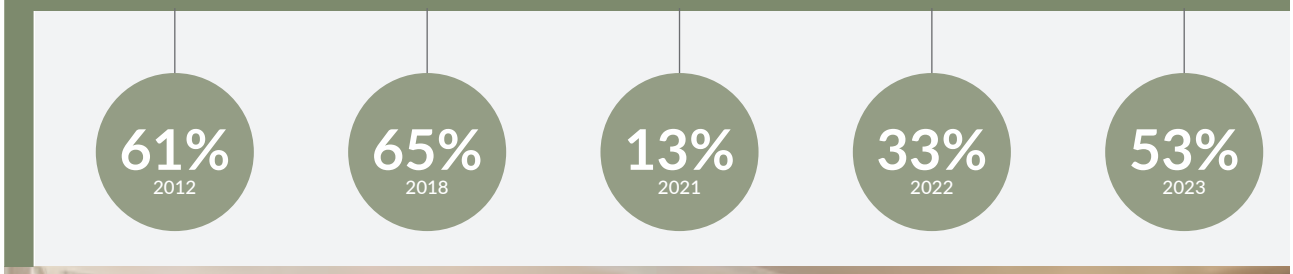
This does not include the proliferation of accommodation that does not participate in STR. It can be assumed that nearly all smaller hotels and guest houses would not participate, and it further excludes the proliferation of Airbnb product in the market. Our share, including the exposure we receive through third-party operated hotels, remains around 30% of the formal market.

Despite this large increase in available rooms stock, over a difficult time in the South African economy, occupancies up to 2020 have been higher than they were at the height of the financial crisis in 2010. The impact of the Covid-19 pandemic in South Africa will mean a period of substantial oversupply.

However, given the historic long-term growth of demand in the industry as the economy grows, we expect the market to rebalance in the medium term.

Trading in most African cities outside South Africa where Southern Sun operates remained remarkably resilient through the economic recession mainly due to limited supply of good quality hotels. Trading between the 2015 and 2019 financial years was, however, significantly impacted by the Ebola pandemic, security concerns and more recently a weaker market attributable to the negative impact of lower commodity prices and the resultant weakening of local currencies. In the medium term it is expected that many African countries will experience strong economic growth, which will drive the demand for, and supply of, new hotels, but in the short term difficult trading conditions will continue as these economies recover from the impact of Covid-19. The markets are small, and the addition of new room stock has a more significant impact on the market.

HOTELS SA OCCUPANCY



POLITICAL

Although Southern Sun operates primarily in South Africa, it also has operations in Mozambique, the Seychelles, Tanzania, the United Arab Emirates and Zambia. Political, social, labour and economic conditions in South Africa or regionally could adversely affect our businesses.

The group is based in and derives most of its income from operations in South Africa. As such, the political conditions in South Africa have a significant influence on our business. South Africa faces many challenges in improving levels of social and economic development among its people. To the extent these challenges are not overcome, there may be a negative impact on the South African economy and, in turn, the group's results of operations as was apparent from the social unrest and rioting which unfolded in a number of provinces in 2021. With growing discontent among South Africans affected by continuous load shedding, rising interest rates and increasing cost of living, there is a risk of further social unrest in the lead up to the 2024 National Elections.

There has also been regional political instability in some of the countries surrounding South Africa. The potential for social unrest in these regions could negatively affect the South African economy and political environment, which, in turn, could have a material adverse effect on the group's operations, profitability, cash flows and financial condition.

ECONOMIC

Demand for our hotels is linked to the performance of the general economy, including the detrimental impact of the continuous load shedding on consumer and corporate sentiment and is sensitive to business, government, and personal discretionary spending levels. Decreased global or regional demand for our products and services can be especially pronounced during periods of economic contraction or low levels of economic growth, and the recovery in the hotel industry may lag overall economic improvement.

The group's reliance on the corporate and government markets as core components of its customer base makes it particularly sensitive to economic conditions that cause declines in travel by those groups. Declines in demand for our services due to general economic conditions could negatively impact our business by decreasing income and profitability.

The group has a high concentration of hotels in particular urban centres. While this strategy helps to ensure that we can service large volumes of travellers in these key markets, from budget to luxury, it also increases our sensitivity to adverse conditions affecting travel to such areas. Any events or developments that reduce the demand for our services in these core urban centres could negatively impact our business.

In addition, many of the expenses associated with the hotel business, including personnel costs, interest, rent, property taxes, insurance, and utilities, are relatively fixed. During a period of overall economic weakness, any failure by the group to meaningfully reduce these costs as demand for our rooms decreases may have a material adverse effect on our operations, profitability, cash flows and financial condition.

The group still faces several challenges with rising global food and fuel pricing affecting not only operating expenses but guest affordability as well. With travel budgets reduced to save costs and individuals preserving disposable income in a rising interest rate environment, the increasing cost of transport due to rising fuel prices is a major travel deterrent, particularly for international and corporate travel. For the hospitality industry, ease and affordability of travel is of paramount importance as is the safety and confidence of tourists once they reach our shores and stay in our hotels.

The impact of rising global inflation is counteracted somewhat by the weakness of the Rand which makes South Africa a relatively affordable destination, particularly for foreign visitors. Local and global inflation, along with a weaker Rand, will however increase the cost of certain capex items such as imported machinery and equipment.

SOCIO-CULTURAL

The group must continually refresh its product offering to cater to consumer preferences. In order for the group to compete effectively with other consumer options for leisure and entertainment activities, as well as other hotel and leisure providers, our hotels must deliver a constant and superior quality experience at a price that our customers are willing to pay. The experience must also cater to various changing consumer preferences in the market. Consumer preferences range from technological preferences (such as the increased utilisation of mobile devices and social media) to the look and feel of the physical product, the location of buildings, concepts of restaurants and bar offerings and types of entertainment and travel patterns.

TECHNOLOGICAL

The group's businesses demand the use of technology and systems for property management, brand assurance and compliance, procurement, reservation systems, surveillance, operation of our customer reward programme, booking of hotel accommodation by current and future customers, search engine optimisation and guest amenities. The development and maintenance of these technologies require ongoing investment by the group.

Technology trends most relevant to our industry being:

- Availability of robust broadband
- Advanced and secure mobile functionality for transacting and communication (customers and operational staff)
- Integrated tools to ensure customers are rewarded equitably based on spend/value
- Improving staff productivity and reducing costs
- More cost-effective IT business models
- Protecting the personal information of our guests, employees, suppliers, and associates and protecting the business from cybercrimes and external infiltrations.

ENVIRONMENTAL

Our business has a low environmental impact due to the service nature of the hotel industry. The fact that we operate predominantly in urban areas, further reduces the biodiversity impact. The main environmental impacts of the group are the consumption of energy and water, the production of waste and travel of guests to our properties.

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

The greater challenges to the hotel industry currently are the rising utility costs and uncertainty surrounding the supply of energy and, particularly, the future supply of water. Administered costs have seen a sustained above-inflation increase over the past number of years. These include property rates, and the cost of heat, light, and power. While we have undertaken numerous steps to reduce our electricity and water consumption by employing efficient operating methodologies, the price per unit of these utilities has increased dramatically and is worsened by the requirement to fund generating capacity (diesel generators) during load shedding. Municipalities have come under increasing pressure to raise independent funding and this has led to substantially higher property rates being imposed on the group's portfolio.

REGULATORY

As a multinational business, Southern Sun is subject to a wide range of legislation, which is monitored on an ongoing basis. Any amendments which affect the business are implemented and the business is continuously monitored for compliance. Any breach of compliance with this legislation could result in fines or sanctions that affect our profitability and may impact the relationship with stakeholders resulting in serious adverse reputational consequences.

B-BBEE

Under the laws, codes and regulations promulgated by the South African government to promote B-BBEE, the government awards procurement contracts, quotas, licences, permits, and other rights based on numerous factors, including the B-BBEE status of applicants. We are committed to complying with these requirements, which are designed to redress historical social and economic inequalities and ensure socioeconomic stability in South Africa. A company's B-BBEE status is an important factor considered by government and other public bodies in awarding contracts and may influence relationships with customers or suppliers as it contributes to their B-BBEE status. Given that government travellers comprise a core segment of our revenues, our B-BBEE contributor status is important in securing this business. Refer to page 44 of this report for more information on our contributor status and B-BBEE results.

Tax legislation

Changes in tax legislations across the jurisdictions of operation could adversely affect financial results for future periods and affect the group's business, financial condition, and results of operations. South Africa has a stable tax environment and the tax administration system is advanced and transparent in many aspects. Other jurisdictions of operation, including Zambia, Mozambique, and the Seychelles have differing tax legislation by which the group must additionally abide.

Health and safety legislation

Current legislation in South Africa imposes significant health and safety regulations on the group's operations. Health and safety are ingrained in our culture and we have a high standard of compliance in this area.

Consumer privacy and data protection legislation

The group is subject to regulation under the General Data Protection Regulation (GDPR) and Protection of Personal Information Act, 4 of 2013 (POPIA) regarding the use of customers' personal and credit card data and the protection of such data from cyber theft. The group receives and processes large amounts of sensitive personal customer data (including name, address, bank details and credit card details) as part of its business and as a result must comply with strict data protection and privacy laws in the jurisdictions where we operate. For details on our privacy processes and the implementation and compliance with privacy and data protection legislation, refer to page 54 of this report.

Employment Equity legislation

The recent amendments to Employment Equity legislation, particularly regarding the setting of numerical targets for the Accommodation and Food Services Sector and compliance certification, underscore the significance of ensuring the equitable representation of suitably qualified people from historically disadvantaged groups based on race, gender and disability at all occupational levels in the workplace. All necessary steps will be taken to ensure compliance with legislation and employees will be consulted, through its various employment equity structures, on any changes to the group's current five-year Employment Equity Plan.

OUR KEY STAKEHOLDERS

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

We have taken our stakeholders' views into account in formulating our strategic priorities and report content.

The group has continued to focus on the protection of the key interests of our many stakeholders and continue to remain in close communication with our lenders, employees, trading partners, suppliers, tenants and landlords in order to arrive at mutually sustainable operating solutions in the midst of challenging economic conditions. An overview of our key stakeholder groups, their interests and concerns and how we engage with them is provided in the table below.

STAKEHOLDER GROUP	WHY IT IS IMPORTANT FOR US TO ENGAGE	HOW WE ENGAGE WITH OUR STAKEHOLDERS	OUR STAKEHOLDERS KEY INTERESTS	ASSOCIATED STRATEGIC PRIORITIES
Investors and funding institutions	Investors and funding institutions are the providers of capital necessary for our growth. We need transparent communication and to understand potential concerns.	• JSE news services • Media releases and published results • Integrated annual reports and financial statements • Annual general meetings • Dedicated analyst and investor presentations • One-on-one meetings • Southern Sun's website	• Sustainable business, growth and returns on investment • Covenant requirements • Dividends • Transparent executive remuneration • Corporate governance and ethics • Liquidity and gearing • Security of tenure over properties • Independence of the board	**Financial strength and durability** Page 48 **Inorganic growth** Page 62 **Organic growth** Page 52
Government and regulatory bodies	Government provides us with our licence to trade and the enabling regulatory framework within which to operate and we need to ensure compliance and understand the broader economic, social and environmental issues.	• Establish constructive relationships • Comment on developments in legislation • Participate in forums • Written responses in consultation processes • Presentations and feedback sessions • Regulatory surveillance, reporting and interaction • Membership of industry bodies, eg the Tourism Business Council of South Africa (TBCSA), the South African Tourism Board (SATB) and the Federated Hospitality Association of Southern Africa (Fedhasa)	• Taxation revenues • Compliance with legislation • Job creation • Investment in public and tourism infrastructure • Investment in disadvantaged communities • Advancing transformation • Social impacts • Reduction in energy and water consumption	**Deliver to our beneficiaries** Page 43 **Regulatory compliance** Page 54

STAKEHOLDER GROUP	WHY IT IS IMPORTANT FOR US TO ENGAGE	HOW WE ENGAGE WITH OUR STAKEHOLDERS	OUR STAKEHOLDERS KEY INTERESTS	ASSOCIATED STRATEGIC PRIORITIES
Guests	We need to understand our guests' needs, perceptions and behaviours in order to deliver experiences relevant to them, thereby enhancing our brand value and driving revenue.	• Satisfaction surveys • Rewards programmes • Customer relationship managers • Call centres • Website and social media engagement	• Quality product • Consistent quality experience • Simpler and quicker to deal with us • Value offerings • Long-term security of supply • Recognition for loyalty • Safety and security	**Product relevance to customer experience** **Page 50**
Communities	Engagement assists us to focus our efforts on empowering local communities which contributes to our long-term viability.	• Events and sponsorships • Website and social media engagement • Corporate social investment initiatives • Employee volunteering	• Investment in disadvantaged communities • Employment opportunities • Sponsorships	**Deliver to our beneficiaries** **Page 43**
Employees	Our employees are core to delivering our guest experiences and we need to understand their needs, challenges and aspirations and for them to be aligned with our strategy.	• Communication from executives • Internal communications and posters • Induction programmes • Ongoing training and education • Employee surveys • Performance management programmes • Anti-fraud, ethics and corruption hotline • Trade union representative meetings • Employee engagement programme	• Job security • Engagement • Performance management • Clear understanding of reward structures • Health and safety performance • Access to HIV counselling and wellness programmes • Career planning and skills development	**Skilled human resources** **Page 55**
Suppliers, tenants and business partners	Our suppliers, tenants and business partners enable us to deliver consistent guest experiences.	• One-on-one meetings • Tender and procurement processes • Anti-fraud, ethics and corruption hotline • Supplier forums and showcases	• Timely payment and favourable terms • Fair treatment • B-BBEE compliance	**Deliver to our beneficiaries** **Page 43**

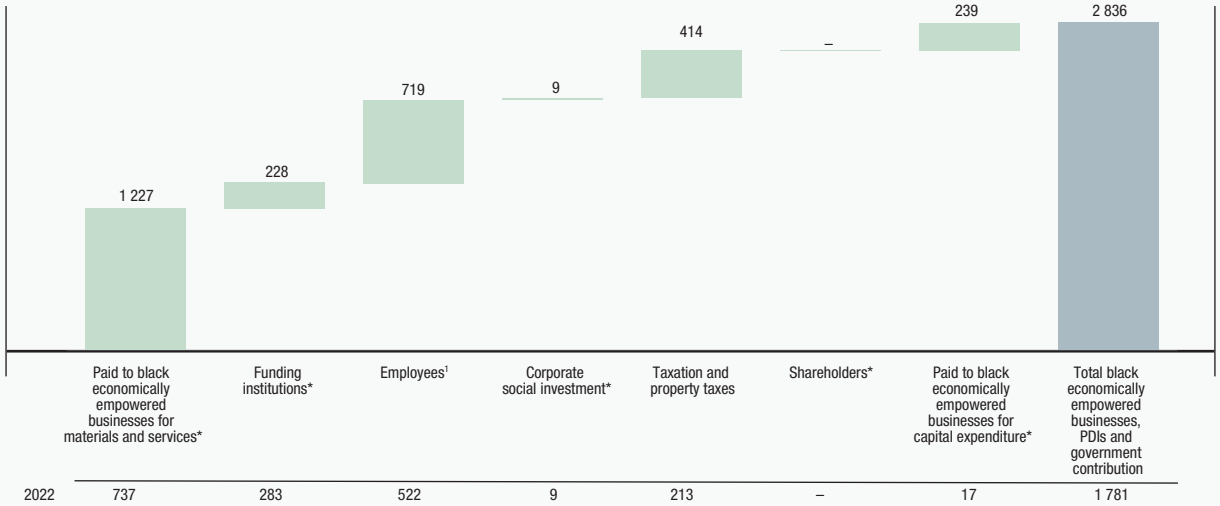
OUR KEY STAKEHOLDERS *continued*

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

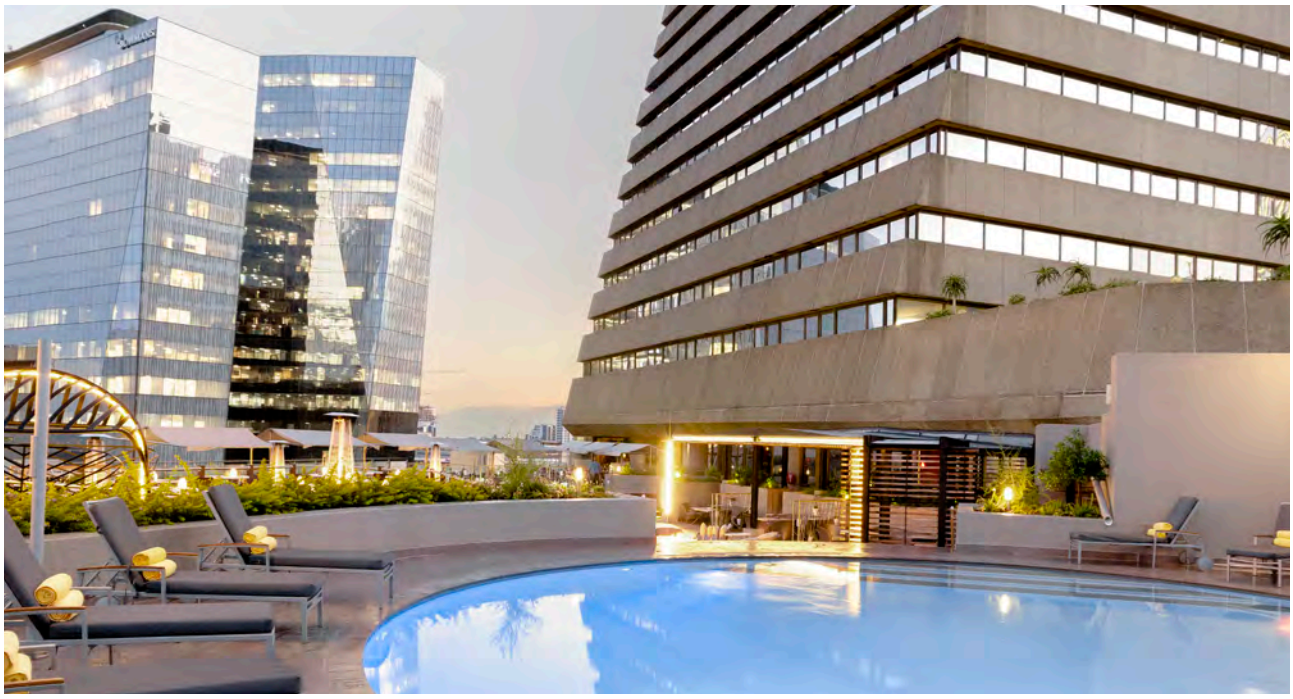
- returns for our shareholders and funding institutions;
- substantial income tax, value added tax (VAT), employees' tax and property rates and taxes to national and provincial government;
- corporate social investment (CSI) in our communities;
- employment within the communities we serve;
- sustainable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

A substantial portion of the wealth generated by the group is spent with or distributed to black economically empowered businesses, previously disadvantaged individuals and government, the value of which for the year ended March 2023 is set out below:

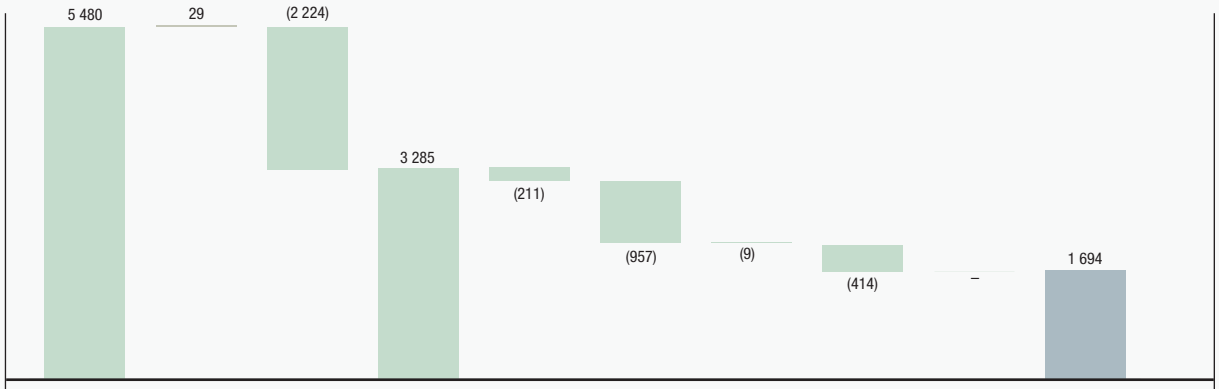
Value added to black economically empowered businesses, previously disadvantaged individuals and government for the year ended 31 March 2023 (Rm)



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



Value added for the year ended 31 March 2023 (Rm)[2]



	Cash derived from revenue	Dividends and interest received	Paid to suppliers for materials and services	Total cash value added	Funding institutions	Employees[1]	Corporate and social investment	Taxation and property taxes	Shareholders	Net cash
2022	2 708	15	(1 953)	770	(244)	(698)	(11)	(213)	–	(396)

[1] *Net pay to employees with employees' tax included in taxation.*
[2] *These numbers consist of continuing as well as discontinued operations for the year ended 31 March 2023.*

Interactions with our stakeholders are based on our strategic objectives, included on page 7, which guide our behaviour ensuring our stakeholders know what to expect from us.

OUR MATERIAL RISKS AND OPPORTUNITIES

The matters included in our integrated annual report are principally aimed at providers of financial capital in order to support their financial capital allocation assessments.

However, the interests of the providers of financial capital are largely aligned with other key stakeholders because they are also focused on the creation of value over the long term.

DETERMINATION OF MATERIALITY

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

1 RISK IDENTIFICATION

2 QUALITATIVE AND QUANTITATIVE ANALYSIS

3 RISK MATRIX

4 MAGNITUDE AND LIKELIHOOD

The assessment of the magnitude of the impact and the likelihood of the occurrence of the group's top risks and opportunities informed the identification and prioritisation of the material matters for inclusion in the integrated annual report.

5 MATERIAL MATTERS

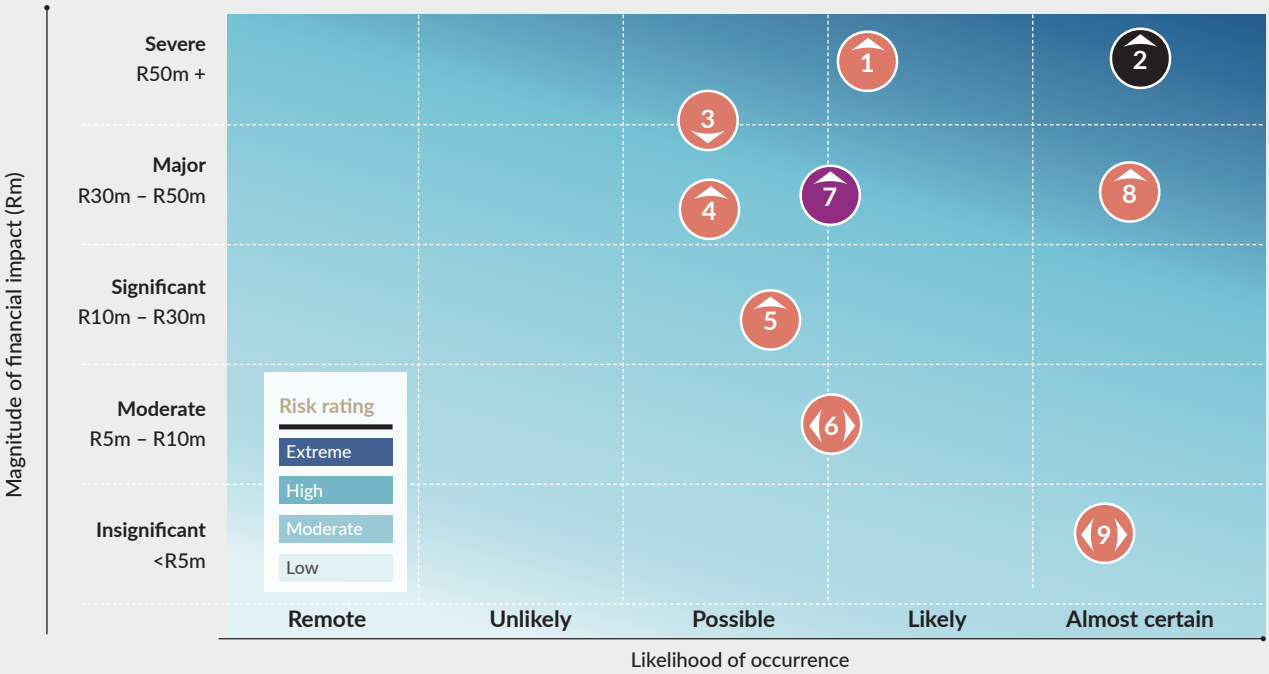
The identified matters were compared with those being reported by organisations in the same or similar industries to ensure that relevant matters were not excluded from the report.

MATERIAL RISKS AND OPPORTUNITIES

We evaluated and prioritised our material risks and opportunities, which are depicted in the heatmap below. The specific risks and opportunities within each risk landscape (in order of assessed residual risk), their potential impact and the group's risk responses are noted on pages 37 to 41. Certain new risks have been added to the risk landscape:

- Ongoing load shedding implemented to avoid grid failure with the potential to reach stage 10, effectively 16 hours per day with no electricity
- The perceived inability of government to improve the current depressed macroeconomic situation and the constrained growth exacerbated by uncertainty regarding electricity supply in the country may lead to reduced income and lower profitability
- Slowdown in GDP growth, high unemployment and a lack of policy certainty adversely impacting on revenue
- Loss of appeal of South Africa as travel destination due to safety concerns and/or political instability
- International geopolitical events such as the continued war in the Ukraine, causing inflationary pressures due to the oil price increase resulting in travel becoming prohibitively costly
- Crime, security and safety concerns due to political instability in South Africa

SOUTHERN SUN'S RISK AND OPPORTUNITY LANDSCAPE



Increase Decrease Neutral

Risk matters

1	Portfolio management and product relevance	6	Human resources
2	Macroeconomic environment	7	Public liability
3	Capacity and market issues	8	Unreliable and costly utilities
4	Crime, security, health and safety	9	Regulatory change and compliance
5	Cyber, IT and information management		

Strength of current risk responses

Very good	Satisfactory	Unsatisfactory
Good	Weak	Uncontrollable

For a detailed understanding of how we manage risk, please refer to page 69 of the governance report.

OUR MATERIAL RISKS AND OPPORTUNITIES *continued*

STRATEGIC OBJECTIVES


DELIVERING TO OUR BENEFICIARIES


FINANCIAL STRENGTH AND DURABILITY


PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE


REGULATORY COMPLIANCE


ADEQUATELY SKILLED HUMAN RESOURCES


ORGANIC GROWTH

PRINCIPAL RISK LANDSCAPES

1 PORTFOLIO MANAGEMENT AND PRODUCT RELEVANCE

Specific risks we face	Risk responses
• Ensuring our products remain relevant to consumers may require additional investment in customer experience intelligence through research and further refurbishment capex. As such, the group may be required to assume development risk to enhance or protect the value of its portfolio base • Major plant and equipment failures (lifts, transformers and/or switchgear, chillers, hot water plant) can disrupt operations for extended periods • Nodal shift remains a significant risk that requires active management and the quantification of unknown impairments • In the absence of renewal options exercisable by the group, there can be no guarantee that all or any of the group's leases and management contracts will be renewed upon their expiry. There can also be no guarantee that the terms of any leases or management contracts that are renewed will be as favourable to the group as the terms currently in place	• Investment in facilities and maintenance capex to ensure product relevance and proper maintenance of equipment • Strong Manco with experienced management team and central resources • Market research to timeously spot trends and respond accordingly • Overview of market and membership of various hospitality industry bodies to keep abreast with market movements and trends • Social media interaction and monitoring and customer reviews • Active corporate citizenship • Employee volunteering in our communities • Continuous engagement with hotel owners to secure contract renewals on attractive contractual terms • Attractive management fee structure

Associated strategic priorities

Strength of risk response:	Magnitude of impact:	Likelihood of occurrence:	Risk rating:
Satisfactory	Severe	Likely	Extreme
Strategic objective:			

2 MACROECONOMIC ENVIRONMENT

Specific risks we face

- Our operations are concentrated in South Africa and are affected by the cyclical nature of the hospitality industry
- The inability of government to improve the current depressed macroeconomic situation and the constrained growth exacerbated by uncertainty regarding electricity supply in the country may lead to reduced income and lower profitability
- Slowdown in GDP growth, high unemployment and a lack of policy certainty adversely impacting on revenue
- Loss of appeal of South Africa as travel destination due to safety concerns and/or political instability
- Constrained growth in government, corporate, international and conferencing markets will negatively impact trading
- International geopolitical events such as the continued war in the Ukraine, causing inflationary pressures due to the oil price increase resulting in travel becoming prohibitively costly
- South Africa's perceived neutral stance on Russia, leading to potential sanctions, negatively impacting the group

Risk responses

- Revise strategic priorities and review the organisational structures to potentially divest from certain hotel assets or alternatively, bring in partners with capital to reduce the group's exposure
- Consider further investment outside of South African borders to diversify revenue streams
- Investigate alternative energy sources in the absence of solar being a viable option for many of the group's properties
- Renewed and focused marketing to access untapped markets
- Utilise the frequentGuest rewards programme to stimulate business
- Extensive expense management and staff furlough in order to minimise costs and protect margin in a low revenue growth environment

Associated strategic priorities

Strength of risk response:	Magnitude of impact:	Likelihood of occurrence:	Risk rating:
■ Uncontrollable	Severe	Almost certain	■ Extreme
Strategic objective:			

3 CAPACITY AND MARKET ISSUES

Specific risks we face

- A prolonged reduction in tourism supply or supply chain issues such as airlift capacity not recovering as anticipated, a reduction in airline operators both local and international or concerns around travel given the Russia/Ukraine war
- The migration from office-based work to working-from home during Covid-19 has meant a decline in the demand for office space leading developers to potentially convert non-viable office space into non-viable hotel supply, particularly in anticipation of the recovery in the travel and tourism industry over the short term
- The loss of an airport terminal building in major nodes due to fire damage, or major damage to national roads, could negatively impact domestic and/or international travel
- An environmental catastrophe (earthquake, tsunami, fire) resulting in the total shutdown of a location and/or node, which would severely impact the group's capacity for extended periods of time

Risk responses

- Continuous management of the group's various booking channels including online travel agents and travel management companies to ensure that the group is maximising revenue per transaction
- Further focus on cost containment
- Adequate insurance cover for business interruption and property damage

Associated strategic priorities

Strength of risk response:	Magnitude of impact:	Likelihood of occurrence:	Risk rating:
■ Satisfactory	Severe	Possible	■ Extreme
Strategic objective:			

4 CRIME, SECURITY, HEALTH AND SAFETY

Specific risks we face

- Crime, security and safety concerns due to political instability in South Africa
- There is also an increased risk of financial fraud as guests and employees have been under financial pressure during the Covid-19 period
- The occurrence of major violent incidents like the civil unrest in KwaZulu-Natal and Gauteng during mid-July 2021 can cause major infrastructure damage and limit our ability to trade
- The possibility of hotel robberies and/or follow-home robberies

Risk responses

- Physical security and surveillance procedures and crime intelligence
- Internal control frameworks and internal audit procedures
- Coordination with the South African Police Service
- Stringent fire, life, safety and hygiene protocols, which are subject to self-audit and audits by risk managers, recorded through the ORMS system

Associated strategic priorities

Strength of risk response:	Magnitude of impact:	Likelihood of occurrence:	Risk rating:
Satisfactory	Major	Possible	High
Strategic objective:			

5 CYBER, IT AND INFORMATION MANAGEMENT

Specific risks we face

- Our operations, including online booking and hotel management systems, largely depend on our IT systems
- The performance and reliability of these systems and the group's technology are critical to its reputation and ability to attract, retain and service customers
- Any disruption in the group's ability to provide the use of its reservation system to customers, including as a result of software or hardware issues related to the reservation system or cyber attacks, could result in customer dissatisfaction and harm our reputation and business
- Other risks include:
  - Sub-optimal online transacting
  - Hacking and hacktivism
  - Social media risks, including abuse by staff
  - Loss of sensitive information and consequential GDPR/POPIA sanction or fine
  - Denial of service attacks or ransomware
  - High reliance on third-party suppliers

Risk responses

- Continuous maturity of and improvements made to the IT security ecosystem
- Review online transaction and channel opportunities by having a diversified channel strategy, reducing dependency on a particular individual channel. To review both channel and website costs to mitigate foreign exchange risk (costs are US Dollar and Euro denominated)
- Backup IT systems for business critical systems generally in different geographies and restores tested bi-annually for core solutions
- Continuous maintenance of hardware and databases to ensure warranties remain in order
- Increase IT auditing and assurance (internal and external)
- Continual review of channel sources, to alleviate a reliance on one particular channel
- Social media security and access management
- Fail overs and manual procedures to support any possible information technology downtime, limiting impact on the guest and our reputation
- PABX system migration
- Training of employees to identify potentially dangerous links and respond by alerting the IT security team
- Payment and card industry standard compliance
- POPI Act and GDPR compliance managed by the Information Security Officer

Associated strategic priorities

Strength of risk response:	Magnitude of impact:	Likelihood of occurrence:	Risk rating:
Satisfactory	Significant	Possible	High
Strategic objective:			

6 HUMAN RESOURCES

Specific risks we face

- Not being competitive in the labour market within which we operate and failing to attract, train, motivate and retain enough qualified and skilled employees to operate
- Changes in labour legislation which negatively impacts operational flexibility, increases labour costs or which is unnecessarily managerially or administratively burdensome
- Unrealistic wage expectations, social pressures or unresolved disputes resulting in prolonged industrial action or protest
- Scarcity of skills, unsustainable premiums being paid to retain or acquire scarce skills, and the depletion of the company's efforts to develop skills and improve its bench-strength of key operating skills, including key IT and finance skills
- Poor crisis management and/or failure to adhere to prescribed standards

Risk responses

- Retention of employees through appropriate remuneration structures and employee benefits
- Engaging with and empowering staff
- Employee training and development with a focus on fast-tracking those with high-performance potential
- Performance-driven culture
- Focused employment equity strategy
- Labour rate parity
- Regular monitoring to ensure labour-legal compliance

Associated strategic priorities

Strength of risk response:	Magnitude of impact:	Likelihood of occurrence:	Risk rating:
Satisfactory	Moderate	Possible	Moderate
Strategic objective:			

7 PUBLIC LIABILITY

Specific risks we face

- The nature of the group's business means that it is responsible for the health and safety of numerous guests who stay in our hotels, attend conferences at our properties and dine in our F&B establishments
- The group has excellent health and safety as well as property maintenance standards so while there is a risk of multiple claims should guests or employees be injured at one of our properties due to fire or food poisoning, this risk is lower down on the criticality scale

Risk responses

- Stringent fire, life, safety and hygiene protocols, which are subject to self-audit and audits by risk managers, recorded through the ORMS system
- Physical security and surveillance procedures and crime intelligence
- Internal control frameworks and internal audit procedures
- Coordination with regulatory authorities
- Adequate public liability insurance cover

Associated strategic priorities

Strength of risk response:	Magnitude of impact:	Likelihood of occurrence:	Risk rating:
Good	Major	Likely	High
Strategic objective:			

8 UNRELIABLE AND COSTLY UTILITIES

Specific risks we face

- Ongoing load shedding implemented to avoid grid failure with the potential to reach stage 10, effectively 16 hours per day with no electricity
- Service delivery, limited infrastructure investment and funding challenges at South Africa's municipalities have compounded their capacity to supply water and electricity to ratepayers
- Inconsistent water supply and unreliable electricity provision affect the operational capability of hotels to provide consistent services to guests
- Municipalities and utility providers also increase rates, property taxes, water and electricity to fund their own shortfalls, placing an additional cost burden on the returns to shareholders

Risk responses

- Electricity-efficient demand side management programme to reduce consumption
- Self-reliance on generators for emergency electrical supply
- Boreholes, desalination plants and solar capacity
- Water handling and/or storage capacity for emergency supply
- Efficient cost reduction in response to revenue contraction

Associated strategic priorities

Strength of risk response:	Magnitude of impact:	Likelihood of occurrence:	Risk rating:
Satisfactory	Major	Almost certain	High
Strategic objective:			

9 REGULATORY CHANGE AND COMPLIANCE

Specific risks we face

- Policy uncertainty
- More aggressive regulatory authorities
- Changing B-BBEE requirements
- Degradation of formal skills set
- Increased complexity of compliance, eg POPI Act, CPA and FICA
- Visa regulations
- Aggressive tax authorities
- Increase in taxes, including VAT
- Increased rates and property taxes

Risk responses

- Submit comments to lawmakers through formal comment structures
- Robust compliance procedures
- Comprehensive B-BBEE programme
- Lodgement of appeals on assessments and property valuations

Associated strategic priorities

Strength of risk response:	Magnitude of impact:	Likelihood of occurrence:	Risk rating:
Satisfactory	Insignificant	Almost certain	High
Strategic objective:			

OUR STRATEGY IN ACTION

The key pillars of our sustainability include:

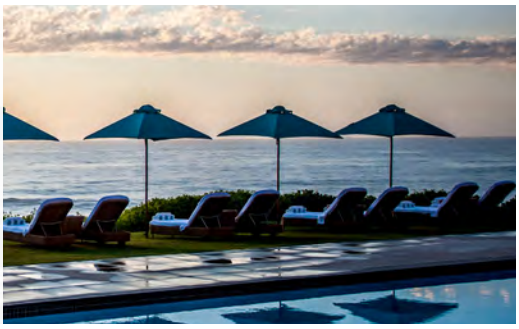
- Delivering to our beneficiaries
- Financial strength and durability
- Product relevance to customer experience
- Regulatory compliance
- Adequately skilled human resources

SUSTAINABILITY STRATEGY IN ACTION

	KEY PILLARS	MATERIAL RISKS
CSI outcomes **265** education, health and welfare organisations supported	Delivering to our beneficiaries	• Regulatory change and compliance • Macroeconomic environment
Unutilised facilities plus cash **R1.6 billion**	Financial strength and durability	• Macroeconomic environment • Regulatory change and compliance • Local authority capability • Capacity • Crime, security, health and safety • Credit risk
Guest satisfaction **82%**	Product relevance to customer experience	• Macroeconomic environment • Regulatory change and compliance • Local authority capability • Capacity • Crime, security, health and safety • Cyber, IT and information management
Fines imposed for breaches of law **Nil**	Regulatory compliance	• Regulatory change and compliance • Capacity • Cyber, IT and information management • Crime, security, health and safety
Verified training spend **5.4%** as a percentage of leviable amount	Adequately skilled human resources	• Regulatory change and compliance • Human resources • Crime, security, health and safety • Cyber, IT and information management

DELIVERING TO OUR BENEFICIARIES

As a responsible corporate citizen with a rich South African heritage, we aim to ensure that a portion of the economic benefits of ownership flow to community, charitable or socially beneficial organisations. We achieve this through meaningful citizenship programmes and through direct and indirect equity ownership and employment.



Key performance indicators	2023	2022	2021
Black ownership (%)	**60**	62	52
Value added contribution to black economic empowered businesses, previously disadvantaged individuals and government (Rm)	**2 836**	1 781	1 349
B-BBEE level	**1**	1	3
CSI outcomes: education, health and welfare organisations supported	**265**	200	104
Enterprise and supplier development outcomes: SMMEs supported	**45**	67	153

2023 performance

Shareholders

The nature of the HCI shareholding provides the bulk of our 59.9% broad-based empowered ownership. HCI's shareholding, net of treasury shares increased from 40.9% to 43.5% subsequent to year end, due to a further repurchase by the company of its own shares. HCI has provided a stable shareholder base for several years, which has allowed the group to grow and leverage opportunities. The balance of the shareholding is diverse with adequate liquidity.

Refer to the group structure on page 2 for more information.

Community

The group is committed to supporting communities in need and we contribute a portion of our profits annually to charitable organisations, entrepreneurial development and natural environment conservation. We continue effectively harnessing our resources and experience to participate in initiatives aiming to positively impact the communities in which we operate.

Community development

We support our local communities in education, health and welfare through in-kind contributions (such as venues, accommodation, food, linen, furniture, equipment and volunteering). Over the past year, we supported 265 non-profit organisations, with our social investment amounting to R9 million in value. This represents 0.28 percentage points (pp) more than the tourism sector code target.

Enterprise and supplier development

Through the Southern Sun Entrepreneurs programme, we assist emerging enterprises with the potential to form part of our procurement pipeline. The programme provides a range of business benefits to 45 enterprises in various industries across South Africa. Some success stories of the businesses supported are documented in a series of short films entitled The Legacy Series, broadcast on etv and eNCA.

The value of our investment in enterprise and supplier development for the year was R29.2 million, which represents 0.5 pp more than the tourism sector code target. R7.3 million was allocated to enterprise development beneficiaries and R21.9 million to supplier development beneficiaries.

Southern Sun Volunteers

Through the Southern Sun Volunteers' programme, employees participate in diverse community projects that range from assisting welfare shelters to organising beach clean-ups. During the year, Southern Sun Volunteers supported Mandela Day, Reach for a Dream Slipper Day, Rise Against Hunger, the CANSA Shavathon and several relief outreach efforts in the areas where our hotels are situated.

Transformation

Southern Sun is committed to transformation and actively contributes to broad-based black empowerment through practices that facilitate positive change – from maintaining the diversity of our workforce to supporting emerging enterprises through our entrepreneurs programme. The group is a level 1 B-BBEE contributor, measured against the Department of Trade, Industry and Competition's (DTIC) revised codes of good practice – tourism sector scorecard, and complies with the related guidelines.

An accredited economic empowerment rating agency performs the formal verification audits annually. The consolidated group results for the year ended 31 March were as follows:

B-BBEE results	Target – tourism sector scorecard	Actual score achieved 2023	2022	2021
Ownership	**27**	**27.0**	27.0	27.0
Management and control	**19**	**12.8**	13.1	13.3
Skills development	**20**	**17.1**	17.1	9.8
Enterprise and supplier development	**40**	**35.8**	34.9	32.1
Socioeconomic development	**5**	**8.0**	8.0	8.0
Overall	**111**	**100.7**	100.1	90.2
Rating level		**Level 1**	Level 1	Level 3

The group's B-BBEE contributor status remained at level 1 with 135% procurement recognition status (2022: level 1 with 135% recognition status). We received 100.7 out of 111 available points on the tourism sector scorecard. Our black ownership is 59.9% and black women ownership is 37.2%.

Industry bodies

Southern Sun actively participates in business and industry bodies such as the Tourism Business Council of South Africa (TBCSA), the South African Tourism Board (SATB) and the Federated Hospitality Association of Southern Africa (Fedhasa). Our participation includes contributing management's time, effort and intellect. The group also forms relationships with national and regional tourism associations.

Tenants

Delivering quality hospitality, dining and conferencing experiences is important to staying relevant in our market and satisfying our customers' diverse requirements. With 108 tenants across Southern Sun's properties, tenanting is a core focus area to ensure our guests have access to the best office, retail, restaurant and entertainment-related offerings.

Suppliers

The group develops long-term, mutually beneficial relationships with suppliers of goods and services. Through these supplier relationships, many indirect jobs are created and wealth is generated in the economy.

A growing portion of our procurement is centrally managed. This allows for enhanced consistency in standards and pricing, and closer relationships with our suppliers. We ensure that, as far as practically and commercially possible, our operations procure products from local vendors.

The group encourages diversity in its commercial associations, particularly through involving black-empowered and local businesses, from whom we intentionally procure through a focused procurement strategy. Verified total procurement spend on black economic empowered businesses amounted to R1 910 million during the year (2022: R1 090 million). The group's B-BBEE score for preferential procurement, measured in the enterprise and supplier development element, is 19.8 out of 25. Our focus areas are procurement from black women-owned businesses and further opportunities to establish and support enterprise and supplier development initiatives through procurement.

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

Third-party owners

The group leases hotel properties and manages hotel businesses on behalf of third-party owners where it does not own the property or the business.

Environment

The group has a low environmental impact due to the service nature of the hotel industry. However, we are subject to the general impacts of climate change and make every effort to manage our hotels with due care and consideration for the environment.

Using natural resources, minimising carbon emissions and conscientiously disposing of waste is important for our long-term sustainability. We integrate environmental management practices into our core business strategy. Our environmental steering committee assesses and manages climate-related risks and opportunities to ensure the group's conduct meets present needs while minimising the cost to future generations.

The group's environmental policy is revised annually and published on southernsun.com with our stated commitment being to:

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

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

To ensure we meet the objectives of our environmental policy, a property-specific environmental management system is in place at our hotels. The system focuses on energy, water, waste management and responsible procurement. It is holistically managed as part of the inhouse Organisational Resilience Management Standard (ORMS) audit process, and is verified by the German quality body, DQS-UL Group. The group reports to the CDP and Water Disclosure Project as an HCI associate.

Environmental impact overview

Total emissions and water consumption increased by 20% and 32% respectively since the previous year due to the progressive reactivation of the group's entire portfolio following the Covid-19 pandemic and the resulting increase in demand for hotel accommodation. A continued increase in business activity saw electricity consumption and water usage return to near pre-Covid-19 volumes during the year. Significant focus was placed on retaining and continuing with the savings initiatives implemented and improved during the pandemic. Energy efficient practices continue in order to reduce maximum demand levels and controllable expenditure.

Scope and boundaries of emissions measurement

Scope 1 and scope 2 emissions are reported for all businesses at properties owned or leased by the group, in South Africa and offshore, excluding tenant emissions. Tenant emissions, emissions at managed properties, emissions from outside laundry services and business travel emissions are reported as part of scope 3 emissions. Fugitive emissions, mainly from refrigerants, are not significant and there are no other emissions that are considered material.

93% of scope 1 and 2 emissions arise through the consumption of electricity and thus demand-side management of electricity consumption remains the area of focus in reducing emissions. 95% of the scope 3 emissions from tenants also arise from the consumption of electricity.

LPG and natural gas are primarily used for cooking with limited space heating and water heating. Diesel is utilised for back-up electrical generation.

Emissions measurement

Total emissions (tCO_2e)	2023	2022	% change 2023 vs 2022	2021
Scope 1	**6 580**	2 545	159	1 353
Petrol and diesel (owned company vehicles)	**165**	148	12	93
Diesel consumed (owned businesses)	**4 160**	1 050	296	574
Liquefied petroleum gas (LPG) and natural gas usage (owned businesses)	**2 255**	1 347	67	686
Scope 2	**84 922**	65 510	30	41 509
Energy consumed (owned businesses)	**84 922**	65 510	30	41 509
Scope 3	**53 180**	52 610	1	31 332
Energy consumed (tenants)	**26 955**	26 773	1	18 116
Energy consumed (managed properties)	**17 184**	15 156	13	7 490
Laundry services (outsourced)	**8 786**	10 564	(17)	5 717
Business travel	**254**	117	117	9
Total emissions (tCO_2e)	**144 681**	120 665	20	74 194

Electricity

Scope 2 emissions: Scope 2 emissions at owned properties increased by 30% on the prior year at 84 922 tCO_2e due to the continued increase in business activity throughout the year. Savings from ongoing energy-saving initiatives, the ability to deactivate major plants at the hotels, continuous energy management programmes, consumption measurement and behavioural change initiatives have maximised efficiencies and contributed to the further reduction in electricity intensity consumption. The installation and use of energy-efficient equipment continues where practical.

LPG and natural gas: Scope 1 emissions from the consumption of LPG and natural gas increased by 67% to 2 255 tCO_2e due to the continued increase in business activity throughout the year and to a lesser extent, the impact of the increased load shedding during the year.

Petrol and diesel – vehicles: Scope 1 emissions from the consumption of petrol and diesel in company-owned vehicles increased by 12% to 165 tCO_2e.

Diesel – stationary: Scope 1 emissions from the consumption of diesel increased by 296% to 4 160 tCO_2e due to the continued increase in business activity throughout the year and mainly, the impact of increased load shedding and supply interruptions during the year. The diesel expenditure for the owned portfolio amounted to R41 million for F23 compared to R10 million for the F22 financial period.

Scope 3 emissions: The 1% increase in scope 3 emissions from tenants at group properties is mainly due to the increase in business activity combined with ongoing savings initiatives. The increase in scope 3 emissions from properties managed by the group was only 13% due to the portfolio changes due to the termination of the TSG management agreements from December 2022 onwards. Scope 3 emissions from outsourced laundry services (utilised at most hotels) were 17% down on prior year consumption, mainly due to the TSG-related portfolio changes. The increase in business travel-related emissions is directly related to the increased trading activities.

Water

Although supply interruptions due to poor municipal infrastructure continue to increase and medium-term water shortages are probable, the group does not have material company-specific water risks. The majority of the group's properties are in urban areas and use potable water provided by local municipalities (87% of consumption). Two resort properties utilise surface water for irrigation and two resort properties are fully reliant on river water.

Water consumption at owned properties increased during the year by 32% to 1 418 210 kilolitres mainly due to the continued increase in business activity. The ongoing conservation and reduction measures at all properties are maintained. A number of properties are suitable for the installation of bore hole solutions as an alternative water source and installations are underway.

Waste management

The group's efforts to divert waste from landfill are in process at most properties through staff training and partnering with waste contractors that are committed to zero waste to landfill practices.

Further implementation of an organic waste treatment method, a system that uses a combination of enzymes and probiotics, has proceeded with a total of 13 properties on board across South Africa. This method diverted 206 tons of food waste from landfill. Implementing this system not only reduced the carbon footprint but has also demonstrated our commitment to sustainability and innovation. In addition to this system, a further 580 tons of organic waste was diverted from landfill using alternative means.

In line with the Western Cape legislation, our commitment to reduce general waste, in particular single use plastics and paper, have seen successes. Furthermore, we ensure that our suppliers understand our sustainability goals, as stated in our procurement strategy. We have embarked on various strategies to ensure that we use, where possible, recyclable and bio-degradable products e.g. straws, water bottles, guest amenities, copy paper and collateral, among others.

A continued focus on sustainable waste management will be maintained, as innovative ideas are implemented by employees, while ensuring tenants are informed and participate in the group's diversion from landfill strategy.

Biodiversity

The majority of our hotels are in urban areas and not close to sensitive environments. There are seven hotels in rural environments where biodiversity management is more important. No new facilities were developed at these properties during the year. The properties have programmes in place to remove alien vegetation and, where applicable, this is replaced with indigenous plants.

Environmental education

As part of our efforts to be a good corporate citizen, we encourage local communities to adopt a responsible attitude towards using electricity and water sparingly and managing waste. The group also champions opportunities to inform people about the importance of reducing their environmental impact by organising clean-ups, tree planting and urban improvement projects through the Southern Sun Volunteers' programme.

Looking ahead

Community development

We will continue supporting local communities in education, health and welfare through in-kind contributions and monitoring the impact thereof by tracking donations and measuring their benefits.

Enterprise and supplier development

The Southern Sun Entrepreneurs' programme is well positioned to continue actively addressing the need for small business support and will continue serving beneficiaries in useful and innovative ways in the future. The basis for delivery of support will continue to make use of online platforms and technology.

Transformation

The group will continue prioritising transformation and endeavour to maintain its performance in the year ahead. This will be achieved through continuously focusing on all areas of the empowerment framework, with emphasis on maintaining workforce diversity and continuing to develop the skills of existing employees and of potential new employees from our communities.

Environment

The focus will continue to be on ensuring the energy and water consumption management programmes remain in place to reduce consumption year on year wherever possible, excluding the impact of increased capacity or additional operations. Through environmental education, the group will continue encouraging stakeholders to take responsibility for their environmental impact and positively change their behaviour by communicating about topics such as climate change.

We are working towards minimising waste to landfill. Our focus during the prior year was on identifying partners who can assist in achieving this. We will continue working to understand our waste streams and identify those to be eliminated through our green purchasing policy, which is in progress. During the coming year, our attention will be on optimising separation at source in kitchens and bars through employee education and upgrading waste collection areas.

SOUTHERN SUN CITIZENSHIP

CARING ACROSS COMMUNITIES

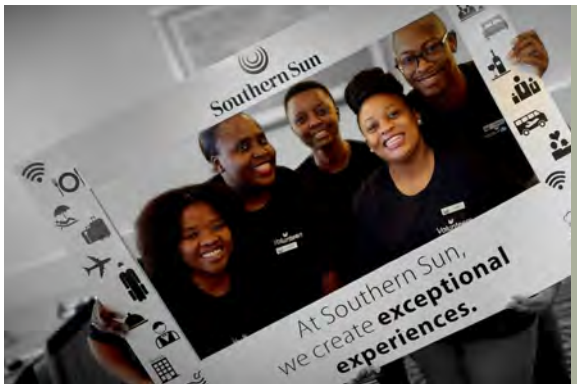
Southern Sun supports our local communities in education, health and welfare through in-kind contributions. During the year, the group supported 265 charitable organisations and community-based initiatives.

SOUTHERN SUN ENVIRONMENT

Environmental responsibility is fundamental to Southern Sun's philosophy of citizenship. We implement strict measures to reduce our environmental impact and conserve natural resources.

SOUTHERN SUN ENTREPRENEURS

The Southern Sun Entrepreneurs' programme provides practical benefits and tools to business owners to help small enterprises become sustainable.



SOUTHERN SUN VOLUNTEERS

Through the Southern Sun Volunteers' programme, employees participate in diverse community projects that range from assisting at welfare shelters to participating in beach clean-ups.

FINANCIAL STRENGTH AND DURABILITY

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

Cyclical variations in macroeconomic conditions are particularly relevant in the hotel industry, which is regularly in undersupply or oversupply. To withstand the impacts of these cycles, the group aims to ensure debt is used prudently.

Approach

The group manages debt levels using the leverage ratio (net debt:Ebitda) and ensures availability of sufficient credit facilities with long-term maturities, providing additional liquidity when economic conditions deteriorate.

Key performance indicators	2023	2022
Net debt:Ebitda (times)	**1.1**	6.4
Unutilised facilities including core cash (Rm)	**1 643**	1 996
Weighted average expiry of debt facilities (years)	**3.2**	2.3
Gross debt hedged through fixed interest rate swaps (%)	**66.2**	45.8

2023 performance

Net interest-bearing debt

The group's core interest-bearing debt net of cash at 31 March 2023 totalled R1.3 billion, which is R1.5 billion below the 31 March 2022 balance of R2.8 billion. It comprises free cash inflow of R753 million generated from operations after settling finance costs, taxation and maintenance capex as well as a currency translation loss of R113 million which was recognised on the US Dollar-denominated loans as a result of the depreciation of the Rand.

Interest rate and currency risk management

The group manages its interest rate risk by using floating-to-fixed interest rate swaps. Interest rate swaps have the economic effect of converting floating rate borrowings to fixed rates. Where the group raises long-term borrowings at floating rates, it swaps them into fixed rates in terms of group policy. Group policy requires a long-term hedging profile of approximately 50%, deviating to a minimum of 25% and a maximum of up to 100% of gross debt, considering the interest rate cycle. The hedge ratio is monitored on an ongoing basis. Under the interest rate swaps, the group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to an agreed reference interest rate calculated on agreed notional principal amounts. The settlement dates coincide with the dates on which interest is payable on the underlying debt and settlement occurs on a net basis. As at 31 March 2023, 66.2% of combined group gross debt was hedged through fixed interest rate swaps. The weighted average effective interest rate for the year increased from 7.2% in 2022 to 8.9% in 2023, given increases in the underlying reference JIBAR and LIBOR interest rates as well as higher cash balances earning interest at lower rates than those applicable to borrowings.

The group is not exposed to significant foreign exchange risk in its offshore division as the functional currency (the currency in which cash flows are generated) matches the currency of the debt raised in those entities, being US Dollars. As a result, no forward cover contracts are required in respect of this debt and a natural hedge exists. There is, however, foreign currency risk exposure on the conversion of these US Dollar-denominated loans to Rand and while the group has not hedged this risk given that the cost to do so is prohibitive, the intention since listing has been to reduce the exposure to Dollar-denominated debt and the proceeds from the sale of Southern Sun Ikoyi has further assisted in achieving this. Offshore cash at year end was held 55% in US Dollar, 27% in Euro and 7% in Mozambican Metical with 11% in other local currency deposits.

Funding capacity and covenants

The group's liquidity and access to facilities are of paramount importance. In December 2022, the group successfully concluded the refinancing of its debt package 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 HPF of R400 million and the settlement of outstanding HPF notes of R1.7 billion. Under the terms of the new borrowing facilities, the group is required to comply with the following financial covenants:

- The net debt:Ebitda (Earnings before interest, income tax, depreciation, amortisation, IFRS 16 rent adjustments, long-term incentives and exceptional items – which definition is consistent with the funding agreements) set at less than 3.5
- Interest cover ratio for the initial covenant measurement period ending 31 March 2023, were set at greater than 2.0
- In addition, the group is required to maintain a minimum liquidity level of R500 million until 31 March 2023

Together with available core cash of R653 million, the group has comfortably exceeded the liquidity covenant by R1.2 billion, achieved a leverage ratio of 1.1, and an interest cover ratio of 4.8 for the 31 March 2023 measurement date. The minimum liquidity requirement falls away after 31 March 2023 when the covenants become more restrictive over time, based on a sliding scale:

- the maximum leverage cover ratio reduces to 3.0 for periods after 31 March 2023, to 2.5 for periods after 31 March 2024 and to 2.0 for periods after 31 March 2025; and
- the minimum interest cover ratio increases to 2.5 for periods after 31 March 2023.

Looking ahead

With current cash generation levels higher than anticipated at the time of the refinancing, the group has successfully converted R500 million term loans to a revolving credit facility (RCF) providing the group with flexibility to reduce financing costs and avoid interest leakage by depositing excess cash in this facility which can be redrawn and allocated towards capex or expansionary projects should the need arise. This aligns with the group's strategy to continue reducing debt levels and to manage liquidity and cash resources efficiently.

PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE

To provide the variety and quality of experiences our customers expect at the appropriate price points, we need to constantly monitor and invest in:

- **physical product that caters to the customer, including hotel operating equipment, major and minor hotel refurbishments, and mind and mood infrastructure to enhance customer experience;**
- **technology that works for the customer and makes the product work, including guest facing and back of house hospitality systems for in-house facilities and reservations, channel and customer relationship management;**
- **accessibility that allows the customer to use the group's products with minimal barriers to entry, including physical facilities like sufficient parking, accessibility for mobility impaired guests, easy access to reservation systems and personnel for trade and individual buyers, and easy access to information on the group's products; and**
- **branding, which is critical to our customers' perception of us.**

Key performance indicators	2023	2022	2021
Rewards programme membership contribution to revenue (%)	**30**	36	42
Guest satisfaction (%)	**82**	84	87
Hotel property brand audits – material deviations from brand standards	**None**	None	None
Hygiene audits – significant issues noted	**None**	None	None
Maintenance capital spend (Rm)	**104**	43	46

2023 performance

Product relevance

For us to deliver the experiences that our customers desire, it is important that our physical product and service delivery are easily accessible and relevant at appropriate price points; are consistent in standard and delivery; and provide a variety and quality of experiences that encourage repeat visits. Our customers' expectations involve a range of deliverables that include the nature of our technology offerings, the quality of our physical products, where our hotels are located, the appeal of our restaurants, and our availability in response to travel patterns.

The group seeks to respond dynamically to changing trends, refreshing hotel offerings to reflect contemporary tastes and embracing new technologies to improve the customer experience. Therefore, we invest in regularly maintaining and refurbishing our properties to keep them attractive and relevant to our customers. We maintain a rolling five-year capex planning system to identify hotels requiring refurbishment as well as plant and infrastructure replacements.

We believe that our properties offer a superior experience compared to our peers and other leisure offerings. To preserve our market position and attract and retain new and existing guests to our hotels, we will continue our disciplined programme of investment to continuously refresh the offerings and decor of our facilities. No material deviations from the brand standards occurred during the year.

Product development

Developing hotel real estate is a critical component of the business and our plans for organic growth. In the five years prior to the Covid-19 pandemic, approximately R1.4 billion was invested in the refurbishment and maintenance of the group's existing hotels, excluding the acquisition of new properties. However, as part of the Covid-19 action plan, the group suspended all capex with only emergency capex and repairs and maintenance considered in order to preserve cash. With the recovery in the hotel business post-Covid-19, the current refurbishment and maintenance plans are set to normalise on an annual basis.

The ability to develop and maintain relevant physical products is a key competency required in the business, and the selection of locations, hotel development and refurbishment and ongoing property maintenance are the core skills required. Key personnel are permanently employed to deliver these core skills that safeguard and mentor this knowledge. These skills are augmented by a network of experienced professionals in the major centres who have worked with the business over several years.

IT

IT strategy, governance and decision making form part of a coordinated and integrated process across relevant business functions. IT decisions are taken in collaboration with the business operations based on the demands of the industry in which we operate. In most areas, we continue using industry-specific third-party packaged solutions. We also develop numerous in-house applications and integrations to differentiate our service offerings. We believe specialist suppliers are generally better equipped to conduct research and development and keep pace with industry changes and the rapid evolution of technology. However, we actively direct application development by participating in the process with our suppliers. This approach optimises our technology investment and allows us to concentrate on delivering IT services to our business functions. Due to continuous and responsible IT investment over the past few years, there are no legacy system issues. Our systems remain current and are fully supported by relevant vendors and/or in-house by our employees.

The core property management and customer information systems for our hotel front office and reservations environment remain stable and productive. The solution has just undergone an upgrade that enhances POPI/GDPR functionality and resolves some smaller operational issues. This has been successful.

The group's digital platform (including but not limited to the newly re-launched southernsun.com) continues to enable better customer engagement, relationship and business management.

A cloud-based PABX (telephone solution) is being introduced as the traditional PABXs reach the end of their lifespans. This cloud-based solution supports the group's efforts to minimise its environmental impact by replacing the old PABXs' electricity consumption and footprint. The group will continue this roll-out as and when traditional PABXs reach the end of their lifespan.

We strengthened our cyber-security efforts with improved solutions and firewalls that include both internal and external protection layers. Further, we engaged a tier one third-party solution provider who manages the cyber-security operations centre (CSOC). Its focus includes management, detection, and response (MDR) services.

We have increased our cyber-security landscape to include best of breed technology to further support end point detection (EPD), patch management, asset management and managed vulnerability management.

Our offering of cyber-security training for our employees has been enhanced and will continue to grow during the FY24 year.

Chief Information Security Officer (CISO) services are being rendered by Performanta and this includes continuous update of information security policies and procedures, technical and procedural roadmaps for improvement and performing internal and external penetration assessments.

All efforts have shown a significant increase in cyber-security ratings.

Southern Sun brand portfolio management

As a leading hospitality company in southern Africa, our unique selling propositions of creating memorable experiences, providing quality products and delivering trusted service with flair are synonymous across the Southern Sun family of brands.

Southern Sun's hotel brand portfolio has remained unchanged, and our luxury, full service and economy segments continue to serve our guests with trusted offerings while the brand architecture continues to enable ease of decision making across our operations. Our investment in the sunburst also continues to pay off as it unites our family of brands and honours our rich heritage.

Customer satisfaction

Our customers' satisfaction is of utmost importance and we pay careful attention to their feedback, both when they are at our hotels and when they interact with us before and after their stays. We monitor website traffic, social media communications and online reviews to measure visibility and directly engage with customers. The overall guest satisfaction score from online third-party review sites during the year was 82% (2022: 84%). The decline is largely attributable to the significant increase in the number of reviews received since the prior year. Management is addressing this through, among other interventions, the refreshment of our employee engagement with a focus on service delivery and the reinforcement of brand standards.

The popularity of our brands and products, and the overall level of guest satisfaction demonstrated through this percentage, correlate with the high levels of engagement across various online and social media platforms we use to interact with guests and prospective customers:

Website: average visits per month	**2023**	2022	2021
southernsun.com	**349 394**	282 000	217 000

Social media platforms: engagement	**2023**	2022	2021
Facebook (likes)	**854 399**	866 471	937 259
Twitter (followers)	**51 235**	52 057	52 269
Instagram (followers)	**91 402**	82 946	73 183
LinkedIn (followers)	**41 530**	34 762	Not tracked
Total	**1 038 566**	1 036 236	1 062 711

During the year under review, southernsun.com received an average of 349 394 visits each month, which is up from 280 000 in the previous year. This increase in traffic was mainly due to targeted marketing and advertising initiatives, national campaigns such as SunBreaks, and continually driving traffic to the website via the group's various communications channels. The group's social media platform following remained above 1 million.

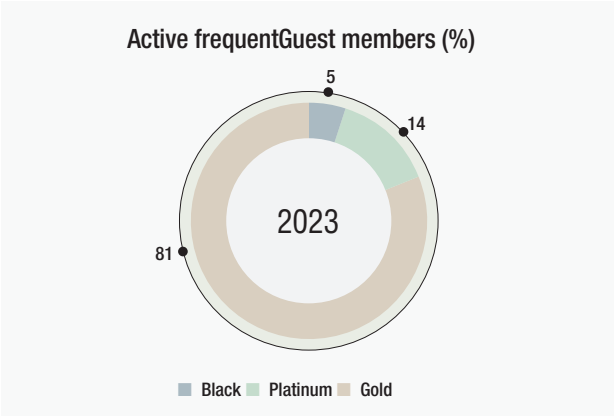
Customer rewards programme

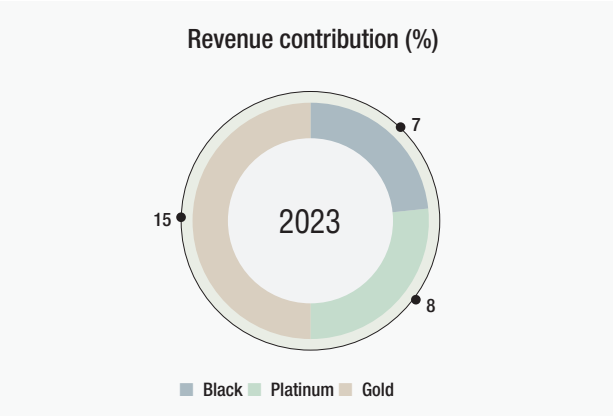
frequentGuest, the group's rewards programme is synonymous with value, recognising loyal guests of Southern Sun who earn SunRands which they can redeem when booking accommodation and spa treatments or dining at our hotels.

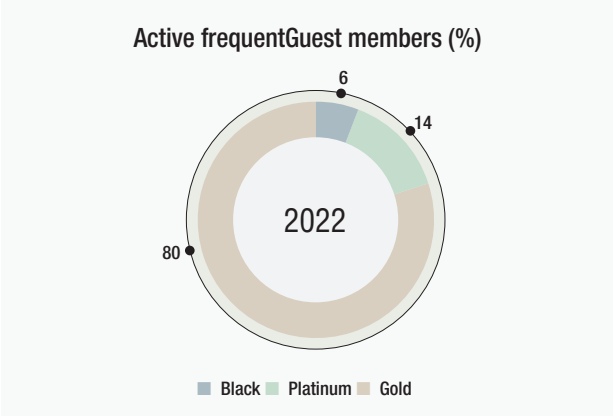
The Southern Sun frequentGuest programme provides the group with customer intelligence, which enables us to improve our offerings and respond appropriately to the needs and expectations of our guests.

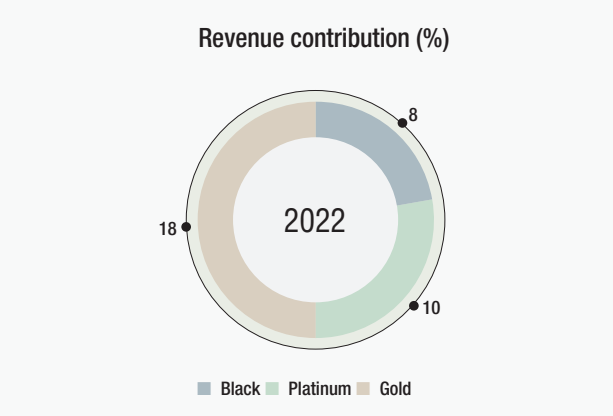
Southern Sun frequentGuest segmental analysis

At the end of the year, there were 119 992 active frequentGuest members (2022: 99 386), which equates to a 30% revenue contribution (2022: 36%). The decrease in contribution is due to international travel trends normalising post Covid-19.









Guest and employee safety

Southern Sun recognises that customers and employees' health, safety and wellbeing are of paramount importance. We maintain the highest quality life safety equipment and compliance with procedures at all our facilities. Compliance with best practice in life safety, health, hygiene and fire protection is a non-negotiable element of our management systems.

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

All group hotels, including outsourced restaurants, undergo an independent audit every second or third month. The audit covers food safety practices and compliance to the group's standard and legislated elements. It also includes temperature control, personal hygiene, good manufacturing practices, product traceability and storage, cleaning programmes and pest control. Audits are strictly unannounced and include surface swabs, hand swabs and food samples, which are selected at random during the audits and assessed for micro-biological quality. No significant issues were noted.

Southern Sun has always maintained the highest standards of cleanliness and hygiene, and while all health regulations regarding Covid-19 were ended by the South African government with effect from 22 June 2022, the group will continue its commitment to exemplary health and safety standards to ensure the safety of our employees and guests. Covid-19 safety protocols still in practice are:

- the availability of hand sanitising at all entrances and exits;
- intensified hygiene and cleanliness regimens; and
- strict food handling procedures.

Looking ahead

Customer rewards programmes

Benefits and rewards are continuously reviewed to ensure the programme remains relevant. Database growth, repeat visits and incremental spend will remain a core focus of the Southern Sun frequentGuest programme. Data profiling will also remain a priority to improve our understanding of customer behaviour and purchasing patterns. We will continue to pay particular attention to data protection, and alignment with local and international legislation and standards.

IT

We continue managing our current solutions to effectively operate our business while exploring future opportunities, with some initiatives being:

- re-alignment of the IT team to better suit the new hotels landscape and support business initiatives;
- following a successful pilot hotel, we will be implementing a new wide area network technology namely: SD-WAN (Software Defined WAN). This enhanced management support will reduce operational costs;
- further enhancing our cyber-security and continuously improving our maturity posture;
- maintaining the customer information system, which supports GDPR and POPIA requirements. Further, we will continue working on business and IT processes to ensure compliance. This will include various upgrades to ensure we remain on the most current supported versions;
- further adoption and migration of IT solutions to the cloud that enable improved security and meet legislation requirements. One such initiative is moving our electronic key locking software to the cloud to improve the management and cost effectiveness of the solution, while reducing our footprint within the hotel buildings;
- improved cyber-security awareness training within our organisation;
- continuing with the strategy of PABX in the cloud and on-net telephone service to reduce telephony costs;
- improving our engagement with business partners, travel agents etc. to ensure the seamless processing of reservations, payment and invoicing enabling Southern Sun to be the easiest to do business with;
- constant revision of our channel management offering and ensuring that we are available on platforms to ensure our guests have easy access to our portfolio;
- enhancing our management of assets and deployment of technology patches; and
- enhancing our internal IT call centre solution to improve the experience for our business users and improve on turnaround times.

REGULATORY COMPLIANCES

We have a strict culture of compliance to all aspects of our business, including areas as diverse as hospitality hygiene, liquor licences, fire, life and safety regulations, corruption, insider trading and competition law. Despite the significant cost involved, we treat compliance as a necessary investment and not an unavoidable cost and recognise that compliance yields benefits such as an enhanced financial and operational internal control environment.

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

Legislation applicable to the group is identified by executive management. Processes are adopted and implemented, following presentation and approval thereof by the audit and risk committee, to ensure compliance. We rely on the collaboration of the integrated governance roles of Secretariat, Legal, Compliance, Risk and Internal Audit for an effective regulatory compliance function.

Our compliance management process is split between functions specific to hotels and functions undertaken at head office.

Hotel level

The general manager of each hotel ensures compliance with legislation specific to that property. This includes ensuring that the necessary licences, such as liquor licences and business licences are in place as well as ensuring that all privacy laws, health and hygiene, and fire, life and safety standards are being met.

Regular self-audits are undertaken at the hotels through the group's ORMS, which aligns with globally recognised standards, such as:

- ISO 14000 (Environment)
- OHSAS 18000 (Health and Safety)
- ISO 22000 (Food Safety and Hygiene)
- ISO 50000 (Energy Management)
- ISO 28000 (Security)
- BS 25999 (Business Continuity)
- SANS1162 Standard on Responsible Tourism

Any areas of low or non-compliance are flagged and followed up by the group's risk managers and are also monitored by the Operational Director that oversees the property. The outcomes of ORMS audits and remedial actions are reported on quarterly to the audit and risk committee.

Corporate

The group has a robust risk management process that includes considering regulatory risks.

Southern Sun declares annually that it has met all the JSE's continuing obligations to remain listed and that it has not fallen foul of the Companies Act. Members of the board and management declare annually that they have not knowingly caused the group to breach any laws or legislations applicable to it.

The group's internal audit team assesses the adequacy and effectiveness of compliance processes, systems and structures. Weaknesses and associated risks are noted and recommendations are made to management and the board on corrective actions.

The processing and protection of all sensitive and personally identifiable information is a global priority, and we will be challenged by threats posed by the cyber underworld. With specific reference to POPIA and GDPR, the group revised its existing processes and platforms and implemented new processes to ensure compliance with legislation. We have engaged law firm, Michalsons to ensure that our employees are educated and receive continued training on privacy and data protection legislation. The group created a dedicated email address, privacy@southernsun.com, to which all matters concerning POPIA and GDPR are directed and dealt with speedily.

Key performance indicators	2023	2022	2021
Fines imposed for other regulatory breaches	**Nil**	Nil	Nil
Fines imposed for breaches of law	**Nil**	Nil	Nil

2023 performance

The broader trading environment is becoming increasingly complex and is governed by legislation and policies, some of which are relatively new, relating to competition, customer protection, privacy, environmental, health and safety, money laundering, B-BBEE and labour issues. Several statutes provide for monitoring and enforcement by regulatory bodies. HOFs are provided with updates and training, where applicable, as and when legislations relevant to the group are amended and changed. The audit and risk committee is updated with all material changes to legislation and regulations twice a year and the board is updated quarterly. Training is provided to board and committee members when applicable.

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

ADEQUATELY SKILLED HUMAN RESOURCES

People are at the core of delivering a Southern Sun Hotels' experience, both front and back of house.

We do not sell a system or manufacture a physical product for resale. Every aspect of the business, from dining at the restaurants to the check-in and check-out at the front desk, requires interaction with people of the group. A pool of qualified, trained and talented people is required to deliver these experiences, supported by empowered management and relevant support services.

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

To attract and retain the appropriate talent pool, the group must continuously ensure all aspects of the employee's experience, including but not limited to, remuneration and incentivisation, are optimally structured.

Key performance indicators	2023	2022	2021
Management and control score	**12.8**	13.1	13.3
Verified training spend as a percentage of leviable amount allocated to B-BBEE SDS (%)	**4.6**	5.1	2.2
Employee resignations (%)	**8.9**	3.9	8.3

2023 performance

Human capital management

We believe that the group's sustainable growth depends as much on our people as it does on our operational expertise. Our employment policies are designed to empower and develop employees and create an environment where each employee can perform and grow to their fullest potential. We also strive to attract and retain the highest calibre of employees while redressing historical imbalances where these might exist.

Job creation and employee stability

The group contributes 5 874 direct jobs and 9 800 combined direct and indirect jobs (including 3 926 contractors employed by third-party providers comprising security, cleaning and landscaping services) at our operations in South Africa.

Employee resignations increased to 8.9% (2022: 3.9%), which is more realistic post the impact of the Covid-19 pandemic on the hospitality industry.

Employee development

The group's continued training provider accreditation to 2026 enables us to continue developing and providing new learning programmes that improve the skills of employees and unemployed people in communities.

The value of skills development spend (SDS) was verified at R59.2 million, equal to 5.4% of the leviable amount (2022: R49.9 million, equal to 6.7% of leviable amount). R53 million, equal to 4.9% of the leviable amount, was allocated to SDS on black people (2022: R43 million, equal to 5.7% of the leviable amount). R50.2 million, equal to 4.6% of the leviable amount, was allocated to B-BBEE SDS measured on the National Black Economically Active Population (NBEAP) (2022: R38.4 million, equal to 5.1% of the leviable amount). The skills development B-BBEE score was 17.1 out of 20. During the year, the group provided 571 formally certificated programmes to employees and provided 484 unemployed students with work-based learning opportunities to enable them to complete their studies and graduate – 17 of them were subsequently employed.

With a focus on youth employment, we continue to support work integrated learning in the industry, enabling learners to complete the practical component of their formal learning programmes. Integrated learning includes technical vocational education and training qualifications, certificates, diplomas and bachelors of technology while providing relevant work experience for future employment.

Employee engagement

Employee engagement focused on the group's rebrand to Southern Sun, and entrenching the group's hallmark behaviour standards, which support the group's employer brand and ensure that, as a service driven organisation, our people craft the intended experiences for guests. Southern Sun's commitments are to: be consistent; be present; and have respect. Our training records reflect attendance of 22 314 over a large variety of learning offerings ensuring all employees can learn in various technical and soft skills as well as management and leadership competencies across departments, locations, brands and organisational levels.

Employee wellness

Southern Sun seeks to find ways to help our employees manage their health and offer employee assistance programmes. In addition, the Tsogo Sun Group Medical Scheme had 3 700 principal members (of which 1 331 are hotel employees) and 218 pensioner members at the end of the financial year. The scheme continued to regularly communicate with members and their beneficiaries to ensure that they received helpful information together with the appropriate level of cover for their health needs.

Health and safety

The hospitality industry is a safe environment compared to many other industries. Our hotels undergo rigorous safety inspections as part of the ORMS audit process, and deviations from the agreed standards, as well as incidents and events, are reported and resolved.

No employee fatalities occurred from health and safety incidents at any of our properties during the year under review.

The LTIFR increased to 1.5 (2022: 1.3), which equates to the number of injuries that render an employee unfit for duty for one shift or longer per 200 000 hours worked. Rigorous safety inspections are undertaken as part of the ORMS ongoing audits.

Unions

Southern Sun recognises the right to freedom of association of employees and we recognise that collective bargaining forms an integral part of labour relations. Of the 5 397 active employees in the South African operations, 4 540 employees are eligible to join a union and 822 (18.1%) are members of a union. While collective bargaining agreements are in place, there were no wage negotiations for the improvement of terms and conditions of employment during the year.

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

Employment equity

The principles of empowerment and diversity are entrenched in Southern Sun's ethos. Our employment equity is set out in the table below and includes South Africa only. It excludes the approximately 3 926 contractors employed by third-party service providers and 477 employees outside of South Africa.

Employment equity headcount

	South African male				South African female				Foreign nationals		
Employees	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	**Total**
Permanent											
Executives and management	143	36	44	106	146	48	59	102	14	3	**701**
Supervisory and skilled	475	55	36	21	651	121	73	53	9	4	**1 498**
General	315	50	17	5	94	13	3	1	4	1	**503**
Operational support											
Executives and management	–	–	–	–	–	–	–	–	–	–	**–**
Supervisory and skilled	23	–	–	–	68	–	1	–	2	–	**94**
General	855	42	7	5	1 342	53	5	2	14	5	**2 330**
Other	91	7	4	5	135	19	2	5	1	2	**271**
Total 2023	**1 902**	**190**	**108**	**142**	**2 436**	**254**	**143**	**163**	**44**	**15**	**5 397**
Total 2022	1 888	165	128	140	2 362	242	155	188	62	22	**5 352**

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

We ensure our workforce reflects our focused employment equity philosophy. In this regard, the overall percentage of female employees is 55.8% of the workforce (2022: 55.5%) and the representation of black employees throughout the group is 93.2% (2022: 93.7%). In accordance with our management and control B-BBEE results measured against the National Black Economically Active Population demographic published by Stats SA, black representation is 20.0% at top management level (2022: 20.0%), 38.6% at senior management level (2022: 45.7%) and 72.9% at management level (2022: 72.5%).

The main challenges in employment equity remain in the levels of executive management, senior management and black disabled employees. We will continue focusing on facilitating and fast tracking the development of our employees' skills, enabling our development pipeline.

Looking ahead

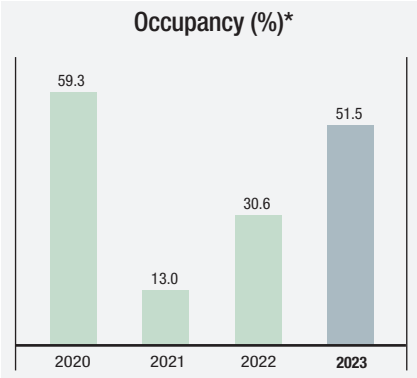
Employee development

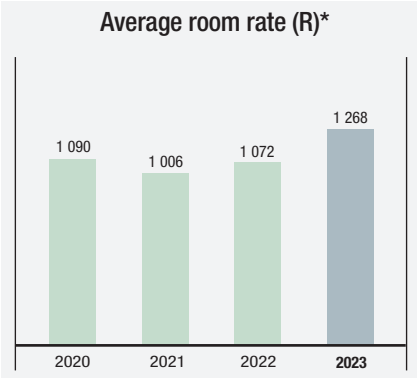
We will continue focusing on training our employees and equipping them with skills to improve performance and develop their careers by nurturing their leadership potential. In addition to face-to-face training, employees across all occupational levels can access training modules via Southern Sun's online platform and receive certificates on completion of courses. Managers' coaching remains a focus to ensure managers facilitate the growth of their employees to assist them to reach their full performance potential.

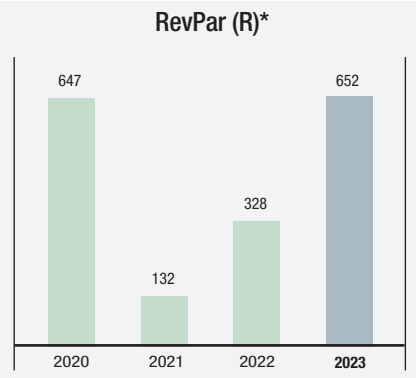
GROWTH STRATEGY IN ACTION

We know that businesses are valued as the present value of the future cash flows that can be generated by their assets and other capitals. While all the capitals we use are required to generate value, we use growth in cash flow as the true measure of growth for our business over time.

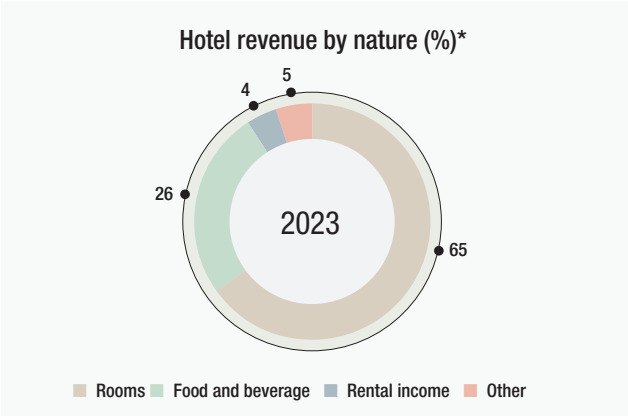
	KEY PILLARS	MATERIAL RISKS
Free cash generated of **R753 million**	Organic growth	• Macroeconomic environment • Crime, security, health and safety • Portfolio management and product relevance • Capacity • Local authority capability
Investment expenditure of **R104 million** to preserve cash resources	Inorganic growth	• Missed opportunities

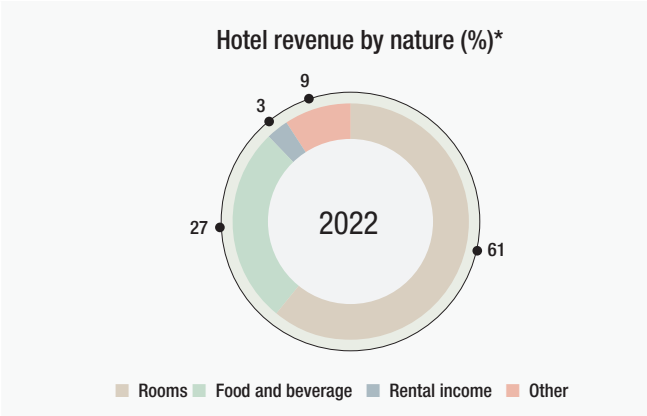






** Combined South African and offshore hotel trading statistics, excluding hotels managed on behalf of third-party owners and those leased by third parties.*





ORGANIC GROWTH

Hotels have high levels of operational gearing due to substantial fixed operating costs. The major driver of long-term organic growth will arise from maximising the revenue generated from the group's asset base in all macroeconomic circumstances. Operational overheads must be reviewed and measured for efficiency and to ensure each Rand spent is either in support of the objective of sustainability or growth.

	Revenue		Ebitdar		Ebitdar margin	
	2023* Rm	2022[1] Rm	**2023 Rm**	2022[1] Rm	**2023 %**	2022 %
Continuing operations						
Externally managed – Investment properties	**153**	58	**149**	58	**97**	100
Sandton Consortium	**521**	215	**147**	1	**28**	–
Internally managed	**3 971**	2 129	**1 131**	397	**28**	19
Western Cape	**1 453**	569	**512**	62	**35**	11
KwaZulu-Natal	**961**	710	**281**	213	**29**	30
Gauteng	**995**	447	**177**	(5)	**18**	–
Other	**562**	403	**161**	127	**29**	32
Offshore[2]	**378**	214	**76**	21	**20**	10
Manco costs	**(36)**	(12)	**(94)**	82	**–**	–
Manco[3]	**(36)**	(12)	**(94)**	(97)	**–**	–
Business interruption insurance[2]	**–**	–	**–**	179	**–**	–
Total	**4 987**	2 604	**1 409**	559	**28**	21
Discontinued operations[4]						
Offshore	**94**	104	**27**	31	**29**	30
Group, including discontinued operations	**5 081**	2 708	**1 436**	590	**28**	22

* *FY23 Revenue excludes the Separation payment received from TSG of R399 million.*

[1] *Restated for the change to the disclosure of segmental reporting.*

[2] *Ebitdar for FY22 includes total insurance proceeds of R191 million, R179 million in Manco relating to Covid-19 losses and R12 million in Offshore relating to damages at Paradise Sun caused by tidal waves in October 2019.*

[3] *This segment includes the net cost of the group's frequentGuest loyalty rewards programme, STI provisions, and any other once-off items of income or expense not allocated to a specific hotel and therefore could fluctuate from year to year.*

[4] *In accordance with IFRS 5* Non-current Assets Held for Sale and Discontinued Operations, *the profits from discontinued operations have been disclosed separately and relate to the sale of the group's Southern Sun Ikoyi hotel in Ikoyi, Nigeria to Kasada, effective 1 December 2022.*

Key performance indicators	2023	2022	2021
Organic income increase/(decrease) (Rm)	**2 575**	1 486	(3 304)
Organic Ebitdar increase/(decrease) (Rm)	**1 058**	567	1 436)
Free cash generated/(utilised) (Rm)	**753**	223	(446)
Maintenance capex (Rm)	**104**	43	46
Adjusted HEPS per share increase/(reduction) (cents)	**37.8**	43.4	(77.6)

Operational review

Following the implementation of the TSG transaction and the resulting decrease in external management fee income earned by the group, management took the opportunity to review its segmental reporting structure. The disclosure relating to revenue and Ebitdar performance of the Offshore segment remains unchanged from prior years. Revenue and Ebitdar relating to Investment properties – Externally managed now excludes the Sandton Eye retail space which forms part of the Radisson Blu Gautrain Hotel building, and has been disclosed in the Internally managed segment.

The revenue and Ebitdar relating to the Sandton Consortium hotels leased from Liberty 2 Degrees Limited (L2D) and their partners together with the management fee income earned from the Sandton Convention Centre has been disclosed as a separate segment. While the group reflects the trading revenue and Ebitdar relating to the hotel operations, what is retained in Ebitda after rental payments to L2D and partners is effectively management fee income earned from the hotels and the Sandton Convention Centre along with 1% of the Ebitdar of the hotels.

Internally managed hotels in South Africa have been categorised by major province (Western Cape, KwaZulu-Natal, Gauteng and Other) to better reflect the group's geographical footprint. Hotel Ebitdar is disclosed before the deduction of internal management fees and after external management fee income earned from hotels managed for third-party owners in the respective province. This provides more meaningful information about the cash generated by the group from a particular province and how performance is influenced by events taking place in that province.

The Other segment includes hotel properties located in outlying regions including Mpumalanga, Eastern Cape, Northern Cape, Free State and Limpopo. The reallocation of external management fee income into the respective provinces means that the Manco segment now reflects the unallocated cost of providing the various central services to the business including among others, sales, marketing, information technology, development, human resources and finance. This segment also includes the net cost of the group's frequentGuest loyalty rewards programme. For further details on the group's segmental analysis, refer to page 117.

Ebitdar from Externally managed – Investment properties of R149 million (FY22: R58 million) relates to the four remaining investment properties not operated or managed by the group, being Birchwood Hotel & Conference Centre, the Radisson Blu Waterfront Hotel, Champagne Sports Resort and Kopanong Hotel & Conference Centre. On a like-for-like basis and excluding the Garden Court Victoria Junction hotel that transferred to owner-occupied property, plant and equipment in October 2021, rental income improved by R96 million compared to a R53 million rental income in the prior year, which reflects the improvement in trading, particularly at the Birchwood Hotel and Conference Centre and the Radisson Blu Waterfront Hotel. The former was supported by government groups and conferencing business particularly in the lead-up to elections, while the latter benefited from increased international leisure and corporate travel to Cape Town over the summer season.

The Sandton Consortium segment reflects the trading performance of the Sandton Sun and Towers complex and the Garden Court Sandton City leased from L2D and partners, along with management fee income earned from the Sandton Convention Centre. This segment generated revenue of R521 million (FY22: R215 million) and Ebitdar of R147 million (FY22: R1 million) for the year ended 31 March 2023. During FY22, while the hotels were still recovering from the impact of Covid-19, the leases remained suspended with L2D and partners covering any Ebitdar losses and the group forgoing management fee income and cost recoveries. As the groups and conferencing and corporate segments began to recover during the first half of FY23, and these hotels became economically viable, the leases were reinstituted and the hotels have been star performers in Gauteng, thanks to their location and the increased demand for events and conferencing at the Sandton Convention Centre. After rent, the group retained Ebitda of R22 million (FY22: R1 million) relating to the Sandton Consortium properties for the year ended 31 March 2023.

Overall, revenue and Ebitdar generated by the Internally managed South African hotel portfolio owned and leased by the group for the year was R4.0 billion (FY22: R2.1 billion) and R1.1 billion (FY22: R397 million) respectively. All regions performed significantly better relative to the prior year, given the impact of the Delta variant of Covid-19 and the rioting in KwaZulu-Natal between June and July 2021. Various sporting and government events along with the African Travel Indaba and two Mining Indabas held in May 2022 and February 2023 as well as increasing demand from international and domestic corporate conferencing and leisure transient travel, made a significant contribution to the group's performance across the provinces for the year. The group generated revenue and Ebitdar from the Western Cape of R1.5 billion (FY22: R569 million) and R512 million (FY22: R62 million) respectively. The revenue and Ebitdar contribution from KwaZulu-Natal was R961 million (FY22: R710 million) and R281 million (FY22: R213 million) respectively.

The Other region includes outlying hotels situated in Mpumalanga, Eastern Cape, Northern Cape, Free State and Limpopo. These hotels are well supported by government groups and conferencing business as well as sporting events and have consistently performed well throughout the pandemic. This region generated revenue and Ebitdar for the FY23 year of R562 million (FY22: R403 million) and R161 million (FY22: R127 million) respectively. Total revenue for the continuing operations in the Offshore division of hotels of R378 million (FY22: R214 million) for the year largely relates to the Southern Sun Maputo, Mozambique which benefited mainly from

oil and gas-related business; and Paradise Sun, thanks to support from the European market. Trading at the Southern Sun, The Ridge in Zambia was muted due to its reliance on corporate travel from South Africa with much of the demand directed to the outlying mining regions as opposed to the city. In response to these dynamics, expenses have been tightly controlled. In the owned offshore portfolio only the Southern Sun Dar es Salaam, Tanzania remains closed, however, conditions in-country have improved, and the group continues to monitor levels of demand for an indication that re-opening the hotel would be feasible. The continuing operations of the offshore division generated Ebitdar of R76 million (FY22: R21 million, which included R12 million insurance proceeds).

The Manco segment is now effectively a cost centre and revenue for this segment reflects the net impact of how the group accounts for its frequentGuest loyalty rewards programme. The expense relating to rewards issued are reclassified from hotel marketing costs to other revenue in the Manco segment. Income relating to reward forfeitures are offset against this expense. At an Ebitdar level the reclassification of the issued rewards to revenue eliminate, and only the reward forfeitures remain to offset costs relating to central services provided to the group's South African hotels, including among others, sales, marketing, information technology, development, human resources and finance services. Manco costs net of reward forfeitures for the year ended 31 March 2023 were R94 million compared to R97 million in the prior year. The Manco segment also includes once-off items such as the Separation payment of R399 million included in revenue in the current year and business interruption insurance proceeds of R179 million included in Ebitdar in the prior year.

Total income for the year ended 31 March 2023 of R5.1 billion (FY22: R2.7 billion) ended R2.4 billion above the prior year. This performance was driven by a 20.9pp increase in occupancy from 30.6% to 51.5% and an 18.3% increase in ARR from R1 072 to R1 268.

The management activities of the South African hotels, net of group corporate office costs, generated Ebitdar of R1 436 million (including discontinued operations) (2022: R590 million) for the year. Having reduced the group's operational gearing through the cost restructuring undertaken during Covid-19, the flow-through from revenue growth to Ebitdar has improved, positively impacting profitability despite having achieved lower occupancies than FY20 of 59.3%.

The group's Ebitdar margin of 28.3% (excluding the Separation payment) is well above the prior year margin of 21.8% but below FY20 as a result of the consolidation of hotels previously treated as investment properties.

Combined South African and offshore hotel trading statistics, excluding hotels managed on behalf of third-party owners and those leased by third parties in Hospitality, are as follows:

	31 March 2023	31 March 2022	31 March 2020
Occupancy (%)	**51.5**	30.6	59.3
Average room rate (R)	**1 268**	1 072	1 090
Revpar (R)	**652**	328	647
Rooms available ('000)[1]	**5 081**	5 008	4 314
Rooms sold ('000)	**2 615**	1 530	2 560
Rooms revenue (Rm)[2]	**3 314**	1 641	2 791

[1] *The increase in rooms available from FY22 to FY23 relates to the transfer of the Garden Court Victoria Junction with effect from October 2021, from investment properties to owner-occupied property, plant and equipment. The increase in rooms available from FY20 to FY23 relates to the transfer of Arabella Hotel, Golf & Spa, Hazyview Sun, The Edward, Mount Grace Hotel & Spa and Southern Sun The Marine to internally managed, the inclusion of The Westin Cape Town and Radisson Blu Gautrain Hotel as part of the group's owned portfolio as well as the inclusion of the Sandton Consortium hotels for a full year compared to five months in FY20.*

[2] *Trading statistics have not been adjusted to exclude discontinued operations and rooms revenue is the total revenue generated from continuing and discontinued operations.*

Maintenance capital expenditure

The group spent R104 million (2022: R43 million) on maintenance capex, largely on repairs to ensure that the hotels are able to continue operating optimally.

Looking ahead

We are encouraged by trading levels over the last six months which have continued into FY24Q1. Having successfully strengthened the group's balance sheet over the past year, we are able to withstand short-term trading volatility but will continue to maintain the discipline of managing liquidity and capital allocation prudently. The group's strategy is to continue reducing debt levels and making the most of the properties we have in our portfolio, many of which are irreplaceable, and to focus on our customer delivery.

INORGANIC GROWTH

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

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

Investment activity expenditure	2023	2022	2021
Five sectional title units at Radisson Blu Waterfront Hotel (Rm)	**24**	–	–
StayEasy Mbombela and Southern Sun Mbombela (Rm)	**142**	–	–
Riverside Conference Centre (Rm)	**–**	–	16
Investment activity expenditure (Rm)	**166**	–	16

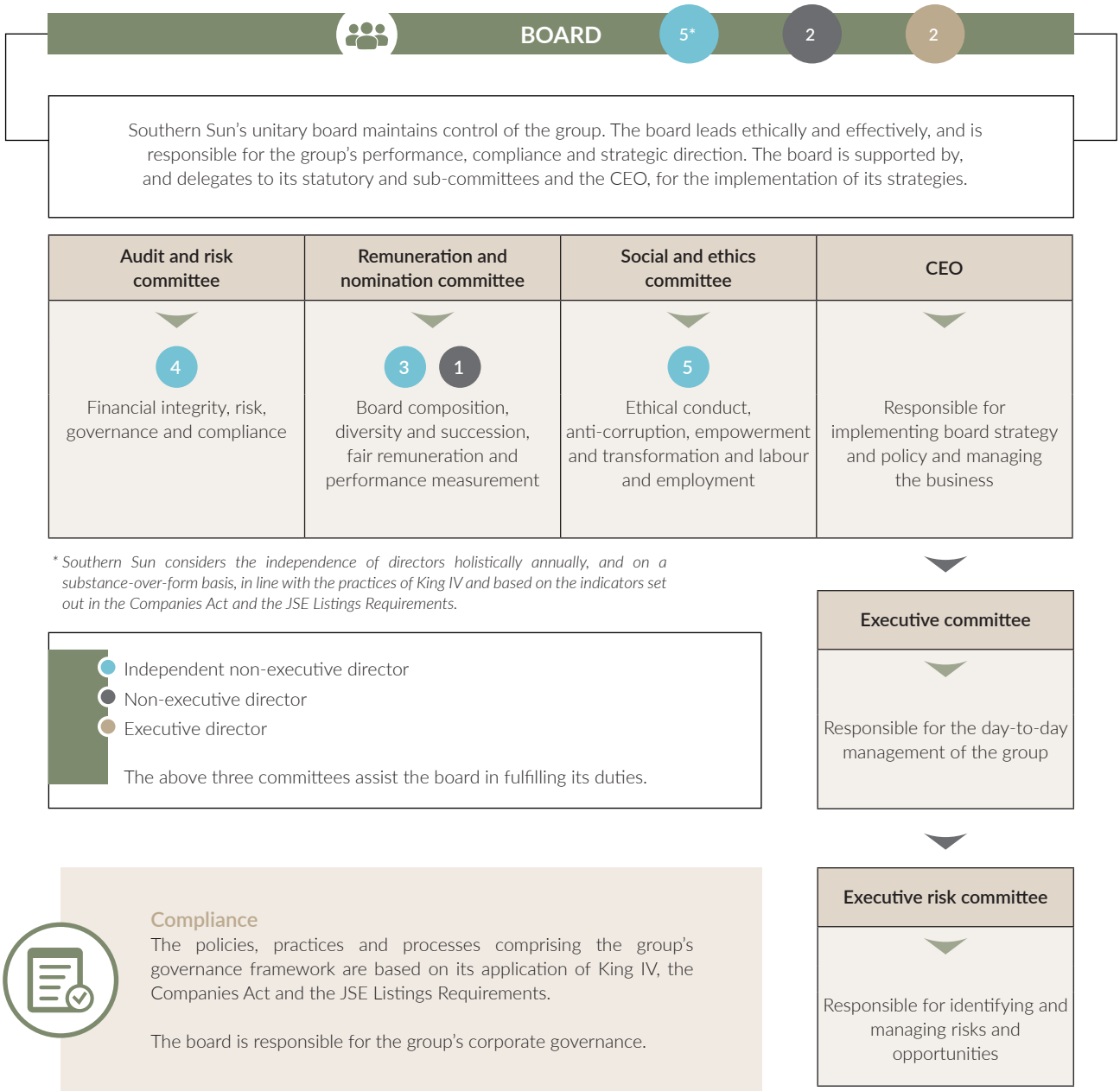
Looking ahead

Notwithstanding the upward trend in trading and return to normalised travel patterns, the group remains heavily exposed to the South African economy which faces slow GDP growth, high unemployment and a lack of policy certainty and solutions to the country's ongoing energy crisis from government. In this constrained growth environment, inorganic growth is not our focus for the medium term.

CORPORATE GOVERNANCE REVIEW

Southern Sun is committed to high standards of corporate governance and has implemented a governance framework, which informs how we conduct business.

GROUP GOVERNANCE FRAMEWORK



* *Southern Sun considers the independence of directors holistically annually, and on a substance-over-form basis, in line with the practices of King IV and based on the indicators set out in the Companies Act and the JSE Listings Requirements.*

Compliance

The policies, practices and processes comprising the group's governance framework are based on its application of King IV, the Companies Act and the JSE Listings Requirements.

The board is responsible for the group's corporate governance.

Our King IV application register can be viewed on our website **www.southernsun.com/investors/governance**.

Organisational ethics and responsible citizenship

The group's ethical culture is instilled by the board, and flows through to management, who is tasked to lead by example. The group's ethics policy and code of conduct direct business practices. The ethics policy includes key aspects such as:

- the group's societal contribution and how people should be treated;
- the need for employees to speak out about wrongdoings;
- conflicts of interest;
- the legitimate interests of the business;
- application of law, policies and procedures; and
- individual accountability.

Conflicts of interest

Directors are required to disclose personal financial interests in terms of section 75 of the Companies Act. General disclosures of directors' interests are made at least annually to the Company Secretary and are updated during the year. These disclosures are available to all board members for inspection.

Share dealing

Dealing in the group's securities by directors, their associates and senior group officials is regulated and monitored in accordance with the JSE Listings Requirements and the group's share dealing policy. Southern Sun maintains a closed period from the end of a financial period to the day of publication of its financial results and any time when the group's shares are trading under cautionary.

Code of conduct

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

Anti-bribery and corruption

The group does not tolerate any form of bribery or corruption. Whistleblowing and anti-corruption procedures are in place. Stakeholders are encouraged to report, if necessary, the actions and individuals who compromise or threaten the group's values and reputation. These actions and individuals can be reported through anonymous and independently conducted ethics hotlines. Investigations are carried out and findings reported, and disciplinary, civil or criminal action is taken as and when appropriate. During the year, eight whistleblowing incidents were reported to ethics hotlines (2022: three). These included no serious incidents of governance failure and were dealt with appropriately by the human resources department.

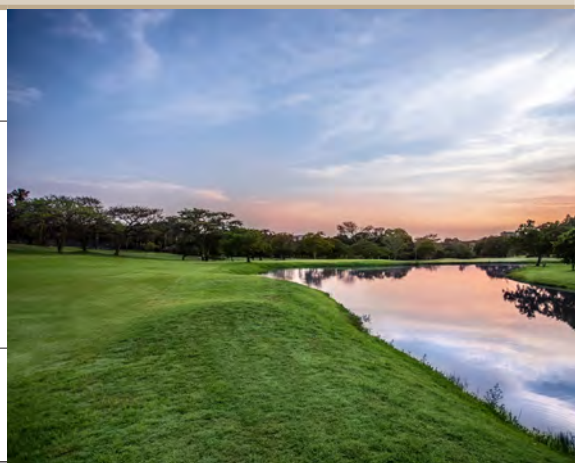
Members of the board and management annually declare that they have not been involved in any form of bribery or corruption in their personal capacities as members of the board and/or employees or on behalf of the group.

Governance framework

The board mindfully interpreted and applied King IV as appropriate for the organisation and the tourism sector in which it operates. The board adopted an appropriate governance framework for the group and oversees the implementation of the governance framework. The board believes this framework resulted in the group being a good corporate citizen and achieving an honest and ethical culture, good performance, effective control in the organisation and legitimacy with stakeholders.

Board of directors

BOARD AND COMMITTEE	
Composition	**Meeting attendance**
Independent non-executive directors	
MN von Aulock (CEO)	4/4
L McDonald (CFO)	3/4
Independent non-executive directors	
MH Ahmed (lead independent)	4/4
SC Gina	4/4
LM Molefi	4/4
JG Ngcobo	4/4
CC September	4/4
Non-executive	
JA Copelyn	4/4
JR Nicolella	4/4



Board membership and analyses of its composition can be found on page 71.

The roles of the Chairman and the CEO are clearly defined to ensure a balance of power. The Chairman is responsible for providing overall leadership to the board and ensuring the board performs effectively. The CEO is responsible for implementing strategy, as approved by the board. The delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibility. No one director has unfettered powers of decision making. While the Chairman is a non-independent non-executive director, the board appointed a strong lead independent non-executive director to ensure the necessary independence is upheld in the functioning of the board. The lead independent director leads in the Chairman's absence and assists with managing any actual or perceived conflicts of interest that may arise. A clear division of responsibilities at board level ensures a balance of power and authority.

The terms of employment of board members are included in the remuneration report on page 77.

Responsibilities

The board's main functions, as set out in its approved charter, include:

- exercising control of the group and providing leadership;
- adopting strategic plans and delegating and monitoring their implementation by management;
- considering risks and opportunities in line with the group's agreed risk parameters and approving major issues, including the group's investment policies, acquisitions, disposals and reporting as well as monitoring operational performance;
- monitoring the group's performance; and
- acting in the group's best interests and being accountable to shareholders and other stakeholders.

Southern Sun's board charter is reviewed annually.

Diversity

The directors' varied backgrounds and experience, as set out in their CVs available on our website, provide an appropriate mix of knowledge and expertise necessary to manage the business effectively.

Although Southern Sun adopted a board diversification policy, including gender, age, ethnicity and cultural diversity, no voluntary targets have been set. Board diversity is assessed and monitored annually. The board considers diversity a core measurement when appointing new members.

The board is satisfied that its current composition, the components of which are set out in the graphs on page 71, reflects an appropriate mix of knowledge, skills, experience, diversity and independence.

Appointments and succession

Board appointments are conducted formally and transparently. The nomination committee assesses directors and recommends suitable candidates to the board for appointment. One-third of the non-executive directors retire annually at the annual general meeting (AGM).

For executive succession planning, Southern Sun seeks to appoint from within the group, and has access to a range of available resources, skills and expertise. There were no changes to the board's composition during the year.

Accountability and compliance

Southern Sun's stakeholders hold the board accountable for its performance. The performance of the board and its committees is regularly evaluated. Management is held accountable for its activities through quarterly performance reporting and budget updates. The CEO and CFO are awarded annual short-term incentives (STIs) based on pre-agreed financial criteria and the director's personal performance.

Members of the board and management annually declare that they have not caused the group to breach any laws and regulations applicable to it and to the conduct of its businesses.

For further information, please refer to the remuneration policy and the remuneration implementation report on page 73.

The board is confident that it fulfilled its responsibilities in accordance with its charter and the group's memorandum of incorporation (MOI) for the year. The group adheres to an effective framework and processes for compliance with laws, codes, rules and standards. No material contraventions were reported during the year.

Company Secretary effectiveness

The group's Company Secretary is Southern Sun Secretarial Services Proprietary Limited (represented by Laurinda Rosalind (Rosa) van Onselen). The Company Secretary is responsible for the group's statutory administration, ensures compliance and provides the board with guidance on the Companies Act and all regulations and governance codes and policies.

The Company Secretary is not a director of the group and ensures board and committee processes and procedures are implemented. She attends all meetings of the board and committees.

Directors have unrestricted access to the Company Secretary's advice and services. The board is satisfied that an arm's-length relationship exists between the board of directors, the executive team, individual directors and the Company Secretary.

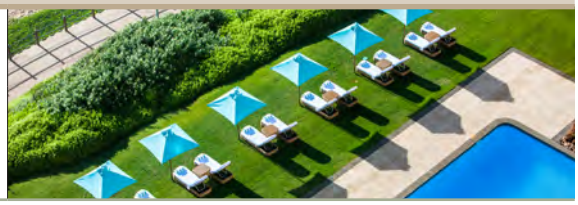
The board determined that it is satisfied with the Company Secretary's competence, qualifications and experience.

Committees

The board constituted the audit and risk, social and ethics, and remuneration and nomination committees to which it has delegated certain group responsibilities. These responsibilities are defined in the committees' respective approved terms of reference, which are reviewed by the board annually. The board retains accountability for the execution of their responsibilities, even when these are delegated. All committee Chairmen report back orally to the board on the proceedings of their committee meetings.

The board is satisfied that its governance structure continues to serve the group well.

AUDIT AND RISK COMMITTEE	
Composition	**Meeting attendance**
Independent non-executive directors	
Mohamed Haroun Ahmed (Chairman)	3/3
Sipho Chris Gina	3/3
Lynette Moretlo Molefi	3/3
Jabulani Geffrey Ngcobo	3/3



This report should be read in conjunction with the statutory report of the audit and risk committee on page 87 of the consolidated annual financial statements.

The audit and risk committee comprises four independent non-executive directors and is primarily responsible for:

- providing independent oversight of the effectiveness of the group's assurance functions and services;
- ensuring appropriate financial reporting procedures are established for the group in accordance with paragraph 3.84g(ii) of the Listings Requirements of the JSE;
- ensuring the group's financial performance is properly reported on and monitored, including reviewing the annual and interim accounts, results announcements, the integrated annual reporting process, internal control systems and procedures, and accounting policies;
- appointing and assessing the performance of the internal auditor for the necessary skills and resources to address the complexity and volume of risks faced by the group;
- making recommendation to shareholders regarding the appointment or reappointment of the independent external auditor following the receipt of the necessary information as set out in paragraph 22.15(h) of the Listings Requirements of the JSE, an evaluation and assessment of the external auditor and the designated audit partner, the suitability for such appointment and independence of the external auditor and audit partner;
- considering the effectiveness of the internal financial controls as well as the external and internal audit functions;
- approving internal and external audit plans and audit fees;
- approving non-audit services;
- approving accounting policies;
- reviewing insurance, treasury and taxation matters;
- executing its statutory duties as set out in section 90 of the Companies Act;
- satisfying itself of the expertise and experience of the CFO and the group's finance function as set out on page 88 of the consolidated annual financial statements for the year ended 31 March 2023;
- ensuring an effective risk management process is in place to identify and monitor the management of key risks and opportunities relating to the group's risk tolerance and risk appetite levels and evaluation of the appropriateness of management's response to these risks;
- reviewing IT risks relating to core operational systems, systems projects, information management and security initiatives, and governance and regulatory compliance;
- reviewing material legal, legislative and regulatory developments;
- reviewing prospective accounting standard changes; and
- taking appropriate action where necessary to respond to findings as highlighted in the JSE's most recent report on proactive monitoring of financial statements and, where necessary, those of previous periods.

The board concluded that the members of the audit and risk committee had the necessary financial literacy, skills and experience to execute their duties effectively during the year and make worthwhile contributions to its deliberations. The board recommends the members of the audit and risk committee for reappointment at the AGM to be held on 20 September 2023.

The audit and risk committee considered and satisfied itself that the CFO, Laurelle McDonald, has the appropriate expertise and experience to fulfil her role.

The audit and risk committee:

- confirmed that the group has established appropriate and adequate financial reporting procedures; and
- monitored compliance with the group's risk management policy and confirmed compliance with the policy in all material aspects.

Non-audit services approved throughout the year included mainly offshore secretarial services and tax services pertaining to its offshore hotels, the disposal of Southern Sun Ikoyi Hotel in Ikoyi, Nigeria and the Separation agreement with TSG. The audit and risk committee met three times during the year. Ad hoc meetings are held as required to consider special business. The CEO, CFO, external auditor, internal auditor, and senior management from the group's risk and IT departments attend all audit and risk committee meetings by invitation to contribute pertinent insights and information.

The board is satisfied that the audit and risk committee fulfilled its responsibilities in accordance with its terms of reference for the year.

The audit and risk committee report can be found on page 87 of the consolidated annual financial statements for the year ended 31 March 2023.

Key focus areas addressed during the 2023 financial year	Key focus areas to be addressed during the 2024 financial year
• Overseeing the group's insurance restructure process • Monitoring the implementation of new IFRS and the impact of future standards • Considering the implications of the JSE's most recent report on the proactive monitoring of financial statements and implemented recommendations where appropriate • Considering the terms and structure of the debt refinancing of Southern Sun and Hospitality into a single funding structure • Considering the appointment of an appropriate new external auditor for FY24 in accordance with the Independent Regulatory Board for Auditors' rule of Mandatory Audit Firm Rotation (subsequently set aside by the Supreme Court of Appeal of South Africa), subject to the JSE Limited's Listings Requirements and the Companies Act, 2008 • Reviewed the group's revised treasury policy	• Continuing to monitor the implementation of new IFRS and the impact of future standards • Consider the implications of the JSE's most recent report on the proactive monitoring of financial statements and implemented recommendations where appropriate • Monitoring the implementation of the group's Information Security Management Framework aimed at strengthening IT security • Continue to monitor business risks and internal controls

SOCIAL AND ETHICS COMMITTEE	
Composition	**Meeting attendance**
Independent non-executive directors	
Sipho Chris Gina (Chairman)	2/2
Lynette Moretlo Molefi	2/2
Jabulani Geffrey Ngcobo	2/2
Mohamed Haroun Ahmed	2/2
Cornelia Carol September	2/2

The CEO, CFO and General Manager: Corporate Affairs attend committee meetings by invitation. The social and ethics committee operates in line with approved terms of reference, and oversees and reports on the following:

- Progress in the alignment of the group's practices to the requirements of the revised B-BBEE codes
- Disputes with government or regulators
- Regulatory compliance
- Responsible tourism
- Preferential procurement, socioeconomic development and enterprise and supplier development
- Climate change and environmental management and certification
- Customer satisfaction, loyalty, health and safety and consumer protection
- Job creation, employee health and safety, employee development, management diversity, employment equity and employee engagement

The social and ethics committee draws the board's attention to matters within its mandate as required as well as its report to shareholders.

The social and ethics committee meets a minimum of twice a year. *Ad hoc* meetings are held as required to consider special business. The board is satisfied that the committee fulfilled its responsibilities in accordance with its terms of reference for the year.

Key focus areas addressed during the 2023 financial year	Key focus areas to be addressed during the 2024 financial year
• Review and align the group's reporting with the disclosure recommendations of the TCFD, where appropriate • Monitor the improvement of the group's B-BBEE contributor status	• Continue to monitor the group's B-BBEE status • Consider the amendments to the Employment Equity Amendment Act 4 of 2022, being an amendment to the Employment Equity Act of 1998 (Act 55 of 1998) and the impact thereof on the group

Risk and opportunity

The group treats risk as integral to how it makes decisions and executes its duties. The group's risk governance encompasses the opportunities and associated risks in developing strategy and the potential positive and negative effects of such risks on achieving its organisational objectives. While the board exercises ongoing oversight of risk management, the group's risk governance function is delegated to the audit and risk committee with the responsibility for implementing and executing effective risk management delegated to management.

The group's risk management process identifies and analyses group risks, sets appropriate limits, and controls and monitors risks and adherence to limits. The internal risk committee reviews risks and opportunities at least annually.

These are presented to the audit and risk committee for review. This allows for risks to be identified and opportunities to be prioritised according to their potential impact on the group. Responses are designed and implemented to counter the effects of risks and to leverage opportunities. Significant risks identified are communicated to the board with recommended actions.

The risk management policy is in accordance with industry practice and specifically prohibits the group from entering into any derivative transactions that are not in the normal course of business.

Southern Sun's material risks and opportunities are set out on page 36.

Internal controls

The directors have overall responsibility for the group's internal control and for reviewing its effectiveness. The controls identify and manage group risks rather than completely eliminating failure.

Therefore, internal controls provide reasonable but not absolute assurance against material misstatement or loss. Management is responsible for implementing and operating these systems. Processes are regularly communicated to employees to inform them of their responsibilities.

Systems include strategic planning, appropriate levels of authority, segregation of duties, appointing qualified employees, regular reporting and monitoring of performance and effective control over Southern Sun's investments.

Internal audit

The group's internal audit function is performed by a professional firm that reports directly to the CFO and the audit and risk committee Chairman. Internal audit forms part of the combined assurance framework. The internal auditor executes control-based audits based on the annual internal audit plan, as required by management, taking into account the scope of the external audit plan and as approved by the audit and risk committee. The focus of internal audit in the past financial year was on internal financial controls and business operational controls.

The audit and risk committee examines and discusses the appropriateness of internal controls with the internal auditor. The audit and risk committee is satisfied with the internal audit function, and that internal audit has the necessary skills and resources to address the complexity and volume of risks faced by the organisation. The audit and risk committee will continuously evaluate and review the group's internal audit function, which is appropriate for the group's current size and activities.

IT governance

The board is accountable for IT governance. The IT governance charter considers the requirements of King IV, globally accepted standards and good practice, with the group's performance and sustainability objectives.

Furthermore, the charter includes controls around:

- change, risk management and documented registers;
- information security policy, procedures and registers; and
- compliance including GDPR and POPIA.

Refer to page 51 of this report for more information on our IT strategy and governance.

The CEO is responsible for the ownership and execution of IT governance.

The key IT risks are integrated into the enterprise-wide risk governance and management process. Independent IT assurance reviews are conducted annually to ensure governance and policies are adhered to, laws are complied with, and data is secure and protected. No major incidents that required remedial action occurred during the year. The board is satisfied with the effectiveness of IT governance.

OUR LEADERSHIP

The board as at 31 March 2023

EXECUTIVE DIRECTORS

Marcel Nikolaus von Aulock (49)
Chief Executive Officer

CA(SA)

Appointed:
10 May 2019

Laurelle McDonald (41)
Chief Financial Officer

CA(SA)

Appointed:
30 September 2011

NON-EXECUTIVE DIRECTORS

John Anthony Copelyn (73)
Chairman and non-executive director

BA (Hons), BProc

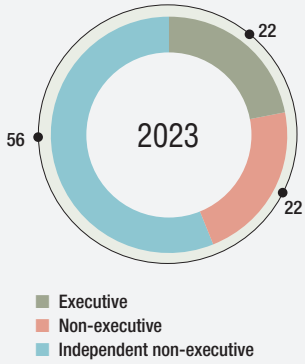
Appointed:
10 May 2019

James Robert (Rob) Nicolella (54)
Non-executive director

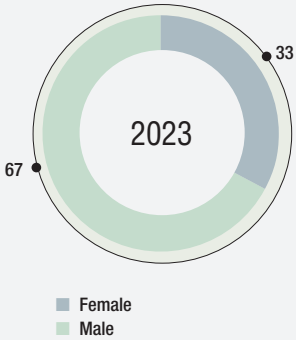
CA(SA), PLD

Appointed:
10 May 2019

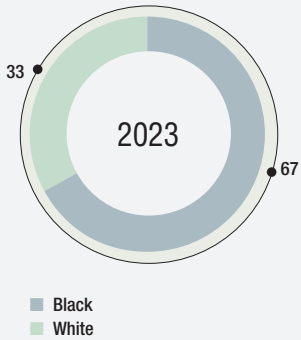
Board membership (%)*



Gender diversity (%)*



Racial diversity (%)*



* *No changes in board composition occurred during the year. Graphs reflect membership status at 31 March 2023.*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mohamed Haroun Ahmed (58)
Lead independent non-executive director

BCom Accounting

Appointed:
10 May 2019

Lynette Moretlo Molefi (54)
Independent non-executive director

BSc, MB ChB

Appointed:
10 May 2019

Sipho Chris Gina (64)
Independent non-executive director

Dip (Labour Law)

Appointed:
1 June 2019

Jabulani Geffrey Ngcobo (72)
Independent non-executive director

Appointed:
10 May 2019

Cornelia Carol September (64)
Independent non-executive director

PhD, Masters in Technology Management, PGDip (Economic Policy), Adv Dip (Economics)

Appointed:
15 August 2019

THE BOARD HAS ADOPTED AN APPROPRIATE GOVERNANCE FRAMEWORK FOR THE GROUP AND MONITORS ITS IMPLEMENTATION AND APPLICATION. THE BOARD IS CONFIDENT THAT IT HAS FULFILLED ITS RESPONSIBILITIES IN ACCORDANCE WITH ITS CHARTER.

www Summarised CVs can be found on Southern Sun's website at **www.southernsun.com/investors/governance**.

REMUNERATION POLICY AND REMUNERATION IMPLEMENTATION REPORT

"During the year, Southern Sun engaged on a number of remuneration matters and has demonstrated its intent to comply with remuneration practices. We remain mindful of the evolving reporting landscape, placing an even greater emphasis on transparency of disclosure and corporate citizenship. I am pleased to present Southern Sun's remuneration report for the year ended 31 March 2023, reflecting our commitment to remunerate fairly, responsibly and competitively."

In line with best practice, as prescribed by King IV, this report is presented in three parts:

1	2	3
Background statement	Remuneration philosophy and policy	Implementation report

The group is committed to transparent and accurate disclosure. This report was reviewed and approved by the remuneration and nomination committee (the committee), and outlines the group's remuneration practices including the remuneration policy and implementation report. The committee is responsible for reviewing Southern Sun's approach to remuneration, ensuring the group's policies and procedures are transparent, up-to-date and aligned with best practice.

In support of Southern Sun's commitment to building trust, respect and credibility with our stakeholders, the group regularly engages with investors and funding institutions to better understand their concerns and mandates. The group has considered shareholder feedback in reviewing our FY23 remuneration policy and approach. Refer to page 25 of the Notice of AGM for details about voting at the 2022 AGM.

Mohamed Haroun Ahmed
Independent non-executive Chairman

DESPITE CONTINUED ECONOMIC CHALLENGES AND THE EFFECT OF THE ONGOING ENERGY CRISES ON THE GROUP, WE HAVE MANAGED TO ACHIEVE IMPRESSIVE FINANCIAL RESULTS.

CHAIRMAN'S BACKGROUND STATEMENT

The company's approach to remuneration and annual increases has always been guided by market conditions, affordability and an evaluation of inflationary trends. The annual increases awarded in the past have tracked, and in most instances, exceeded inflation, resulting in some real growth in the minimum wage.

The strategy of not aligning wage increases solely to the performance of the business, thereby acknowledging increases in the costs of living and other practical and economic considerations, ensured consistency in the company's approach and has brought about trust and confidence in the company by its employees.

The remuneration report was assessed and redesigned for easier reading, understanding and enhanced compliance. The transparency of STI performance targets and achievements were expanded and enhanced, and include disclosure performance targets for each executive director.

Changes to our remuneration policy

The committee approved an amendment to the STI scheme rules to suspend *relative growth* as a measurement for FY23, due to the variability of the available comparative data. This component was added to financial performance for the measurement of STIs. Refer to the FY23 STI calculation for executive directors on page 79.

Shareholder engagement and voting

The non-binding advisory endorsements of the remuneration policy and implementation reports for the past three years as well as the approval we received in respect of non-executive director fees are detailed below:

Non-binding advisory endorsement	2022	2021	2020
Remuneration policy (%)	96.5	95.6	70.3
Implementation report (%)	98.7	96.7	87.0
Approval of non-executive director fees (%)	100.0	99.4	99.4

The positive voting trend over the past three years has been encouraging.

91.4% of all shareholders were represented at the 2022 AGM. Southern Sun is pleased with the outcome of the results, which show that the group's shareholders continue to support the remuneration policy and the remuneration implementation report.

The remuneration policy and the remuneration implementation report will again be presented to shareholders at the 2023 AGM to be held on 20 September 2023. Should the remuneration policy or the remuneration implementation report, or both, be voted against by more than 25% of the votes cast at any AGM of the company, the remuneration and nomination committee will continue to engage with shareholders within 30 days of the AGM to ascertain the reasons for dissenting votes and appropriately address legitimate and reasonable objections raised by shareholders.

About the remuneration and nomination committee

As part of our commitment to our sustainability strategy, the group must ensure all aspects of employees' experience, including but not limited to remuneration and incentivisation, are properly structured.

Roles and responsibilities

The committee is responsible for and oversees board composition, diversity and succession, fair remuneration and performance measurement, and the setting and implementation of the remuneration policy for the group. The committee ensures that:

- the board has the appropriate composition and balance of skills for it to execute its duties effectively;
- directors' appointments are transparent and made on merit through a formal process that includes identifying and evaluating potential candidates for appointment to the board;
- the group's approved policy of gender, age, ethnicity and cultural diversity is considered and applied in the nomination and appointment of directors; and
- the policy and remuneration implementation report are tabled to shareholders every year at the group's AGM for separate non-binding advisory votes.

The board is satisfied that the committee fulfilled its responsibilities in accordance with its terms of reference for the year.

Composition	Meeting attendance	
Independent non-executive directors		The committee meets at least twice a year. *Ad hoc* meetings are held as required to consider special business. The CEO and CFO attend meetings of the remuneration and nomination committee, or part thereof, by invitation if required to contribute pertinent insights and information.
Mohamed Haroun Ahmed (Chairman)	2/2	
Lynette Moretlo Molefi	2/2	
Jabulani Geffrey Ngcobo	2/2	
Non-executive directors		
John Anthony Copelyn	2/2	
Executive directors*		
Laurelle McDonald	2/2	
Marcel von Aulock	2/2	

* *By invitation.*

2023 focus areas and key decisions	2024 focus areas
• Reviewed the remuneration (including STIs and LTIs) of employees in the context of the group's recovery from the impact of Covid-19 • Reviewed the disclosure of remuneration, particularly STIs in the group's remuneration implementation report	• To consider the recent changes to the employment equity legislation and to ensure that the necessary steps are taken by the group to ensure compliance • To ensure the committee continues to fulfil its role and comply with its terms of reference and to ensure the proper implementation of the group's remuneration policy

The remuneration and nomination committee believes that the remuneration policy achieved its stated objectives.

REMUNERATION POLICY

Remuneration philosophy

The key goals of Southern Sun's remuneration philosophy are to remunerate fairly, responsibly and competitively in order to:

- attract, reward and retain executive directors and staff of the requisite calibre, with the appropriate knowledge, attributes, skills and experience to allow them to add meaningful value to the company;
- align the behaviour and performance of executive directors and management with the company's strategic goals in the overall interests of shareholders and other stakeholders; and
- promote a culture that supports initiative and innovation, with appropriate short and long-term incentives (LTIs) that are fair and achievable.

The remuneration and nomination committee approves the fixed and variable mix of the group's remuneration structure, which differs based on employee level. This remuneration report sets out the components of the group's remuneration structure, applicable under normalised circumstances.

Fair, responsible and transparent remuneration

The combination of the components below ensures that above-average pay is only received for above-average performance and above-average sustainable shareholder returns.

Fixed remuneration → **Guaranteed pay** →

- Basic cost to company
- Median level for market

All permanent full-time employees, other than executive directors and management, receive guaranteed basic salaries (including an annual bonus of up to one month's basic salary on completion of up to three years' service) with the costs of medical, risk and retirement benefits shared between the employee and the employer on a 50:50 basis. Executive directors and management are remunerated based on a guaranteed total package basis, with the costs of benefits structured within their total cost to company.

Variable remuneration			
STIs		**LTIs**	
Annual	Based on the achievement of financial targets and personal key performance objectives, calculated as a percentage of annual total package	Three-year minimum vesting and equity settled	Aligned to shareholder returns
Southern Sun seeks to remunerate employees responsibly, fairly and transparently and achieve a balance between STIs and LTIs as part of a complete remuneration package that will motivate the achievement of short-term returns and long-term value creation for shareholders, as appropriate.			

Changes to STI scheme rules

As a consequence of the disruption caused by the Covid-19 pandemic, with hotels forced to close for periods of time, the group and many other industry participants stopped submitting regular revenue and occupancy statistics to STR. STR provides data benchmarking, analytics and marketplace insights for the global hospitality industry and the group used the South African national and regional data to determine the relative revenue growth target in determining STI achievements. Relative revenue growth is determined by comparing actual revenue growth year on year (as measured by Revpar) in Southern Sun with appropriate comparator performance.

Given the lack of reliable market data and the group's distribution often resulting in few third-party hotels being included in the comparator set, the remuneration and nomination committee recommended that the relative revenue growth targets be removed from the STI rules with effect from 1 April 2022. The financial targets, Ebitdar and adjusted earnings remain unchanged with the relative growth component's weighting (previously 25%) being added to the financial component (FY22: weighting of 35% to 60% vs FY23: weighting of 60% to 85%) as provided for in the rules of the scheme. The board approved this recommendation at the board meeting held on 19 May 2022.

Short-term incentives (STIs)

Southern Sun's STIs comprise financial achievement targets and personal key performance objectives.

Purpose and participation

Executive directors and designated management level employees participate in STIs based on the achievement of financial targets (Ebitdar and adjusted earnings) and personal key performance objectives, split as follows:

	Financial achievement targets (Ebitdar and adjusted earnings)	Personal key performance objectives
Proportion for the most senior level	85	15
Proportion lowest management participant level	60	40

The STI target split allows for:

- the achievement of elements over which executive directors and management could exercise direct control and which ensures that the achievement of short-term financial performance is not at the expense of future opportunities. In this regard, personal key performance objectives are agreed annually upfront between the participant and their immediate manager; and
- the incentivisation of executive directors and management to achieve improved returns for shareholders by reaching or exceeding approved targets for Ebitdar and adjusted earnings.

Financial achievement – Target weighting and threshold

For STI participants to meet the financial performance targets, the group's actual performance must exceed 90% of targeted Ebitdar and adjusted earnings.

Weighting	Budget and targets	Adjustments
• 50% Ebitdar • 50% adjusted earnings	• Targets recommended by the remuneration and nomination committee, which are based on the relevant board-approved budget • Budget and accompanying targets are adjusted up or down for material structural changes during the year to ensure they remain fair and relevant	Adjustments relate mainly to acquisitions, disposals or corporate transactions that are not anticipated at the time of finalising the budget. Any adjustments to the targets are recommended by the remuneration and nomination committee and approved by the board

Threshold

- Set at 90% of the approved target with a score of:
  - 0% being awarded for achievement below the threshold,
  - 50% being awarded for the achievement of on-target performance
- A stretch target set at 115% of the approved target resulting in a score, capped at 100%, being awarded for the achievement of the stretch target

Pre-agreed personal key performance objectives

- Vary depending on the employee's role within the organisation and could include elements such as growth, customer satisfaction, regulatory compliance, leadership, internal controls and cost control
- An evaluation of the STI participant's achievement of his or her pre-agreed personal key performance objectives is completed at the end of the financial year
- A bell-curve methodology is applied to the evaluation of personal performance, as provided for in the rules of the STI scheme

	Financial achievement on-target STI entitlement per employee level (% annual cost to company)	The maximum capped bonus entitlement per level (% annual cost to company)
CEO	75	130
CFO	50	90
HOFs	40	75
Senior managers	33	60
Designated management level employees	20	35

	Weighting (%) financial performance	Weighting (%) personal performance
CEO	85	15
CFO	80	20
HOFs	75	25
Senior managers	70	30
Designated management level employees	60	40

Long-term incentives (LTIs)

LTIs serve to align the focus of management with that of shareholders in that participants receive the capital growth on their share between its date of issue and its date of exercise, as well as all dividends declared in between these periods. As a result, management is focused on increasing the share price and the dividends per share. No other specific performance measurements are attached to LTIs awarded.

LTI allocations are listed in the remuneration implementation report.

Share Appreciation Rights

Purpose and participation

Selected key senior employees of the group participate in the Southern Sun Share Appreciation Rights plan with the goal to incentivise, motivate and retain these high-calibre employees and recognise their contributions to the group.

The purpose of the SAR plan is twofold, namely:

- to offer employees the opportunity to receive shares in Southern Sun (SSU shares) through the award of share appreciation rights (SARs), which are settled in SSU shares. The SAR plan is primarily used as an incentive to participants to deliver on our business strategy over the long term; and
- to offer such participants the opportunity to share in the group's success, recognising the contributions made by these employees and providing alignment between the interests of participants and shareholders.

Award date	Vesting period	Conditions
Annually as recommended by the remuneration and nomination committee and approved by the board	Three years from their award date and will lapse and accordingly not be capable of surrender for settlement in SSU shares, upon the sixth anniversary of their award date	The number of annual SARs awarded to participants will primarily be based on the participant's annual salary, employee level, performance, retention and attraction considerations, as well as market benchmarks. Annual allocations will be benchmarked and set to a market-related level of remuneration, while considering the overall affordability thereof to the group.
Instruments and calculation		
SARs confer the right upon the participating employee to receive shares equal to the appreciation of the awarded SARs over the vesting period, being a minimum period of three years from the award date and subject to the participating employee's continued employment during this period	Appreciation is calculated as the difference between the seven-day volume weighted average price of the shares on the date on which notice is given to surrender the SARs (exercise price) and the seven-day volume-weighted average price on the date on which the award was made to an eligible employee to participate in the scheme (the award price), multiplied by the number of SARs awarded	Exercise price will be adjusted to take into account dividends (being a distribution as defined in the Companies Act and any dividends declared and paid in cash or *in specie* and on the unbundling of an asset or share) between the award date and the vesting date
On settlement, the value accruing to participants will be the full appreciation of the SSU share price over the award price plus dividends declared and paid, post the award date (net of tax), which value will be settled in SSU shares.		

Malus and clawback

The group understands the need for increased alignment between executive management and shareholders, particularly in executive remuneration schemes operated by the group, and the growing emphasis on executive accountability.

In response, the remuneration and nomination committee proposed a malus and clawback clause, which was approved by the board for inclusion in both the STI scheme and the SAR plan. In terms of this clause, clawbacks may be implemented by the board for material misstatements of financial statements or errors in calculations that led to the overpayment of incentives to executives. Clawbacks may be implemented from all gains derived from any STI or LTI award in the form of a reduction in the value of these awards in future years, or (other than for executive directors) in the form of a repayment plan over a period of up to 12 months. Executive directors are required to repay the amount in full.

In the event that an employee has left the services of the company, or there is limited possibility of recovering amounts from future incentive awards, the company may institute proceedings to recover such amounts.

Executive directors' service contracts at 31 March 2023

Both the CEO and CFO are full-time salaried employees of Southern Sun. Their employment contracts are subject to three months' notice, contain no restraint of trade clauses and have no specific contractual conditions related to termination.

Non-executive directors' terms of appointment

Non-executive directors are not subject to any other fixed terms of employment other than the conditions contained in the company's memorandum of incorporation and, as such, no service contracts have been entered into with the company.

Southern Sun's remuneration for non-executive directors comprises:

- a basic annual fee for membership of the board and the audit and risk committee; and
- a per meeting attendance fee for members of the social and ethics and remuneration and nomination committees.

Non-executive directors' fees are approved in advance by shareholders by special resolution at the company's AGM. No share options or other incentive awards geared to share price or corporate performance are made to non-executive directors.

REMUNERATION IMPLEMENTATION REPORT

This part of the report reflects the implementation of the remuneration policy. It provides details of the remuneration paid to executive directors and prescribed officers and fees paid to non-executive directors for the year ended 31 March 2023.

This section also sets out the detail surrounding the STI and LTI payments and vesting outcomes and includes a summary overview of each executive director and prescribed officers' performance, including their single figure remuneration.

Executive directors' and prescribed officers' emoluments

	2023			2022		
	MN von Aulock R'000	**L McDonald R'000**	**Total R'000**	MN von Aulock R'000	L McDonald R'000	Total R'000
Salaries	**7 678**	**2 630**	**10 308**	6 203	2 197	8 400
Benefits	**607**	**474**	**1 081**	258	166	424
Current year STI accrued	**10 484**	**2 725**	**13 209**	–	–	–
Fair value of equity-settled SARs awarded[1]	**–**	**1 786**	**1 786**	12 369	6 184	18 553
Total single figure of remuneration	**18 769**	**7 615**	**26 384**	18 830	8 547	27 377
Current year vesting of equity-settled SARs	**3 756**	**2 014**	**5 770**	2 414	820	3 234
Fair value of unvested equity-settled SARs granted during the year	**–**	**(1 191)**	**(1 191)**	(11 634)	(5 817)	(17 451)
Financial statement remuneration	**22 525**	**8 438**	**30 963**	9 610	3 550	13 160
Current year STI not settled	**(10 484)**	**(2 725)**	**(13 209)**	–	–	–
Prior year STI settled[2]	**1 704**	**1 000**	**2 704**	–	–	–
IFRS 2 charge on equity-settled SARs	**(3 756)**	**(2 609)**	**(6 365)**	(3 149)	(1 187)	(4 336)
Total cash equivalent value of remuneration	**9 989**	**4 104**	**14 093**	6 461	2 363	8 824

[1] *Reflects the fair value of new SARs (unvested) awarded during the year.*

[2] *Due to the impact of the Covid-19 pandemic and the company's focus on cash preservation, STIs for the 2020 financial year were calculated and approved by the remuneration and nomination committee during the 2021 financial year, but payment thereof deferred until such time that it would be appropriate and responsible for payment to be made. The group had sufficient cash resources available to settle the STI provision for 2020 during June 2022.*

Annual salary review

The annual salary review was conducted for all employees including the executive directors in accordance with the remuneration policy and resulted in an average rate of increase, of 6.5% for executive directors and 7.3% for other employees.

STIs

No STIs were awarded for the 2021 and 2022 financial years due to the protracted impact of the Covid-19 pandemic. STIs were, however, reinstituted in FY23. The outcomes of the FY23 STIs, which were paid to scheme participants in May 2023 against targets set for the year are provided in the tables that follow.

FY23 financial targets as approved by the board

	Ebitdar (Rm)	Adjusted earnings pre-LTI (Rm)	Adjusted earnings pre-LTI per share (cents)	Weighting of financial achievement (%)
Threshold (above 90% of target)	**914**	**104**	**7.0**	**0**
Target	**1 015**	**115**	**7.8**	**50**
Stretch (above 115% of target)	**1 167**	**133**	**9.0**	**100**

Note: The financial targets assumed the implementation of the TSG transaction and the disposal of Southern Sun Ikoyi effective from 30 September 2022 and 1 December 2022, respectively.

Financial targets were originally set based on the budget for FY23 as approved by the board in February 2022. As a result of the better than expected recovery in trading levels, the targets were materially revised upwards in August 2022. Target Ebitdar was increased from R694 million to R1 015 million and targeted adjusted earnings per share was increased from a loss of 3.0cps to a profit of 7.8cps.

FY23 financial stretch targets were achieved by the group, resulting in the award of STIs for executive directors as follows:

	Annual total package R'000	Maximum capped bonus entitlement % of annual total package	Maximum capped bonus entitlement R'000	Weighting (%)	STI earned stretch target achievement R'000	Weighting (%)	Personal objectives achieved	STI earned achievement personal objectives R'000	Total STI Earned
MN von Aulock	**8 168**	**130**	**10 618**	**85**	**9 026**	**15**	**13.5**	**1 458**	**10 484**
L McDonald	**3 083**	**90**	**2 775**	**80**	**2 220**	**20**	**18.0**	**506**	**2 725**

Personal performance objectives for the CEO and CFO are generally set at the beginning of the financial year. In March 2022 substantial uncertainty existed as to the recovery in trading volumes that would be achieved in FY23 as the group had just experienced the impact of being put on the red list as a result of the Omicron variant being identified in December 2021.

As the year progressed and the recovery was deemed more certain, the financial targets were adjusted as set out above and personal objectives were adjusted to focus on the following key areas:

- the normalisation of the group's debt covenants and the refinancing of the overall debt structure of the group;
- the implementation of key transactions, being the disposal of Southern Sun Ikoyi and the TSG transaction, that would have a material impact on the group's debt position; and
- the retention of the cost efficiencies achieved through the material restructure of the business undertaken during the prior two years, as trading volumes recovered.

LTIs

Details of unexpired awards granted to executive directors and prescribed officers prior to 31 March 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 2018ˆ	**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 2018ˆ	**324 907**	4.62	4.57	231	31 March 2021	31 March 2024
	1 April 2019ˆ	**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*	**1 651 316**	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.*

ˆ *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. Between December 2022 and June 2023, the company has repurchased 99 million ordinary shares which will be used to settle LTI obligations to participants.

Non-executive directors' fees

Non-executive directors	2023 Directors' fees paid by the company R'000	2023 Total R'000	2022 Directors' fees paid by the company R'000	2022 Total R'000
JA Copelyn	**436**	**436**	339	339
M Ahmed	**495**	**495**	413	413
SC Gina	**381**	**381**	317	317
ML Molefi	**394**	**394**	322	322
JG Ngcobo	**394**	**394**	322	322
JR Nicolella	**282**	**282**	223	223
CC September	**294**	**294**	228	228
	2 676	**2 676**	2 164	2 164

Fees are exclusive of VAT.

Non-executive directors' fees for approval by shareholders

The non-executive directors' fees for FY23 were approved by shareholders at the 2022 AGM held on 20 September 2022. Directors' fees had not been increased since the AGM held on 17 October 2019. The FY23 fees represent a 5% increase to the fees approved by shareholders at the AGM held on 17 October 2019.

At the AGM scheduled for 20 September 2023, the remuneration and nomination committee will propose a 6.5% increase in non-executive directors' fees, in line with the average increase for executive directors.

The board has approved the recommendation made by the remuneration and nomination committee and shareholders are referred to page 42 of the notice of AGM for the proposed non-executive directors' fees for the 2023 financial year.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH

2023

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STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

for the year ended 31 March 2023

The company's directors are required by the Companies Act of South Africa, Act No 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 group at the end of the financial year and of the results of operations and cash flows for the year. In preparing the accompanying consolidated 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 consolidated annual financial statements incorporate full and responsible disclosure. The directors accept responsibility for the preparation, integrity and fair presentation of the consolidated 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 consolidated annual financial statements.

The directors have reviewed the group's budgets and cash flow forecasts 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 group is a going concern and they have accordingly adopted the going-concern basis in preparing the consolidated annual financial statements. The group's independent auditors, PricewaterhouseCoopers Inc., have audited the consolidated annual financial statements and their unqualified report appears on page 91. 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 group's systems of internal financial control. The group 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 Rosa van Onselen). The Company Secretary has direct access to the board. The board confirms that Rosa 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.

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER RESPONSIBILITY STATEMENT

for the year ended 31 March 2023

Each of the directors, whose names are stated below, hereby confirm that:

(a) the annual financial statements set out on pages 97 to 167 fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

(b) to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

(c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries has been provided to effectively prepare the financial statements of the issuer;

(d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;

(e) where we are not satisfied, we have disclosed to the audit and risk committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken the steps to remedy the deficiencies; and

(f) we are not aware of any fraud involving directors.

Marcel von Aulock
Chief Executive Officer

Laurelle McDonald
Chief Financial Officer

28 July 2023

DIRECTORS' APPROVAL OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2023

The preparation of the consolidated annual financial statements set out on pages 97 to 167 has been supervised by the Chief Financial Officer (CFO), L McDonald CA(SA). These consolidated annual financial statements were approved by the board of directors on 28 July 2023 and are signed on its behalf by:

Marcel von Aulock
Chief Executive Officer

Laurelle McDonald
Chief Financial Officer

28 July 2023

DECLARATION BY THE COMPANY SECRETARY

for the year ended 31 March 2023

In terms of section 88(2)(e) of the Companies Act of South Africa (Companies 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 Companies Act and that all such returns and notices are true, correct and up to date.

Rosa van Onselen
Company Secretary

28 July 2023

REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 31 March 2023

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 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 consolidated 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 group 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;
- reviewed and assessed the group's risk identification, measurement and control systems and their implementation;
- reviewed and approved the group accounting policies (refer to note 1 to the consolidated 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 group 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.

Recommendation of the consolidated annual financial statements

The committee has evaluated the consolidated 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 consolidated annual financial statements by the board.

Mohammed Ahmed
Chairman: Audit and risk committee
28 July 2023

DIRECTORS' REPORT

for the year ended 31 March 2023

1. NATURE OF BUSINESS

The company is a South African incorporated public company domiciled in the Republic of South Africa engaged principally in the hospitality industry. There have been no material changes in the nature of the company's business from the prior year.

2. STATE OF AFFAIRS AND PROFIT FOR THE YEAR

The financial results of the group for the year are set out in the consolidated annual financial statements and accompanying notes thereto. Group profit after tax for the year under review amounted to R1 billion (2022: R156 million loss after tax).

3. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The directors are not aware of any matter or circumstance arising since the balance sheet date and the date of this report other than the matters disclosed in note 43 of these consolidated annual financial statements, all of which are non-adjusting events and have no impact on the financial results for the year ended 31 March 2023.

4. GOING CONCERN

The consolidated annual financial statements are prepared on the going-concern basis. Based on the cash flow forecasts, available cash resources and facility headroom, management believes that the group has sufficient resources to continue operations as a going concern in a responsible and sustainable manner. Refer to note 45 for further details. The board of directors of the company has assessed the cash flow forecasts and is of the view that the group has sufficient liquidity to meet its obligations over the next 12 months.

5. 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.

6. DIVIDENDS

The directors considered it prudent to retain cash resources to ensure that the group can meet its obligations until trading and occupancies normalise and the threat of increased load shedding during winter subsides. Accordingly, the directors have not declared a final cash dividend for the year ended 31 March 2023.

7. ASSOCIATES AND SUBSIDIARIES

Refer to note 20 of the consolidated annual financial statements for details of associates, note 47 of the consolidated annual financial statements for details of subsidiary companies with material non-controlling interests and note 48 of the consolidated annual financial statements for details of subsidiaries.

8. DIRECTORATE

There have been no changes to the directorate during the year under review. Directors of the company are set out below:

	Appointed
Non-executive	
JA Copelyn (Chairman)	10 May 2019
JR Nicolella	10 May 2019
Independent non-executive	
MH Ahmed (Lead Independent)	10 May 2019
SC Gina	10 May 2019
ML Molefi	10 May 2019
JG Ngcobo	10 May 2019
CC September	15 August 2019
Executive	
MN von Aulock (CEO)	10 May 2019
L McDonald (CFO)	30 September 2011

9. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

No material contracts in which the directors have an interest were entered into during the year under review. Refer to notes 39 and 39.3 of the consolidated annual financial statements for details of the group's key management compensation.

10. COMPANY SECRETARY

Southern Sun Secretarial Services Proprietary Limited, as represented by LR van Onselen.

Business address
4th Floor, South Tower, Nelson Mandela Square,
Cnr 5th and Maude Streets, Sandton, 2196

Postal address
Private Bag X200
Bryanston, 2021

11. EXTERNAL AUDITORS

PricewaterhouseCoopers Inc. was appointed into office at the company's 2022 annual general meeting in accordance with section 90 of the Companies Act of South Africa, to report on the financial year ending 31 March 2023, until the conclusion of the company's annual general meeting to be held on 20 September 2023.

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 recommended, and the board of directors of the company (the board) endorsed the proposed appointment of Deloitte & Touche as the external auditor of the company in accordance with section 90 of the Companies Act of South Africa, with Dirk Steyn as the designated audit partner, for the financial year ending 31 March 2024.

Accordingly, Deloitte & Touche will be nominated for appointment at the company's annual general meeting to be held on 20 September 2023 until the forthcoming annual general meeting.

12. MAJOR SHAREHOLDERS AND SHAREHOLDER ANALYSIS

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 (including treasury shares). HCI directly owned 9.1% (2022: 8.7%) and is the majority shareholder of TIHC Investments (RF) Proprietary Limited (TIHC) and TIHC directly owned 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. Refer to the shareholder analysis on page 168.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Southern Sun Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OUR OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Southern Sun Limited (the Company) and its subsidiaries (together the Group) as at 31 March 2023, and its consolidated financial performance and its consolidated 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 consolidated financial statements set out on pages 97 to 167 comprise:

- the consolidated balance sheet as at 31 March 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated 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 financial statements* section of our report.

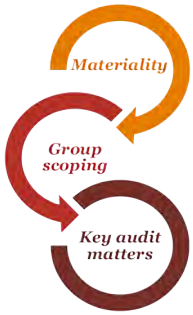
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group 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)*.

OUR AUDIT APPROACH

Overview



OVERALL GROUP MATERIALITY

- Overall group materiality: R49.875 million, which represents 1% of total consolidated income from continuing operations for the year excluding the Separation payment received of R399 million as this is not considered to be part of the normal operations of the Group.

GROUP AUDIT SCOPE

- The Group has a portfolio of over 100 hotels operating in Africa and the Middle East. The Group also has centralised functions and holding companies domiciled in South Africa and Mauritius.
- We performed full scope audits on all components that were financially significant based on their contribution to the Group's revenue or total assets and those that posed additional risks to the Group results, as well as on all components with centralised functions. A full scope audit is also performed on the Company to meet statutory requirements.
- Remaining components are not considered to be significant to the Group and analytical review procedures have been performed on these components.

KEY AUDIT MATTERS

- Valuation of investment properties; and
- Recoverable amount of property, plant and equipment.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

OVERALL GROUP MATERIALITY	R49.875 million
HOW WE DETERMINED IT	1% of total consolidated income from continuing operations for the year excluding the Separation payment received of R399 million as this is not considered to be part of the normal operations of the Group.
RATIONALE FOR THE MATERIALITY BENCHMARK APPLIED	We chose total consolidated income from continuing operations as the benchmark because, in our view, it is the benchmark against which the performance of the Group can be consistently measured in circumstances of volatile year-on-year earnings that occurred due to the negative impact of the COVID-19 pandemic and related lockdown restrictions that were placed on the hospitality industry during the last three years. We chose 1% which is consistent with quantitative materiality thresholds used for companies in this sector, including taking cognisance of the intended users and distribution of the consolidated financial statements, the financial covenants held over the Group's debt as well as the inherent risk of the Group.

HOW WE TAILORED OUR GROUP AUDIT SCOPE

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group has hotel operations in Africa and the Middle East and associate investments in the United Kingdom. The Group also has centralised functions and holding companies domiciled in South Africa and Mauritius.

The Group financial statements are a consolidation of the Group's operating businesses, holding companies and centralised functions. We performed full scope audits on the Company, all significant components that were financially significant based on their contribution to revenue or total assets and those that posed additional risks to the Group results, as well as on all components with centralised functions. We also performed analytical review procedures on the remaining components based on the associated risk of the component.

We ensured that the teams at all levels included the appropriate skills and competencies required for the audit of a hotels operator and a property investment company, including industry specific knowledge, as well as specialists and experts such as information technology audit, actuarial, tax and valuation specialists, as appropriate.

We determined the level of involvement needed in the audit work of PwC component auditors and other auditors operating under our instructions to be satisfied that sufficient audit evidence was obtained for purposes of our opinion on the consolidated financial statements. We maintained regular communication with component audit teams throughout the year.

Further audit procedures were performed by the Group audit engagement team, including substantive procedures over the consolidation process. The work performed at operational levels as well as the procedures performed at the Group level, provided us with sufficient evidence to express an opinion on the consolidated financial statements as a whole.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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
Valuation of investment properties Refer to note 1(h) (Summary of significant accounting policies – Investment Property), note 2(b) (Critical accounting estimates and judgement – Investment Property) and note 17 (Investment Properties) to the consolidated financial statements. The majority of the Group's investment properties comprise of hotel properties. At 31 March 2023, the carrying value of the Group's total investment property portfolio was R1.485 billion representing a R35 million increase compared to the prior year. The Group's accounting policy is to measure investment properties at fair value based on external valuations performed by using the discounted cash flow model. The fair value of investment properties is dependent on the operating results of the respective hotel operations and the inputs into the valuation model. Factors such as prevailing market conditions and country-specific risks directly impact fair values, and are taken into account in the calculation of the discount rate by use of a risk premium. The inputs made by management in determining the fair value of the investment properties are set out in note 17 'Investment properties' to the consolidated financial statements and include amongst others the key assumptions relating to property-specific terminal capitalisation rates, risk adjusted discount rates and cash flows. The impact and continued recovery from Covid-19 and the associated impact on the property investment industry have resulted in significant changes to the inputs and assumptions into the valuation techniques applied and the inputs into the valuation models. We considered the valuation of investment properties as a matter of most significance to our current year audit due to the following: • the inherent subjectivity of the key assumptions that underpin the valuation of investment properties and the heightened uncertainty involved in making these assumptions arising out of the Covid-19 pandemic; and • the magnitude of the investment properties balance recorded in the consolidated balance sheet as at 31 March 2023.	We obtained an understanding of the approach followed by management and the independent valuers for the valuation of the Group's investment property portfolio through discussions with management and the external valuers, as well as inspection of minutes of meetings of the board of directors. We updated our understanding of, and tested the relevant controls related to, the budgeting process, which included controls in relation to the following: • The entering and amending of leases in support of contractual rental income; • The setting and approval of budgets by the Group; • Consideration of external valuation reports by management; and • Board approval of the valuations obtained. We have evaluated the independent valuers by assessing their competence, independence and capabilities with reference to their qualifications and industry experience, and noted no aspects requiring further consideration. On a risk-based sample basis, we assessed the calculation of the fair values in the external valuers' valuation reports by performing the following procedures: • Utilised our internal valuation experts to assess the appropriateness of the valuation methodology and noted it to be consistent with industry norms; • Assessed the reasonableness of the cash flows of each property used by the valuers in the discounted cash flow models by assessing the forecasted cash flows against market information. We noted no aspects in this regard requiring further consideration; • Assessed the reasonableness of the terminal capitalisation rates and risk adjusted discount rates against market related data for similar investment properties and based on our work performed, we accepted management's assumptions; and • Making use of our internal valuation expertise, we performed a high-level reasonability assessment on a sample of properties based on industry benchmarks referred to above, and noted them to be within an acceptable range. We inspected the final valuation reports and agreed the fair values per these reports to the Group's accounting records noting no material exceptions.

Key audit matter	How our audit addressed the key audit matter
Recoverable amount of property, plant and equipment The Group's property, plant and equipment (PPE) comprises land and buildings, of which the majority is represented by hotel buildings, operating equipment and plant and equipment. Hotel buildings which are owned and occupied by the Group are classified as PPE, in contrast to investment properties which are buildings owned by the Group but occupied by third parties. As at 31 March 2023, the carrying value of the Group's PPE amounted to R8.412 billion. Refer to note 15 'Property, plant and equipment' to the consolidated financial statements. The Group's policy is to assess PPE at each reporting date for indicators of impairment as required by International Accounting Standard ("IAS") 36 'Impairment of Assets' ("IAS 36"). Where indicators of impairment are identified, impairment assessments are performed. The value of the impairment is determined as the difference between the recoverable amount of an asset, being the higher of the value in use and the fair value less cost to sell, and the carrying amount of the asset. The value in use was calculated using a discounted cash flow model (DCF) based on the net cash flows of the underlying hotels. Refer to note 17 'Investment properties' to the consolidated financial statements. The following key assumptions were applied in the valuations: • Net cash flows and terminal growth rates: Net cash flows were forecasted, taking into account the continued recovery in the trading environment following the Covid-19 pandemic, with appropriate terminal growth rates applicable to the various hotel 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 was calculated using a DCF approach by discounting the forecasted cash flows using the assumptions mentioned above, and after considering the capital expenditure requirements and deducting the 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 Group; 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. Based on our procedures performed, we accepted management's budgeting techniques applied. We tested the reasonability of the approved budgets based on the current environment 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 items of PPE in terms of the requirements of IAS 36. For PPE items that had indicators of impairment or possible impairment reversals we performed the following procedures: • We assessed the appropriateness of the valuation methodology against industry practice and IAS 36 requirements. We noted no matters requiring further consideration in this regard; • 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 Covid-19. 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 and discount rates by performing the following procedures: • 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 independently computed range of rates. • We assessed the reasonableness of the risk adjusted 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 Group'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.

Key audit matter	How our audit addressed the key audit matter
Recoverable amount of property, plant and equipment continued Based on management's impairment assessments, no additional impairments or impairment reversals were required to be processed. The recoverable amount of property, plant and equipment is considered to be a matter of most significance to our current year audit of the consolidated financial statements due to the following: • the significant judgements made by management in determining the net cash flows, terminal growth rates and discount rates; and • the magnitude of the PPE balance recorded in the consolidated balance sheet as at 31 March 2023.	We recalculated each of the recoverable amounts determined by management for mathematical accuracy. We noted no material differences. We agreed with management's assessment of the estimated costs of disposal in the relevant models. 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 impact of changes in the discount rates, terminal growth rates and forecasted cash flows disclosed by management to our independently determined range of assumptions. We performed the 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 Integrated Annual Report 2023" and "Southern Sun Limited Annual Financial Statements for the year ended 31 March 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 consolidated 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 consolidated 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 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 CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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.
Director: Pietro Calicchio
Registered Auditor
Johannesburg, South Africa

28 July 2023

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March

	Notes	2023 Rm	2022 Restated[1] Rm
Rooms revenue	7	**3 255**	1 577
Food and beverage revenue	7	**1 272**	695
Property rental income	7	**192**	90
Other revenue	7	**667**	242
Income		**5 386**	2 604
Property and equipment rentals	8	**(154)**	(16)
Amortisation and depreciation	9	**(346)**	(357)
Employee costs	10	**(1 345)**	(826)
Other operating expenses	11	**(2 253)**	(1 412)
Insurance proceeds received		**–**	191
Fair value adjustment of investment properties	17	**4**	55
Operating profit		**1 292**	239
Finance income	12	**29**	15
Finance costs	13	**(335)**	(366)
Share of profit of associates	20	**25**	26
Profit/(loss) before income tax		**1 011**	(86)
Income tax (expense)/credit	14	**(270)**	2
Profit/(loss) for the year from continuing operations		**741**	(84)
Profit/(loss) for the year from discontinued operations, net of tax	42.1	**273**	(72)
Profit/(loss) for the year		**1 014**	(156)
Profit/(loss) attributable to:			
Equity holders of the company		**1 014**	(156)
From continuing operations		**743**	(81)
From discontinued operations		**271**	(75)
Non-controlling interests		**–**	–
From continuing operations		**(2)**	(3)
From discontinued operations		**2**	3
		1 014	(156)
Basic and diluted profit/(loss) attributable to the ordinary equity holders of the company per share (cents)			
Number of shares in issue* (million)		**1 468**	1 478
Weighted number of shares in issue* (million)		**1 476**	1 478
Basic profit/(loss) per share (cents)		**68.7**	(10.6)
From continuing operations		**50.4**	(5.5)
From discontinued operations		**18.3**	(5.1)
Diluted profit/(loss) per share (cents)		**67.6**	(10.6)
From continuing operations		**49.6**	(5.5)
From discontinued operations		**18.0**	(5.1)

[1] *Restated for discontinued operations – refer to note 42.*

* *Net of treasury shares.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March

	Notes	2023 Rm	2022 Restated[1] Rm
Profit/(loss) for the year		**1 014**	(156)
Other comprehensive income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss:		**38**	13
Cash flow hedges	31	**42**	56
Cash flow hedges reclassified to profit or loss		**(28)**	–
Currency translation adjustments on continuing operations		**228**	(14)
Currency translation adjustments on discontinued operations		**114**	(13)
Foreign currency translation reserve reclassified to profit or loss – discontinued operations		**(313)**	–
Income tax relating to items that may subsequently be reclassified to profit or loss	14	**(5)**	(16)
Items that may not be reclassified subsequently to profit or loss:		**2**	(1)
Remeasurements of post-employment defined benefit liability	30	**2**	(1)
Total comprehensive income/(loss) for the year		**1 054**	(144)
Total comprehensive income/(loss) attributable to:			
Equity holders of the company		**1 007**	(144)
Non-controlling interests		**47**	–
		1 054	(144)
Total comprehensive income/(loss) attributable to equity holders:			
Continuing operations		**933**	(59)
Discontinued operations		**74**	(85)
		1 007	(144)

[1] *Restated for discontinued operations – refer to note 42.*

CONSOLIDATED BALANCE SHEET

as at 31 March

	Notes	2023 Rm	2022 Rm
ASSETS			
Non-current assets			
Property, plant and equipment	15	**8 412**	8 878
Right-of-use assets	16	**1 014**	984
Investment properties	17	**1 485**	1 450
Goodwill	18	**354**	354
Other intangible assets	19	**38**	48
Investments in associates	20	**374**	325
Post-employment benefit asset	30	**5**	2
Derivative financial instruments	31	**28**	–
Non-current receivables	21	**14**	14
Deferred income tax assets	22	**312**	298
Total non-current assets		**12 036**	12 353
Current assets			
Inventories	23	**75**	69
Trade and other receivables	24	**504**	470
Current income tax assets		**8**	8
Total cash and cash equivalents		**883**	707
Demand deposit held as security	25	**230**	–
Cash and cash equivalents	25	**653**	707
Total current assets		**1 470**	1 254
Total assets		**13 506**	13 607
EQUITY			
Capital and reserves attributable to equity holders of the company			
Ordinary share capital and premium	26	**5 333**	5 333
Other reserves	27	**1 837**	1 828
Treasury shares	26	**(44)**	–
Retained earnings		**1 064**	48
Total shareholders' equity		**8 190**	7 209
Non-controlling interests		**(18)**	97
Total equity		**8 172**	7 306
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings	28	**1 964**	3 495
Lease liabilities	29	**1 412**	1 349
Derivative financial instruments	31	**–**	4
Deferred income tax liabilities	22	**458**	262
Deferred revenue	32	**23**	29
Provisions	34	**70**	67
Total non-current liabilities		**3 927**	5 206
Current liabilities			
Interest-bearing borrowings	28	**–**	42
Lease liabilities	29	**35**	11
Trade and other payables	35	**887**	838
Deferred revenue	32	**46**	58
Provisions	34	**137**	88
Liabilities linked to demand deposit		**230**	–
Current portion derivative financial instruments	31	**–**	9
Current income tax liabilities		**72**	49
Total current liabilities		**1 407**	1 095
Total liabilities		**5 334**	6 301
Total equity and liabilities		**13 506**	13 607

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March

	Notes	Attributable to equity holders of the company						
		Ordinary share capital and premium Rm	Other reserves[1] Rm	Treasury shares	Retained earnings Rm	Total attributable to the parent Rm	Non-controlling interests Rm	Total equity Rm
Balance at 1 April 2021		5 333	1 805	–	205	**7 343**	97	**7 440**
Total comprehensive loss		–	13	–	(157)	**(144)**	–	**(144)**
Loss for the year		–	–	–	(156)	**(156)**	–	**(156)**
Cash flow hedges, net of tax		–	40	–	–	**40**	–	**40**
Currency translation adjustment		–	(27)	–	–	**(27)**	–	**(27)**
Remeasurements of post-employment defined benefit liability net of tax	30	–	–	–	(1)	**(1)**	–	**(1)**
Share-based payments charge	33	–	10	–	–	**10**	–	**10**
Balance at 1 April 2022		5 333	1 828	–	48	**7 209**	97	**7 306**
Total comprehensive income		–	(9)	(44)	1 016	**963**	(114)	**849**
Profit for the year		–	–	–	1 014	**1 014**	–	**1 014**
Cash flow hedges, net of tax		–	9	–	–	**9**	–	**9**
Currency translation adjustment		–	295	–	–	**295**	47	**342**
Derecognition on disposal of subsidiary	42	–	(313)	–	–	**(313)**	(161)	**(474)**
Purchase of treasury shares[2]	26	–	–	(45)	–	**(45)**	–	**(45)**
Issue of treasury shares	26	–	–	1	–	**1**	–	**1**
Remeasurements of post-employment defined benefit liability net of tax	30	–	–	–	2	**2**	–	**2**
Share-based payments charge	33	–	18	–	–	**18**	–	**18**
Dividends paid		–	–	–	–	**–**	(1)	**(1)**
Balance at 31 March 2023		5 333	1 837	(44)	1 064	**8 190**	(18)	**8 172**

[1] *Refer to note 27 for details of other reserves.*
[2] *The group bought back 10 million SSU shares at an average price of R4.46.*

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March

	Notes	2023 Rm	2022 Restated[1] Rm
Cash flows from operating activities			
Cash generated from operations	36	**1 694**	599
Finance income		**29**	15
Finance costs		**(335)**	(346)
Income tax paid	37	**(100)**	(8)
Dividends paid		**(1)**	–
Cash flows generated from operating activities – discontinued operations	42.2	**27**	20
Net cash generated from operating activities		**1 314**	280
Cash flows from investment activities			
Purchase of property, plant and equipment – replacement	15	**(131)**	(40)
Purchase of property, plant and equipment – expansionary	15	**(142)**	–
Proceeds from disposals of property, plant and equipment		**1**	1
Additions to investment properties	17	**(31)**	(7)
Purchase of intangible assets	19	**(2)**	(1)
Proceeds on disposal of financial assets at fair value through profit or loss		**–**	2
Proceeds from disposal of subsidiary net of cash disposed of	42.2	**471**	–
Dividends received	20	**3**	5
Net cash utilised for investment activities – discontinued operations	42.2	**(2)**	–
Net cash generated from/(utilised for) investment activities		**167**	(40)
Cash flows from financing activities		**–**	
Borrowings raised	38.1	**2 383**	479
Borrowings repaid	38.1	**(3 829)**	(448)
Principal elements of lease payments	38.2	**(22)**	(10)
Purchase of treasury shares		**(45)**	–
Funds received and held as security	42	**230**	–
Net cash (utilised for)/generated from financing activities		**(1 283)**	21
Net increase in cash and cash equivalents		**198**	261
Cash and cash equivalents at beginning of the year, net of bank overdrafts		**665**	407
Foreign currency translation		**20**	(3)
Cash and cash equivalents at the end of the year, net of bank overdrafts	25	**883**	665

[1] *Restated for discontinued operations – refer to note 42.*

The accounting policies and notes on pages 102 to 167 form an integral part of these consolidated annual financial statements.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee and comply with the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee. Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), the Listings Requirements of the JSE and the requirements of the South African Companies Act, No 71 of 2008, and have been prepared under the historical cost convention, as modified by the revaluation to fair value of certain financial instruments and investment property as described in the accounting policies below.

(b) New and amended standards adopted by the group

The group adopted the following new, revised or amended accounting pronouncements as issued by the IASB that were effective for the group from 1 April 2022:

IFRS 16 ***Property, Plant and Equipment – Proceeds before intended use***

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the cost of testing whether the asset is functioning properly was included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the testing phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards.

Disclosure of such amounts is now specifically required. The group has not been impacted by the amendments.

Amendments to IFRS 9 ***Financial Instruments – Annual improvements to IFRS standards 2018 – 2020 cycle***

The amendment concerns fees in the "10 percent" test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The group has not been impacted by the amendment.

Amendments to IAS 37 ***Onerous Contracts – Cost of fulfilling a contract***

The amendment defined the costs that are included in the costs of fulfilling a contract when determining the amount recognised as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts.

The group has not been materially impacted by the amendment.

The group adopted all the new, revised or amended accounting pronouncements as issued by the IASB which were effective for the group from 1 April 2022. None of the standards had a material impact on the consolidated annual financial statements.

(c) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM has been identified as the group's CEO and senior management. The CODM reviews the group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the CODM which are used to make strategic decisions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(d) Basis of consolidation and business combinations

The consolidated annual financial statements include the financial information of subsidiary, associate and joint venture entities owned by the group.

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group 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. Subsidiaries are included in the annual financial statements from the date control commences until the date control ceases. Increases in fair value of assets that occur on the group obtaining control, for nil consideration, of an entity previously accounted for as an associate or joint venture is transferred to a reserve called Surplus arising on change in control.

The group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. A deferred tax asset or liability is recognised on the temporary differences arising from the recognition of the assets and liabilities on the acquisition date, to the extent that the deferred tax asset is recoverable. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Control exists where the group has the ability to direct or dominate decision-making in an entity, regardless of whether this power is actually exercised.

Goodwill arising on consolidation represents the excess of the consideration transferred over the group's interest in the fair value of the identifiable assets (including intangibles), liabilities and contingent liabilities of the acquired entity at the date of acquisition and the non-controlling interest. Where the fair value of the group's share of separable net assets acquired exceeds the fair value of the consideration and non-controlling interest, the difference is recognised immediately in profit or loss.

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated annual financial statements. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(ii) Transactions with non-controlling interests

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests and direct costs incurred in respect of transactions with non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Associates

Associates are entities over which the group 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 equity method of accounting.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(d) Basis of consolidation and business combinations continued

(iii) Associates continued

The net investment in an associate is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment (a loss event) and that loss event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated.

(iv) Goodwill

Goodwill is stated at cost less impairment losses and is reviewed for impairment on an annual basis and when there is an indication that the asset may be impaired. Any impairment identified is recognised immediately in profit or loss and is not subsequently reversed.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. Each of those CGUs is identified in accordance with the basis on which the businesses are managed from both a business type and geographical basis. The lowest aggregation of CGU has been identified as each individual hotel. Central office costs (excluding those which cannot be recovered from CGUs) are allocated to each CGU based on predetermined drivers of those central costs (per computer device or per hotel room, etc).

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated annual financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated annual financial statements are presented in SA Rand which is the group's presentation currency.

(ii) Transactions and balances

The annual financial statements for each group company have been prepared on the basis that transactions in foreign currencies are recorded in their functional currency at the rate of exchange ruling at the date of the transaction. Monetary items denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date with the resultant translation differences being credited or charged against income in the income statement.

(iii) Foreign subsidiaries and associates – translation

Significant once-off items in the income and cash flow statements of foreign subsidiaries and associates expressed in currencies other than the SA Rand are translated to SA Rand at the rates of exchange prevailing on the day of the transaction. All other items are translated at weighted average rates of exchange for the relevant reporting period. Assets and liabilities of these undertakings are translated at closing rates of exchange at each balance sheet date. Specific transactions in equity are translated at rates of exchange ruling at the transaction dates. All translation exchange differences arising on the retranslation of opening net assets together with differences between income statements translated at average and closing rates are recognised as a separate component of other comprehensive income. For these purposes, net assets include loans between group companies that form part of the net investment, for which settlement is neither planned nor likely to occur in the foreseeable future and is either denominated in the functional currency of the parent or the foreign entity. When a foreign operation is disposed of, any related exchange differences in other comprehensive income are reclassified in profit or loss as part of the gain or loss on disposal.

(f) Property, plant and equipment

Property that is held for use in the supply of services or held for long-term rental yields, and where companies in the group occupy a significant portion, is classified as property, plant and equipment. Hotel properties that are internally managed or rented by companies within the group are classified as property, plant and equipment.

Property, plant and equipment are stated at cost net of accumulated depreciation and any impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying value or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the specific asset will flow to the group and the cost can be measured reliably. Repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Assets' residual values and useful lives are reviewed by management and adjusted, if appropriate, at each balance sheet date and triennially independent valuations of land and buildings are completed by external valuators. Land and buildings comprise mainly hotels.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(f) Property, plant and equipment continued

(i) Assets in the course of construction

Assets in the course of construction are carried at cost less any impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(ii) Depreciation

No depreciation is provided on freehold land or assets in the course of construction. In respect of all other property, plant and equipment, depreciation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful life as follows:

Freehold properties	20 – 50 years
Leasehold building improvements	Shorter of the lease term or 50 years
Computer equipment and software	2 – 10 years*
Furniture, fittings and other equipment	3 – 15 years*
Plant	20 – 30 years*
Vehicles	5 years
Operating equipment	2 – 4 years

** These categories have been grouped together under Plant and equipment in note 15 "Property, plant and equipment".*

Operating equipment that meets the definition of property, plant and equipment (which includes kitchen utensils, crockery, cutlery, linen and uniforms) is recognised as an expense based on usage. The period of usage depends on the nature of the operating equipment and varies between two and four years.

(iii) Profit or loss on disposal

The profit or loss on the disposal of an asset is the difference between the disposal proceeds and the net book amount of the asset.

(g) Leases

(i) The group is a lessee

The group recognises right-of-use assets and corresponding lease liabilities on the balance sheet for leases at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present-value basis.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date, less any lease incentive received.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(g) Leases continued

(i) The group is a lessee continued

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the group lessee's use their respective incremental borrowing rates. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments). In-substance fixed payments are variable lease payments that depend on an index or a rate and are initially measured using the index or rate as at the commencement date.

The group is exposed to potential future increases in variable lease payments which are based on revenue and Ebitda. These variable lease payments are not included in the measurement of the lease liability and right-of-use asset. Variable payments are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Contracts may contain both lease and non-lease components. For leases of property for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise mainly small items of office equipment and furniture.

Where the group reassesses the terms of any lease (i.e. it reassesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the standalone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate on the day of the reassessment or modification.

For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right-of-use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right-of-use asset is reduced to any further reduction in the measurement of the lease liability it is recognised in profit or loss.

For lease modifications that are not accounted for as a separate lease, an equivalent adjustment is made to the carrying amount of the right-of-use asset, with the revised carrying amount being depreciated over the revised lease term. However, for lease modifications that decrease the scope of the lease, the carrying amount of the right-of-use asset is decreased to reflect the partial or full termination of the lease, with any resulting difference being recognised in profit or loss as a gain or loss relating to the partial or full termination of the lease.

When the group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a standalone price for the increased scope, the group accounts for the modifications as a separate new lease.

This accounting treatment equally applies to leases for which the group elected the short-term lease exemption and the lease is subsequently modified.

(ii) The group is a lessor

Assets leased to third parties under operating leases are included in property, plant and equipment and investment property in the balance sheet. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(h) Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and where companies in the group occupy no or an insignificant portion, is classified as investment property. Investment property also includes property that is being constructed or developed to earn long-term rental yields and for capital appreciation. The nature of these properties is mostly hotels and includes furniture, fixtures and equipment and the underlying letting enterprise.

Investment property is stated at fair value. Gains or losses arising from changes in the fair value are recognised immediately in profit or loss.

Fair value measurement

Properties are initially recognised at cost on acquisition, which comprises the purchase price and includes expenditure that is directly attributable to the acquisition of the property. Subsequent costs are included in the property's carrying value or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the specific asset will flow to the group and the cost can be measured reliably. Repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. The carrying value which will be the fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an owner-occupied property is reclassified as investment property, its fair value at the date of reclassification becomes its cost for subsequent accounting purposes. The property is revalued through other comprehensive income to fair value before being transferred.

(i) Intangible assets (other than goodwill)

Intangible assets are stated at cost less accumulated amortisation which is determined on a straight-line basis (if applicable) and impairment losses. Cost is usually determined as the amount paid by the group, unless the asset has been acquired as part of a business combination. Intangible assets acquired as part of a business combination are recognised at fair value at the acquisition date. Amortisation is included together with depreciation in the income statement.

Intangible assets with finite lives are amortised over their estimated useful economic lives, and only tested for impairment where there is a triggering event. The directors' assessment of the useful life of intangible assets is based on the nature of the asset acquired, the durability of the products to which the asset attaches and the expected future impact of competition on the business.

Intangible assets acquired as part of a business combination are recognised separately when they are identifiable, and it is probable that economic benefits will flow to the group.

(i) Computer software

Where computer software is not an integral part of a related item of property, plant and equipment, the software is capitalised as an intangible asset.

Capitalised computer software, licence and development costs are amortised over their estimated useful economic lives of two to 10 years which are reassessed on an annual basis.

(ii) Other

Other comprises management contracts recognised on business combinations at fair value at acquisition date and trademarks.

Management contracts with a fixed expiry date are amortised over the duration of the contract. Trademarks are amortised over their estimated useful economic lives of 10 years, which are reassessed on an annual basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(j) Investments and other financial assets

(i) Classification

The group classifies its financial assets in 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 flows.

(ii) Recognition and derecognition

Financial assets are recognised when the group 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 group 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 non-interest revenue. A change is considered substantial 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 group 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 non-interest revenue (for all other modifications).

(iii) Measurement

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

Equity investments

The group subsequently measures all equity investments at fair value. Where the group 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 group's right to receive payments is established.

Debt instruments

These are 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.

(iv) Impairment

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

The group applies the simplified approach to measuring expected credit losses (ECL) which uses lifetime expected losses to be recognised from initial recognition of its trade receivables. The balance of the group'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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(k) Derivative instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and the nature of the item being hedged. The group designates its derivatives as hedges of a particular risk associated with the cash flows of recognised assets and (cash flow hedges).

At inception of the hedge relationship, the group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The group does not hold or issue derivative financial instruments for speculative purposes.

Cash flow hedges that qualify for hedge accounting

Cash flow hedges comprise derivative financial instruments designated in a hedging relationship to manage interest rate risk to which the cash flows of certain liabilities are exposed.

The effective portion of gains and losses on derivatives used to manage cash flow interest rate risk is recognised in other comprehensive income and accumulated in the cash flow hedge reserve. However, if the group closes out its position early, the cumulative gains and losses recognised in other comprehensive income are frozen and reclassified from the cash flow hedge reserve to profit or loss using the effective interest method. The ineffective portion of gains and losses on derivatives used to manage cash flow interest rate risk is recognised in profit or loss within finance costs.

Cash flow hedge accounting is discontinued when a hedging instrument expires or is sold, terminated or when a hedge no longer meets the criteria for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss existing in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss within finance costs.

(l) Fair value measurement

Financial instruments carried at fair value, by valuation method, are defined as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); or

Level 3 – inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(m) Offsetting financial instruments

Where a legally enforceable right exists to set off recognised amounts of financial assets and liabilities and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously, which are in determinable monetary amounts, the relevant financial assets and liabilities are offset. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the respective company or counterparty.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(n) Inventories

Inventories are valued at the lower of cost or net realisable value. Operating equipment utilised within 12 months is recognised as an expense based on usage. Provision is made for slow-moving goods and obsolete materials are written off. Cost is determined on the following basis:

- Consumable stores are valued at invoice cost on a first in, first out (FIFO) basis; and
- Food and beverage inventories and operating equipment are valued at weighted average cost.

Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

(o) Cash and cash equivalents

For the purpose of presentation in the cash flow statement, cash and cash equivalents includes cash on hand, 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 interest-bearing borrowings in current liabilities on the balance sheet.

(p) Impairment of non-financial assets

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets 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 individual asset, the group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). 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.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(q) Share capital

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 premium account.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in equity attributable to the company's equity holders.

(r) Borrowings and finance costs

Borrowings are recognised initially at fair value and are subsequently stated at amortised cost and include accrued interest and prepaid facility transaction costs.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished and the consideration paid is recognised in profit or loss.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Finance costs include all borrowing costs incurred on borrowing instruments together with related costs of debt facilities management. Such costs include facility commitment fees which are expensed in borrowing costs as incurred and facility raising fees which are amortised through borrowing costs over the life of the related facilities. Borrowing costs are recognised in the income statement in the period in which they are incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(s) Trade and other payables

These amounts represent liabilities for goods and services provided to the group 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.

(t) Provisions

Provisions are recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The group also recognises a provision for bonus plans and long-service awards.

(u) Income

Income comprises revenue from contracts with customers and other income:

(i) Revenue from contracts with customers

The group is in the business of providing hotel rooms, food and beverage, management services, banqueting and venue hire, parking services and hotel sundry services. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for those goods or services. Rooms revenue is recognised over time due to the nature of accommodation being consumed by customers over a period of time. The customer simultaneously receives and consumes the benefits provided as provision of a room is made to the customer. Food and beverage revenue is recognised at a point in time. Management fees, banqueting and venue hire, and parking revenues are recognised over time as the customer receives and consumes the economic benefits. No element of financing is deemed present as the sales are made generally by cash or negotiated credit terms of 30 days. The group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. The group does not have significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers as the revenues mentioned above are all based on standalone selling prices and pre-determined settlement dates. The group considers whether there are other promises in the contract that are separable performance obligations to which a portion of the transaction price needs to be allocated (customer loyalty programmes).

Customers purchasing the group's facilities may enter the group's customer reward programmes and earn rewards that are redeemable against future purchases of the group's hotel rooms. The group allocates a portion of the consideration received to these rewards programmes based on standalone selling prices. The amount allocated to the reward programme is deferred and is recognised as revenue when rewards are redeemed. When estimating standalone selling price of the rewards, the group considers the likelihood that the customer will redeem the points based on historical usage and forfeiture rates and any adjustments to the contract liability are allocated to revenue.

Management fees, banqueting and venue hire, parking fees and hotel sundry revenues have been included as Other revenue as these do not represent material revenue streams for the group.

(ii) Other income

Property rental income

Property lease rentals received are recognised on a straight-line basis over the term of the lease. Contingent (variable) rentals are included in revenue when the amounts can be reliably measured. Recoveries of costs from lessees, where the group merely acts as agent and makes payment of these costs on behalf of lessees, are offset against the relevant costs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(v) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a pension or provident plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(ii) Other post-employment obligations

The group operates a defined benefit plan for a portion of the medical aid members. The fund is now closed to new entrants. The assets of the scheme are held separately from those of the group and are administered by trustees.

The liability recognised in the balance sheet in respect of the plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using a reference to current market yields on South African government bonds.

Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised in full as they arise outside the income statement and are charged or credited to equity in other comprehensive income in the period in which they arise.

All other costs are recognised immediately in profit or loss.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value in a similar manner to all long-term employee benefits.

(iv) Bonus plans – short-term incentives

The group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments and the performance of the respective employees. The criteria are only finalised after the group's year end. The group recognises the liability where an estimate can be made of the amount to be paid and it is contractually obliged to do so or there is a past practice that has created a constructive obligation and the directors are of the opinion that it is probable that such bonuses will be paid. This liability is included in Provisions in the balance sheet.

(v) Share-based payments – equity-settled schemes

The group operates equity-settled, share-based compensation plans.

The fair value of the employee services received by the company and/or its subsidiaries in exchange for the grant of the options is recognised as an expense. Any change in the reserve is recognised in profit and loss.

(vi) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability to the employees for annual leave up to the balance sheet date. This liability is included in T*rade and other payables* in the balance sheet.

(vii) Long-service awards

The group recognises a liability and an expense for long-service awards where cash is paid to employees at certain milestone dates in their careers with the group. The method of accounting and frequency of valuation are similar to those used for defined benefit schemes. The actuarial valuation to determine the liability is performed annually. This liability is included in *Provisions* in the balance sheet.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(w) 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 group'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 consolidated annual 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.

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.

In respect of investment properties, the measurement of deferred tax is based on a rebuttable presumption that the fair value of the investment property will be recovered entirely through sale. Investment properties are held as long-term income-generating assets. Therefore, should any property no longer meet the group's investment criteria and be sold, any profits or losses will be capital in nature and will be taxed at rates applicable to capital gains (currently nil). Allowances previously claimed will be recouped on sale. Where an accumulated loss is available to shield this recoupment, a deferred tax asset is raised.

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.

(x) Dividend distributions

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

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates, which by definition, will seldom equal the actual results. Judgement also needs to be exercised in applying the group's accounting policies.

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. 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.

(a) Leases

Determining the respective discount rates

In determining the respective discount rates, management has considered the group borrowing rate as a base rate and made adjustments to the rate based on the type of asset, the term of the lease and factors specific to the lessee company and the economic environment in which the asset is leased. The rate that the respective entity may have recently obtained on funding for a similar asset and over a similar term will also be considered in the adjustments made to the rate.

The discount rates applied to the lease commitments range from 7.9% (2022: 7.9%) to 10.5% (2022: 10.3%) due to the multiple jurisdictions within which the group operates.

Determining the lease terms

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The extension options (or periods after termination options) have been considered and where certain, have been included in the lease term. All future cash outflows have been included in the lease liability. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS continued

(b) Investment property

Classification of investment properties

Investment property represents a large proportion of the group's asset base. Therefore, the judgements made in determining their classification and fair values affect the group's financial position and performance.

In determining the classification of the properties as investment properties, the group considered its exposure to the risks of the lessor running a hotel business and its associated exposure to the variability of the cash flows of the underlying operations. The group took the following factors into account:

- Intention to hold land and buildings for rental income and capital appreciation and its role as a passive investor;
- The duration of the lease agreements;
- Control over the decision-making powers of the relevant hotel operations;
- The present value of the minimum lease payments in relation to the fair value of the investment properties; and
- Various financial ratios to determine its exposure to the variability in cash flows of the hotel operations.

Based on the above, the group concluded that the properties meet the definition of investment property.

Valuations of investment properties

Use is made of independent professionally qualified valuers. Independent valuations are performed on the entire portfolio of investment properties on a three-year rotational basis (unless specifically requested by lenders) and are fair valued by internal management during the intervening years. Refer to note 17 for the valuation methodology applied.

(c) Estimated impairment of goodwill and property, plant and equipment

The group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 1(d). The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates as noted in note 18 of the consolidated annual financial statements.

The group tests property, plant and equipment when there is an indicator for impairment in accordance with the accounting policy stated in note 1(p). 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 15 of the consolidated annual financial statements.

(d) SunRands – customer loyalty programme

The group's contract liabilities consist of the customer rewards programmes and are shown as deferred revenue. The group accounts for its hotel customer reward programmes in terms of IFRS 15 *Revenue from Contracts with Customers* with the liability on the balance sheet allocated to deferred revenue. The customer rewards programme (SunRands) consists of a loyalty programme whereby a guest earns SunRands based on their stay at one of the group's hotels. The amount of SunRands earned is based on the value of a guest's stay and spend on accommodation, food and beverages, and parking (only at participating hotels). Once a guest earns SunRands, the value is recognised as deferred revenue (liability) as it is expected that the guest will use the SunRands in future to pay for accommodation, food and beverages, and other related spend as a currency payment. SunRands are only available for a 24-month period, after which the guest forfeits the SunRands not spent.

As a result of the Covid-19 pandemic, the group granted extensions to members of the customer rewards programme during which they could redeem their SunRands that would normally have been forfeited two years after being earned. Extensions to the expiry of SunRands were granted in 2020 and 2021 due to the continued lockdowns, with a final extension granted to 30 September 2022, after which unredeemed SunRands earned prior to 31 March 2020 will be forfeited. The forfeitures recognised during the year took into account the forfeitures of the extension periods in the prior years. Refer to note 32 for the impact on the deferred revenue balance.

3. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND AMENDMENTS

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

The group 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 these are expected to have a material effect on the consolidated position or performance of the group.

Amendment to IAS 1 *Presentation of Financial Statements on Classification of Liabilities as Current or Non-current*

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. IAS 1 amended must be applied for financial years commencing on or after 1 January 2024. The group will apply the new standard for the financial period beginning on 1 April 2024.

The group will apply the amendment from 1 April 2024; however, it is not expected to have a material impact.

Amendments to IAS 12 *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. IAS 12 as amended must be applied for financial years commencing on or after 1 January 2023.

The group will apply the amendment from 1 April 2023; however, it is not expected to have a material impact.

Narrow scope amendments to IAS 1 *Presentation of Financial Statements, Practice Statement 2* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates. The narrow scope amendments to IAS 1, Practice Statement 2 and IAS 8 must be applied for financial years commencing on or after 1 January 2023.

The group will apply the amendment from 1 April 2023; however, it is not expected to have a material impact.

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 group will apply the amendment from 1 April 2023 and it is unlikely that the amendment will have a material impact on the annual financial statements.

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 group will apply the new standard for the financial period beginning on 1 April 2023.

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

4. RECONCILIATION OF PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY TO HEADLINE PROFITS/(LOSS) AND ADJUSTED HEADLINE PROFITS/(LOSS)

	Continuing operations		Discontinued operations	
	2023 Rm	2022 Restated[1] Rm	**2023 Rm**	2022 Restated[1] Rm
Profit/(loss) attributable to equity holders of the company	**743**	(81)	**271**	(75)
Loss on disposal of property, plant and equipment	**5**	1	**–**	–
Impairment of property, plant and equipment	**–**	–	**–**	94
Fair value adjustment of investment properties	**(4)**	(55)	**–**	–
Share of associate's (IHL) headline earnings adjustment	**15**	(11)	**–**	–
Impairment of trademark	**6**	–	**–**	–
Total tax effect of adjustments	**(2)**	12	**–**	(5)
Tax effect of rate change	**–**	(1)	**–**	–
Profit on disposal of subsidiary	**–**	–	**(259)**	–
Headline profits/(loss)[3, 4]	**763**	(135)	**12**	14
Separation payment	**(399)**	–	**–**	–
Transaction costs	**7**	–	**–**	–
Restructuring costs	**4**	4	**–**	–
Share of associate's exceptional items	**(5)**	–	**–**	–
Cash flow hedges reclassified to profit or loss	**(28)**	–	**–**	–
Total tax effects of other exceptional items	**89**	(1)	**–**	–
Adjusted headline profits/(loss)[2, 3]	**431**	(132)	**12**	14
Number of shares in issue* (million)	**1 468**	1 478	**1 468**	1 478
Weighted number of shares in issue* (million)[5]	**1 476**	1 478	**1 476**	1 478
Basic headline profit/(loss) per share (cents)	**51.7**	(9.2)	**0.8**	1.0
Diluted headline profit/(loss) per share (cents)	**50.9**	(9.2)	**0.8**	1.0
Basic adjusted headline profit/(loss) per share (cents)	**29.2**	(9.0)	**0.8**	1.0
Diluted adjusted headline profit/(loss) per share (cents)	**28.7**	(9.0)	**0.8**	1.0

[1] *Restated for discontinued operations – refer to note 42.*

[2] *Adjusted headline profit/(loss) is defined as profits or losses attributable to equity holders of the company adjusted for after-tax exceptional items (including headline adjustments) that are regarded as sufficiently material and unusual that they would distort the numbers if they were not adjusted. This measure is not required by IFRS, is audited, and is commonly used in the industry.*

[3] *Net insurance proceeds after tax of R139 million have been included in the group's headline loss and adjusted headline loss for the year ended 31 March 2022. This is consistent with the treatment of the insured losses which were not adjusted out of headline losses or adjusted headline losses when they were incurred in the financial period ended 31 March 2022.*

[4] *The Separation payment of R399 million (R313 million net of tax) has been included in the group's headline profit for the year ended 31 March 2023.*

[5] *Weighted number of shares reduced compared to the prior year due to the repurchase of 10 million shares by the group in accordance with the general authority granted by the shareholders at the annual general meeting held on 20 September 2022.*

* *Net of treasury shares.*

	Continuing operations		Discontinued operations	
	2023 Rm	2022 Restated[1] Rm	**2023 Rm**	2022 Restated[1] Rm
5. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO EBITDAR				
Ebitdar pre-exceptional items are made up as follows:				
Operating profit/(loss)	**1 292**	239	**22**	(71)
Amortisation and depreciation	**346**	357	**5**	8
Property rentals	**134**	3	**–**	–
Share-based payment expense	**18**	10	**–**	–
	1 790	609	**27**	(63)
Add/(less): Exceptional[2] losses/(gains)				
Loss on disposal of property, plant and equipment	**5**	1	**–**	–
Impairment of property, plant and equipment	**–**	–	**–**	94
Fair value adjustment of investment properties	**(4)**	(55)	**–**	–
Impairment of trademark	**6**	–	**–**	–
Separation payment	**(399)**	–	**–**	–
Restructuring costs	**4**	4	**–**	–
Transaction costs	**7**	–	**–**	–
Ebitdar	**1 409**	559	**27**	31

[1] *Restated for discontinued operations – refer to note 42.*

[2] *The group considers exceptional items to be those that are not within the normal day-to-day operations of the business and sufficiently material or unusual that they would distort the numbers if they were not adjusted. This would include headline adjustments.*

6. SEGMENTAL ANALYSIS

In terms of IFRS 8 *Operating Segments*, the Chief Operating Decision Maker (CODM) has been identified as the group's Chief Executive Officer (CEO) and senior management. Management has determined the operating segments based on the reports reviewed by the CODM. There was no change to the basis of measurement of segment profit or loss from the annual financial statements apart from the disclosure of Ikoyi as a discontinued operation and the CODM taking into account the impact of the implementation of the TSG transaction and the impact on external management fees earned.

Following the implementation of the TSG transaction and the resulting decrease in external management fee income earned by the group, senior management took the opportunity to review its segmental reporting structure. The disclosure relating to revenue and Ebitdar performance of the Offshore segment remains unchanged from prior years. Revenue and Ebitdar relating to Investment properties – Externally managed (previously disclosed as Rental income-HPF) now excludes the Sandton Eye retail space which forms part of the Radisson Blu Gautrain Hotel building, and has been disclosed in the internally managed segment. Management has also included material items of income and expenses included in the Ebitdar performance measure to enhance the disclosure included in the segmental analysis.

The revenue and Ebitdar relating to the Sandton Consortium hotels leased from L2D and partners have been disclosed as a separate segment previously included as part of the Inland segment. While the group reflects the trading revenue and Ebitdar relating to the hotel operations, what is retained in Ebitda after rental payments to L2D and partners are effectively management fee income earned from the hotels and the Sandton Convention Centre along with 1% of the Ebitdar of the hotels.

Internally managed hotels in South Africa have been categorised by province, previously disclosed based on whether the hotel was located at the coast or inland, to better reflect the group's geographical footprint. Similarly, hotels that were previously included in the Trading income – HPF segment are now included in their respective province. The Ebitdar measure of each segment is presented before the deduction of internal management fees and includes the external management fee income earned from hotels managed for third-party owners. This provides more meaningful information about the cash generated by the group from a particular province and how performance is influenced by events taking place in that province. Other segment includes hotel properties located in outlying regions including Mpumalanga, Eastern Cape, Northern Cape, Free State and Limpopo.

6. SEGMENTAL ANALYSIS continued

The reallocation of external management fee income into the respective provinces and the exclusion of internal management fees means that the Manco segment now reflects the unallocated cost of providing the various central services to the business including among others, sales, marketing, information technology, development, human resources and finance services. This segment also includes the net cost of the group's frequentGuest loyalty rewards programme. The segmental report no longer includes internal management fees as this is not reported to the CODM.

The CODM assesses the performance of the operating segments based on Ebitdar (earnings before interest, income tax, depreciation, amortisation, rent and related IFRS 16 rent adjustment, share-based payment expense and exceptional items). The measure excludes the effects of share-based payment expense and the effects of non-recurring expenditure. The measure also excludes all headline earning adjustments, impairments and fair value adjustments on non-current and current assets and liabilities. Finance income and finance costs are not included in the results for each operating segment, as this is driven by the group treasury function which manages the cash and debt position of the group.

The CODM considers the business from both a business type and geographical basis. The following are the five reportable segments identified and monitored by the CODM:

- **Manco** consists of the group's management company division which manages the hotels in South Africa.
- **Externally managed – Investment properties** consist of the rentals received by HPF from the four hotel properties leased to external third-party operators.
- **Sandton Consortium** consists of the group's hotels leased from Liberty 2 Degrees Limited (L2D) and their partners together with the management fee income earned from the Sandton Convention Centre.
- **Internally managed** consists of the South African hotel operations which are owned within the group and are managed and reported on based on the geographical area in which the hotel is located.
- **Offshore** consists of the group's non-South African hotels division which owns, operates and manages hotels in other African countries, the Middle East, and the Seychelles.

				Material items included in Ebitdar				
	Revenue[2] Rm	Ebitdar[3] Rm	Ebitdar margin %	Employee costs[9] Rm	Food and beverage costs and operating equipment usage Rm	Property costs – rates, water and electricity Rm	Repairs and maintenance expenditure on property, plant and equipment Rm	Rooms departmental expenses[7] Rm
Year ended 31 March 2023								
Continuing operations								
Externally managed – Investment properties[4]	153	149	97	–	–	(3)	–	–
Sandton Consortium	521	147	28	(112)	(65)	(50)	(14)	(57)
Internally managed	3 971	1 131	28	(844)	(371)	(433)	(121)	(423)
Western Cape	1 453	512	35	(280)	(121)	(119)	(35)	(152)
KwaZulu-Natal	961	281	29	(211)	(105)	(99)	(26)	(95)
Gauteng	995	177	18	(232)	(96)	(151)	(39)	(119)
Other	562	161	29	(121)	(49)	(64)	(21)	(57)
Offshore[5]	378	76	20	(122)	(53)	(21)	(18)	(29)
Manco costs	363	(94)	*	(249)	–	(5)	–	7
Manco[5,6,7,9]	(36)	(94)	*	(249)	–	(5)	–	7
Separation payment	399	–	–	–	–	–	–	–
Total	5 386	1 409	26	(1 327)	(489)	(512)	(153)	(502)
Discontinued operations								
Offshore	94	27	29	(18)	(13)	(9)	(6)	(3)
Group, including discontinued operations	5 480	1 436	26	(1 345)	(502)	(521)	(159)	(505)

6. SEGMENTAL ANALYSIS continued

				Material items included in Ebitdar					
	Revenue[1,2] Rm	Ebitdar[1,3] Rm	Ebitdar margin[1] %	Employee costs[1,9] Rm	Food and beverage costs and operating equipment usage[1] Rm	Property costs – rates, water and electricity[1,8] Rm	Repairs and maintenance expenditure on property, plant and equipment[1] Rm	Rooms departmental expenses[1,7] Rm	Insurance proceeds received[1] Rm
Year ended 31 March 2022[1]									
Continuing operations									
Externally managed – Investment properties[4]	58	58	100	–	–	–	–	–	–
Sandton Consortium	215	1	–	(59)	(36)	(32)	(7)	(26)	–
Internally managed	2 129	397	19	(487)	(211)	(331)	(75)	(256)	–
Western Cape	569	62	11	(151)	(59)	(87)	(19)	(74)	–
KwaZulu-Natal	710	213	30	(137)	(75)	(90)	(20)	(72)	–
Gauteng	447	(5)	*	(121)	(42)	(107)	(22)	(67)	–
Other	403	127	32	(78)	(35)	(47)	(14)	(43)	–
Offshore[5]	214	21	10	(80)	(33)	(15)	(15)	(16)	–
Manco costs	(12)	82	*	(190)	–	20	–	3	179
Manco[5,6,7,8,9]	(12)	(97)	*	(190)	–	20	–	3	–
Business interruption insurance[5]	–	179	–	–	–	–	–	–	179
Total	2 604	559	21	(816)	(280)	(358)	(97)	(295)	179
Discontinued operations									
Offshore	104	31	30	(20)	(15)	(12)	(6)	(3)	–
Group, including discontinued operations	2 708	590	22	(836)	(295)	(370)	(103)	(298)	179

[1] *Restated for discontinued operations and the change to the disclosure of segmental reporting – refer to note 42 for the discontinued operations.*
[2] *All revenue and income from hotel operations are derived from external customers. No one customer contributes more than 10% to the group's total revenue.*
[3] *Refer to the reconciliation of operating profit to Ebitdar on page 117.*
[4] *Trading relating to Garden Court Victoria Junction was included in the externally managed – Investment property segment up to September 2021, whereafter it moved to owner-occupied property, plant and equipment and was included in the Western Cape (2022: total rental income from the hotel was R6 million).*
[5] *Ebitdar for the year ended 31 March 2022 includes the business interruption cover settled by Tsogosure Insurance Company Limited amounting to R27 million relating to the combined policy with TSG and R150 million paid to Hospitality (an accrual of R10 million was raised for claims by third-party operators as well as R2 million relating to other insurance claims). In addition, R2 million in insurance claims was settled with Paradise Sun for business interruption and material damages caused by tidal waves in October 2019.*
[6] *This segment includes the net cost of the group's frequentGuest loyalty rewards programme which is managed by Manco and consequently includes the forfeitures and any other adjustments, while the redemptions are allocated to the specific segments.*
[7] *Rooms departmental expenses for this segment consist of the recoveries charged to the relevant segments relating to the cost of the central reservation offices.*
[8] *Includes provision release relating to property cost amounting to R27 million.*
[9] *Total employee cost does not agree to note 10 as the share-based payment expense of R18 million (2022: R10 million) is not considered as part of Ebitdar – refer to note 5.*
* *Percentage change greater than 100% or negative.*

7. REVENUE FROM CONTRACTS WITH CUSTOMERS

The group derives revenue over time, with the exception of food and beverage revenue which is recognised at a point in time, together with its hotel customer reward programmes in terms of which revenue is recognised as the rewards are redeemed or they expire. The group has no contract assets. The table below presents revenue by segment, which excludes other income as these are accounted for under different accounting policies, which are included in the segmental analysis in note 6. Disaggregation of revenue from contracts with customers for the period under review is presented below:

	Rooms revenue recognised over time		Food and beverage recognised at a point in time		Other revenue recognised over time[3]		Revenue from external customers	
	2023 Rm	2022 Restated[1] Rm	**2023 Rm**	2022 Restated[1] Rm	**2023 Rm**	2022 Restated[1] Rm	**2023 Rm**	2022 Restated[1] Rm
Continuing operations								
Sandton Consortium	**321**	120	**178**	85	**18**	7	**517**	212
Internally managed	**2 692**	1 329	**985**	544	**219**	219	**3 896**	2 092
Western Cape	**1 042**	346	**317**	138	**83**	79	**1 442**	563
KwaZulu-Natal	**599**	434	**272**	196	**55**	56	**926**	686
Gauteng	**646**	260	**269**	119	**63**	61	**978**	440
Other	**405**	289	**127**	91	**18**	23	**550**	403
Manco	**–**	–	**–**	–	**405**	–	**405**	–
Offshore	**242**	128	**109**	66	**25**	16	**376**	210
	3 255	1 577	**1 272**	695	**667**	242	**5 194**	2 514
Discontinued operations								
Offshore	**59**	64	**32**	36	**3**	4	**94**	104
Total	**3 314**	1 641	**1 304**	731	**670**	246	**5 288**	2 618

Reconciliation to segmental analysis in note 6:		
Continuing operations	**5 386**	2 604
Revenue from contracts with customers per above	**5 194**	2 514
Property rental income	**192**	90
Discontinued operations – Revenue from contracts with customers per above	**94**	104
Total income per segmental analysis	**5 480**	2 708

	2023 Rm	2022 Restated[1] Rm
Other revenue is made up as follows:		
Management fees revenue	**84**	62
Parking revenue	**14**	10
Venue hire revenue	**60**	17
Packaged food	**23**	–
Non-arrival charges	**10**	2
Other sundry revenue	**77**	88
Separation payment[3]	**399**	–
Contractual Covid-19-related revenue[2]	**–**	63
Other revenue from continuing operations	**667**	242

[1] *Restated for discontinued operations – refer to note 42.*
[2] *Comprises Covid-19 contracted business including hotels providing accommodation for sporting events through bio-bubbles.*
[3] *All other revenue is recognised over time except for the Separation payment of R399 million that is included in the Manco segment. Refer to note 39 for details of the Separation payment.*

	2023 Rm	2022 Rm
8. PROPERTY AND EQUIPMENT RENTALS		
Under IFRS 16 *Leases*		
Short-term leases	**26**	13
Properties	**6**	1
Plant, vehicles and equipment	**20**	12
Variable lease payments not included in lease liabilities	**128**	3
Properties	**128**	3
Total property and equipment rentals	**154**	16

	2023 Rm	2022 Restated[1] Rm
9. AMORTISATION AND DEPRECIATION		
Amortisation of intangible assets (note 19)	**5**	7
Depreciation of property, plant and equipment (note 15)	**267**	284
Depreciation of right-of-use assets (note 16)	**79**	74
Total amortisation and depreciation	**351**	365
Less: Amortisation and depreciation from discontinued operations	**(5)**	(8)
Amortisation and depreciation from continuing operations	**346**	357

[1] *Restated for discontinued operations – refer to note 42.*

	2023 Rm	2022 Restated[1] Rm
10. EMPLOYEE COSTS		
Employee costs (including executive director's remuneration):		
Salaries and wages	**1 277**	829
Pension – defined contribution plans	**68**	7
IFRS 2 *Share-based Payment* – equity-settled (note 33)	**18**	10
Total employee costs	**1 363**	846
Less: Employee costs from discontinued operations	**(18)**	(20)
Employee costs from continuing operations	**1 345**	826

[1] *Restated for discontinued operations – refer to note 42.*

	2023 Rm	2022 Restated[1] Rm
11. OTHER OPERATING EXPENSES		
Auditors' remuneration	**20**	20
Audit fees – current year	**19**	20
Tax services	**1**	–
Advertising, marketing and promotional costs	**123**	59
External consultants	**10**	12
Food and beverage costs and operating equipment usage (note 23)	**502**	295
Impairment charge for bad and doubtful debts, net of reversals (note 24)	**8**	20
Information technology-related costs	**98**	85
Net foreign exchange loss	**5**	10
Property costs – rates, water and electricity	**521**	370
Repairs and maintenance expenditure on property, plant and equipment	**159**	103
Rooms departmental expenses	**505**	298
Guest supplies	**59**	55
Guest entertainment	**39**	27
Laundry	**68**	40
Housekeeping	**84**	53
Cleaning	**23**	18
Other	**232**	105
Security and surveillance costs	**79**	57
Other operating expenses	**134**	69
Loss on disposal of property, plant and equipment	**5**	1
Bank charges and credit card commission	**55**	29
Insurance	**44**	30
Commission	**17**	3
Restructuring costs	**4**	4
Transaction costs	**7**	–
Impairment of trademarks (note 19)	**6**	–
Total other operating expenses	**2 302**	1 465
Less: Other operating costs from discontinued operations	**(49)**	(53)
Other operating costs from continuing operations	**2 253**	1 412

[1] *Restated for discontinued operations – refer to note 42.*

	2023 Rm	2022 Rm
12. FINANCE INCOME		
Interest received from banks	**26**	12
Finance income – other	**3**	3
Total finance income	**29**	15

	2023 Rm	2022 Restated[1] Rm
13. FINANCE COSTS		
Finance costs in respect of interest-bearing debt	**210**	242
Finance costs in respect of lease liabilities (note 29)	**132**	128
Cash flow hedges reclassified to profit or loss	**(28)**	–
Finance costs – other	**29**	3
Total finance costs	**343**	373
Less: Finance costs from discontinued operations	**(8)**	(7)
Finance costs from continuing operations	**335**	366

[1] *Restated for discontinued operations – refer to note 42.*

	2023 Rm	2022 Restated[1] Rm
14. INCOME TAX		
Current tax – current year charge	**129**	10
Current tax – over provision prior year	**1**	(2)
Deferred tax – current year (credit) (note 22)	**153**	(10)
Deferred tax – over provision prior year (note 22)	**(16)**	(6)
Withholding taxes	**3**	–
	270	(8)
Income tax expense/(credit) is attributable to:		
– Continuing operations	**270**	(2)
– Discontinued operations	**–**	(6)
	270	(8)
Other comprehensive income		
Tax credit relating to components of other comprehensive income on items that may be reclassified subsequently to profit or loss:	**5**	16
Cash flow hedges	**5**	16
Total income tax relating to components of other comprehensive income	**5**	16

[1] *Restated for discontinued operations – refer to note 42.*

	2023 Rm	2023 %	2022 Restated[1] Rm	2022 Restated[1] %
Income tax rate reconciliation				
Profit/(loss) before income tax and share of profit of associates	**1 259**		(190)	
Profit/(loss) before income tax and share of profit of associates from continuing operations	**986**		(112)	
Profit/(loss) before income tax and share of profit of associates from discontinued operations	**273**		(78)	
Income tax thereon at 27% (2022: 28%)	**340**	**27.0**	(53)	28.0
Continuing operations				
Exempt income/credits:				
Capital gains tax	**86**	**6.8**	–	–
Capital receipts – Separation payment	**(108)**	**(8.6)**	–	–
Expenses/debits not deductible for tax purposes:				
Amortisation and depreciation	**41**	**3.3**	13	(6.8)
Foreign tax rate differential	**(11)**	**(0.9)**	20	(10.5)
Impairment on intangible assets	**1**	**0.1**	–	–
Other non-deductible items	**6**	**0.5**	2	(1.1)
Prior year credits (net)	**(14)**	**(1.1)**	(8)	4.2
Withholding taxes	**3**	**0.2**	–	–
Discontinued operations				
Exempt income/credits:				
Gain on disposal of subsidiary	**(70)**	**(5.6)**	–	–
Expenses/debits not deductible for tax purposes:				
Foreign tax rate differential	**(3)**	**(0.2)**	13	(6.8)
Other non-deductible items	**(1)**	**(0.1)**	5	(2.6)
	270	**21.4**	(8)	4.2

[1] *Restated for discontinued operations – refer to note 42.*

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Rm	Leasehold improvements Rm	Properties under construction Rm	Plant and equipment Rm	Operating equipment Rm	Total Rm
Year ended 31 March 2023						
Opening net carrying amount	**7 399**	**344**	**–**	**919**	**216**	**8 878**
Additions	**152**	**–**	**–**	**87**	**34**	**273**
Disposal of subsidiary (note 42)	**(771)**	**–**	**–**	**(70)**	**(14)**	**(855)**
Disposals and operating equipment usage	**(5)**	**–**	**–**	**(1)**	**(18)**	**(24)**
Depreciation charge	**(51)**	**(25)**	**–**	**(191)**	**–**	**(267)**
Currency translation	**330**	**–**	**–**	**65**	**12**	**407**
Closing net carrying amount	**7 054**	**319**	**–**	**809**	**230**	**8 412**
At 31 March 2023						
Cost	**9 053**	**638**	**–**	**2 650**	**230**	**12 571**
Accumulated depreciation	**(1 999)**	**(319)**	**–**	**(1 841)**	**–**	**(4 159)**
Net carrying amount	**7 054**	**319**	**–**	**809**	**230**	**8 412**
Year ended 31 March 2022						
Opening net carrying amount	7 485	369	–	1 028	224	9 106
Additions	22	–	1	11	6	40
Disposals and operating equipment usage	(1)	–	–	(2)	(12)	(15)
Depreciation charge	(143)	(25)	–	(116)	–	(284)
Impairments	(94)	–	–	–	–	(94)
Transfers from investment property[1]	169	–	–	4	–	173
Other transfers	–	–	(1)	1	–	–
Currency translation	(39)	–	–	(7)	(2)	(48)
Closing net carrying amount	7 399	344	–	919	216	8 878
At 31 March 2022						
Cost	9 340	666	–	2 679	216	12 901
Accumulated depreciation	(1 941)	(322)	–	(1 760)	–	(4 023)
Net carrying amount	7 399	344	–	919	216	8 878
At 31 March 2021						
Cost	9 337	666	–	2 758	224	12 985
Accumulated depreciation	(1 852)	(297)	–	(1 730)	–	(3 879)
Net carrying amount	7 485	369	–	1 028	224	9 106

[1] *The transfers from investment property to property, plant and equipment represent the transfer of the Garden Court Victoria Junction in the prior year.*

15. PROPERTY, PLANT AND EQUIPMENT continued

The group reassessed the useful lives of property, plant and equipment during the year. Changes in useful lives and residual values are not considered significant estimates and judgements as any changes in useful lives and residual values have historically been gradual and any adjustments made, where necessary, have not been significant. The group also reviewed the residual values of property, plant and equipment during the year and the impact resulted in a decrease in depreciation of R18 million (2022: R12 million). The residual values have been positively impacted by the higher fair values; refer to note 17.2.

Management has assessed the group's property, plant and equipment for impairment by reviewing the cash flow forecasts for the period FY24 to FY28, which we believe adequately reflects cash flows generated by the underlying hotels for the years ending March 2024 to March 2025 as the recovery in trading levels normalises; as well as various technical inputs including the 10Y bond yield of 9.8% (2022: 9.5%) as at 31 March 2023.

The impairment test was performed by reviewing the cash flow forecasts for the period FY24 to FY28. The cash flow forecasts for the South African and offshore properties were prepared on the basis set out in note 17.2. The recoverable amount has been determined as the higher of value in use and the fair value less costs to sell using a discounted cash flow model (DCF). The discount rate utilised in the valuation ranges between 12.5% and 14.5% (2022: 13.0% and 14.5%) for the South African hotels and ranges between 10.1% and 14.2% (2022: 7.2% and 14.8%) for the offshore properties. The increase in the discount rate for the offshore properties is mainly driven by the increase in the in-country risk premium. The terminal growth rate applied for the offshore properties is 2.6% (2022: 2.5%) and 5.6% (2022: 4.0%) for the South African properties.

Based on these factors, management is of the view that the carrying values of goodwill and property, plant and equipment are fairly stated at 31 March 2023 and no further impairments or reversals of impairments are required.

The carrying value of land, buildings, plant and equipment of the following hotel property was impaired during the prior year:

	2023 Rm	2022 Rm
Discontinued operations		
Southern Sun Ikoyi[1]	**–**	94
Total	**–**	94

[1] *The impairment of Southern Sun Ikoyi in the prior year was driven by the reduced net cash flows due to lockdown restrictions and the continued depreciation of the Naira against the US Dollar.*

15.1 Sensitivities

The table below indicates the sensitivities of the aggregate recoverable amounts of property, plant and equipment for the following changes to assumptions and would have the inverse effect on the aggregate impairments recognised for the cash flow and terminal growth rate assumptions:

	2023		2022	
	Increase Rm	**Decrease Rm**	Increase Rm	Decrease Rm
5% change in the net cash flows	**174**	**(173)**	130	(130)
25bps change in the terminal growth rate	**70**	**(66)**	38	(36)
50bps change in the discount rate	**(95)**	**100**	(125)	136

The inputs used to calculate the recoverable amounts are sensitive to change and any negative movements would result in impairments and any positive movements may result in reversals of impairments. The values disclosed in the sensitivities table above would approximate the potential impairment or reversal of impairments. The sensitivities were calculated by including the aggregate recoverable amounts of the property, plant and equipment of Southern African properties: Garden Court Eastgate, Southern Sun Hydepark, Southern Sun Rosebank, Southern Sun Sandton, The Edward, Garden Court uMhlanga, Southern Sun The Marine, The Westin and offshore properties: Southern Sun Ikoyi, Southern Sun Dar-es-Salaam and Southern Sun Ridgeway.

15. PROPERTY, PLANT AND EQUIPMENT continued

15.2 Where the group is the lessor

The group rents out retail space within hotel properties.

Property rentals (included in other income) amounted to R6 million (2022: R1 million) during the year.

	2023 Rm	2022 Rm
Rental income from property leases under IFRS 16	**6**	1
Fixed	**6**	1
Rental income (included in *Revenue* note 7)	**6**	1

16. RIGHT-OF-USE ASSETS

Lease rental contracts include hotel property leases typically for fixed periods of 20 years to 30 years, but may have extension options. Management assessed the individual right-of-use of assets for impairment indicators at 31 March 2023 and none were noted. For 31 March 2022 the recoverable amounts were determined on value-in-use calculations using a DCF model. These calculations use pre-tax cash flow projections based on financial budgets and forecasts approved by the board of directors. These cash flows were determined in a similar manner to the cash flows utilised in the assessment of the impairment of property, plant and equipment (refer to note 15) and the fair value of investment properties (refer to note 17). Based on these calculations, no impairments were required in the prior year.

	Buildings Rm	Total Rm
Year ended 31 March 2023		
Opening balance	**984**	**984**
Depreciation	**(79)**	**(79)**
Modification	**9**	**9**
Additions (note 29)	**100**	**100**
Closing net carrying amount	**1 014**	**1 014**
At 31 March 2023		
Cost	**1 303**	**1 303**
Accumulated depreciation	**(289)**	**(289)**
Net carrying amount	**1 014**	**1 014**
Year ended 31 March 2022		
Opening balance	1 045	1 045
Depreciation	(74)	(74)
Modification	14	14
Currency translation	(1)	(1)
Closing net carrying amount	984	984
At 31 March 2022		
Cost	1 194	1 194
Accumulated depreciation	(210)	(210)
Net carrying amount	984	984

	2023 Rm	2022 Rm
17. INVESTMENT PROPERTIES		
Opening net carrying amount	**1 450**	1 561
Acquisition and development of investment properties	**31**	7
Transfer to owner-occupied property, plant and equipment[1]	**–**	(173)
Fair value adjustments recognised in profit or loss – continuing operations	**4**	55
Closing net carrying amount	**1 485**	1 450

[1] *The transfers from investment property to property, plant and equipment in the prior year relate to the Garden Court Victoria Junction.*

17.1 Fair value measurement

The group's investment properties have been categorised as level 3 values based on the inputs to the valuation technique used. The group has elected to measure investment properties at fair value. The fair value is determined using the discounted cash flow method by discounting the rental income (based on expected net cash flows of the underlying hotels) after considering capital expenditure requirements. The expected cash flows are discounted using an appropriate discount rate. The core discount rate is calculated using the South African bond yield 10Y at the time of valuation, to which premiums are added for market risk and equity and debt costs. The discount rate factors in a risk premium associated with the local economy as well as those specific to the local property market and the hotel industry. At 31 March 2023, the group's investment properties were independently valued by professionally qualified valuers having recent experience in the location and category of the group's investment properties being valued. The valuation is currently performed on an annual basis on the entire portfolio of investment properties by an independent valuator.

17.2 Basis of preparation of cash flow forecasts (property, plant and equipment, investment property and goodwill)

Based on the out-performance of actual FY23 results versus FY23 group forecasts, management has adopted a more optimistic view of the recovery in trading levels and an overarching assumption has been made that the group will return to long-term average occupancy levels excluding the impact of Covid-19. The forecast period in which each individual hotel returns to its long-term average occupancy has been individually considered based on its specific regional and market dynamics. In order to ensure the cost efficiencies achieved in the operational restructuring flowed through to the cash flow forecasts, each hotel prepared a detailed budget for FY24 assuming 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.

The overall assumption for the group was that FY20 occupancies should be reached in FY25 and increase from there as FY20 was impacted by Covid-19, particularly in March 2020. Occupancies for the group's owned hotel portfolio including offshore are assumed to increase from 57% in FY24 to 60% for FY25, increasing to 64% in FY27 and 65% in FY28, which is closer to the group's long-term occupancy levels before the impact of Covid-19. ARRs are assumed to increase by a compound annual revenue growth rate (CAGR) of 5.6% between FY24 and FY28. Based on a review of the revenue and Ebitdar levels of each hotel, management is comfortable that the individual hotel trading assumptions are reasonable. Operating expenses were escalated by CPI except for utilities, which escalates by an average of 10.6%, between FY24 and FY28. Payroll costs were escalated by CPI +1.5%. No expansion capex has been forecast and maintenance capex has been reviewed by unit and prioritised to ensure that the properties are well- maintained and in good condition.

17.3 Valuation inputs – investment properties

The risk-free rate applied increased to 9.8% at 31 March 2023 when compared to the prior year (31 March 2022: 9.5%). The independent valuer has again taken a conservative view on the discount rate and terminal capitalisation rates, supported by management, which has resulted in higher discount rates being maintained in the current year, in line with rates used in the prior year. As a consequence of the various inputs applied for individual hotels, fair values of certain properties increased while others decreased, but the aggregate fair value of the total portfolio increased by 2%.

As at 31 March 2023, the significant unobservable inputs were as follows:

- A weighted average rental growth rate of 10.0%* (2022: 32.0%**);
- A terminal capitalisation rate of 9.0% – 11.0% (2022: 9.0% – 12.0%); and
- A risk-adjusted discount rate of 12.5% – 14.5% (2022: 13.0% – 14.5%).

* *The weighted average Ebitdar growth calculated at 10.0% in FY23 is as a result of the continued recovery in FY24 and reaching FY20 (pre-Covid-19) levels by FY25. From year three (FY26), most of the Ebitdar growth rates are in line with the long-term growth rate of 5%.*

** *The weighted average Ebitdar growth calculated at 32.0% in FY22 is as a result of the initial recovery in Ebitdar from Covid-19 levels during FY23 and FY24. The recovery in Ebitdar is assumed to stabilise in FY24 and reach FY20 (pre-Covid-19) levels by FY25. From year four (FY26), most of the Ebitdar growth rates are in line with the long-term growth rate of 5%.*

17. INVESTMENT PROPERTIES continued

17.4 Sensitivities

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

	2023		2022	
	Increase Rm	**Decrease Rm**	Increase Rm	Decrease Rm
5% change in the net cash flows	**68**	**(68)**	73	(73)
25bps change in the terminal capitalisation rate	**(22)**	**23**	(14)	14
50bps change in the discount rate	**(25)**	**26**	(40)	42

The investment properties are hotels leased to tenants under operating leases with rentals payable monthly. Rental income is based on fixed, fixed and variable and variable lease agreements concluded with tenants. The majority of the leases are fixed and variable with the fixed rental amounts resetting after a number of years.

Amounts recognised in profit or loss for investment properties:

	2023 Rm	2022 Rm
Rental income from investment property operating leases under IFRS 16:	**153**	89
Fixed	**8**	36
Variable	**145**	53
Rental income (included in *Revenue* note 7)	**153**	89
Direct operating expensed from property that generated rental income (note 7)	–	–

At the balance sheet date, the group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases for investment property. The rentals below relate only to fixed rentals and do not include any variable rentals:

	2023 Rm	2022 Rm
Not later than one year	**9**	33
Between one and two years	**9**	–
Between two and three years	**9**	–
Between three and four years	**9**	–
Between four and five years	**9**	–
Later than five years	**–**	–
	45	33

During the year Champagne Sports Resort has exercised the option to extend the hotel lease agreement for a further five years, with the lease terminating on 31 March 2028.

	2023 Rm	2022 Rm
18. GOODWILL		
At 31 March	**354**	354

18.1 Impairment test for goodwill

Goodwill is allocated and monitored based on the group's CGUs which are the individual hotels. These hotels have been grouped according to reportable segment level. A summary of the goodwill allocation is as follows:

	2023 Rm	2022 Rm
Internally managed	**347**	347
SUN1 hotels[1]	**254**	254
Cullinan hotels[2, 3]	**11**	11
Southern Sun Hotel Interests Proprietary Limited[2]	**82**	82
Offshore	**7**	7
At 31 March	**354**	354

[1] *Included in Western Cape, KwaZulu-Natal, Gauteng and Other segments.*
[2] *Included in Western Cape, KwaZulu-Natal and Gauteng segments.*
[3] *The Cullinan Hotels includes the following hotels: Southern Sun The Cullinan, Southern Sun Katherine Street, Garden Court Morningside, Southern Sun Waterfront, Garden Court Eastgate, StayEasy Eastgate, Garden Court Hatfield, Garden Court Kings Beach, Garden Court Umhlanga and StayEasy Pietermaritzburg.*

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets and forecasts approved by the board of directors. These cash flows were determined in a similar manner to the cash flows utilised in the assessment of the impairment of property, plant and equipment (refer to note 15) and the fair value of investment properties (refer to note 17).

The key assumptions used for value-in-use calculations are as follows:

- Ebitdar margin – management determined budgeted gross Ebitdar margin based on past performance and its expectations of market developments;
- Long-term growth rate – cash flows beyond the first five-year period are extrapolated using estimated long-term 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 the discount rate of the respective CGUs. Discount rates are calculated using a bond risk-free rate and an equity premium adjusted for specific risks relating to the relevant operating segments.

The following assumptions have been used for the analysis of the CGUs within the operating segments:

	2023			2022		
	Ebitdar margin %	**Long-term growth rate %**	**Discount rate pre-tax %**	Ebitdar margin %	Long-term growth rate %	Discount rate pre-tax %
Internally managed[1]	**35.9 – 44.8**	**5.6**	**12.5**	32.7 – 37.8	4.0	13.0

[1] *Internally managed assumptions were applied to SUN1 hotels, Cullinan hotels and Southern Sun Hotel Interests Proprietary Limited. The Ebitdar margins are as follows: SUN1 hotels 44.8% (2022: 35.5%), Cullinan hotels 40.7% (2022: 37.8%) and Southern Sun Hotel Interests Proprietary Limited 35.9% (2022: 32.7%).*

18. GOODWILL continued

18.1 Impairment test for goodwill continued

The group's impairment reviews are sensitive to changes in the key assumptions described above. Based on the group's sensitivity analysis, a reasonable change in a single assumption will not cause a material impairment loss in any of the group's CGUs as the group's CGUs have significant headroom available between the calculated values in use and the carrying amount of the CGU (including the goodwill) shown on the previous page.

The following changes to the assumptions will lead to a recognition of an impairment of goodwill:

	SUN1 hotels pp	Cullinan hotels pp	Southern Sun Hotel Interests Proprietary Limited pp
Increase in the discount rate	**8.5**	**>100.0**	**>100.0**
Decrease in the growth rate	**12.7**	**>100.0**	**>100.0**
Decrease in Ebitdar margin	**50.0**	**52.7**	**51.1**

19. OTHER INTANGIBLE ASSETS

	Computer software Rm	Other Rm	Total Rm
Year ended 31 March 2023			
Opening net carrying amount	**13**	**35**	**48**
Additions	**2**	**–**	**2**
Amortisation charge	**(3)**	**(2)**	**(5)**
Impairment[1]	**–**	**(6)**	**(6)**
Currency translation	**(1)**	**–**	**(1)**
Closing net carrying amount	**11**	**27**	**38**
At 31 March 2023			
Cost	**64**	**39**	**103**
Accumulated amortisation	**(53)**	**(12)**	**(65)**
Net carrying amount	**11**	**27**	**38**
Year ended 31 March 2022			
Opening net carrying amount	17	37	54
Additions	1	–	1
Amortisation charge – continuing operations	(5)	(2)	(7)
Closing net carrying amount	13	35	48
At 31 March 2022			
Cost	66	55	121
Accumulated amortisation	(53)	(20)	(73)
Net carrying amount	13	35	48
At 31 March 2021			
Cost	65	55	120
Accumulated amortisation	(48)	(18)	(66)
Net carrying amount	17	37	54

[1] *Due to the TSG transaction, the group no longer operates a hotel under the HI Hotel brand and therefore the trademark net of accumulated amortisation was impaired during the year. The impairment is included in the Manco segment.*

Other intangible assets include management contracts with a book value of R17 million (2022: R17 million) and trademarks with a book value of R10 million (2022: R18 million). There were no significant changes made to useful lives or residual values of other intangible assets during the current year or in prior years. An impairment assessment was performed on other intangible assets and no impairment indicators were noted.

20. INVESTMENTS IN ASSOCIATES

The group has the following interests in its material associates:

Unlisted

- 25.9% (2022: 25.9%) in IHL Holdco Limited (IHL Holdco), incorporated in the British Virgin Islands. IHL Holdco will pursue hotel acquisition opportunities in the United Kingdom and Europe with the hotels to be managed by RBH Hotel Group Limited. The company has a 31 December year end; however, trading results for the 12 months ended 31 March are included in the consolidated financial results.
- 26.4% (2022: 26.4%) in RBH Hotel Group Limited (RBH), a leading independent hotel management company incorporated in the United Kingdom. This associate provides the group with access to additional management expertise, exposure to new markets and prior to Covid-19, an attractive dividend yield. The company has a 31 August year end; however, trading results for the 12 months ended 31 March are included in the consolidated financial results.

	2023 Rm	2022 Rm
At 1 April	**325**	305
Share of profit after tax and other interests of associates	**25**	26
Dividends received	**(3)**	(5)
Currency translation and other moves	**27**	(1)
At 31 March	**374**	325
Made up as follows:		
Unlisted	**374**	325
At 31 March	**374**	325

Summarised financial information for associates, which the directors consider to be material to the group, on a 100%-ownership basis after adjustments to comply with the group's accounting policies, is as follows:

	RBH Hotel Group		**IHL Holdco**	
	2023 Rm	2022 Rm	**2023 Rm**	2022 Rm
Summarised balance sheets				
Total non-current assets	**17**	24	**2 736**	2 367
Total current assets	**367**	237	**103**	94
Total assets	**384**	261	**2 839**	2 461
Total non-current liabilities	**–**	–	**1 577**	1 324
Total current liabilities	**295**	238	**193**	274
Total liabilities	**295**	238	**1 770**	1 598
Net assets	**89**	23	**1 069**	863
Summarised statement of comprehensive income				
Revenue	**1 635**	630	**196**	40
Profit from operations	**55**	55	**42**	43
Profit for the year and total comprehensive income	**55**	55	**42**	43

20. INVESTMENTS IN ASSOCIATES continued

A reconciliation of the summarised financial information to the carrying amount of the group's interests in its associates is as follows:

	RBH Hotel Group		IHL Holdco	
	2023 Rm	2022 Rm	**2023 Rm**	2022 Rm
Opening net assets attributable to owners	**3**	(120)	**864**	884
Profit for the year	**55**	55	**42**	43
Foreign currency translation reserve	**31**	88	**163**	(63)
Total comprehensive income	**89**	23	**1 069**	864
Dividends paid	**(13)**	(20)	**–**	–
Closing net assets attributable to owners	**76**	3	**1 069**	864
Interest in associate (%)	**26.4**	26.4	**25.9**	25.9
Interest in associate	**20**	1	**277**	224
Intangible assets	**71**	71	**–**	–
Goodwill	**25**	25	**31**	31
Translation	**27**	24	**(77)**	(51)
Carrying value of investments in associates	**143**	121	**231**	204

The group has no further contingent liabilities or commitments in relation to the associates.

21. NON-CURRENT RECEIVABLES

	2023 Rm	2022 Rm
Financial assets measured at amortised cost		
Other loans	**13**	13
Loan to JIA Piazzapark Proprietary Limited	**1**	1
	14	14
Non-current receivables are denominated in the following currency		
SA Rand	**14**	14
	14	14

Non-current receivables do not contain significant credit risk and there are no significant receivables past due that have been impaired. The group does not consider non-current receivables material and no further disclosure is provided in this regard.

22. DEFERRED INCOME TAX

	2023 Rm	2022 Rm
The gross movement on the deferred tax account is as follows:		
Net deferred tax asset at 1 April	**(36)**	(41)
Income statement charge (note 14)	**158**	6
Derecognition on disposal of subsidiary (note 42)	**51**	–
Prior year adjustment	**(16)**	(6)
Currency translation	**(11)**	5
Net deferred tax liability/(asset) at 31 March	**146**	(36)

22. DEFERRED INCOME TAX continued

The movement in deferred tax assets and liabilities during the year, without taking into account the offsetting of balances of entities within the group, is as follows:

	Accelerated tax allowances Rm	Other assets[1] Rm	Provisions and accruals Rm	Deferred revenue Rm	Tax losses Rm	Total Rm
Deferred tax liabilities						
Balance at 1 April 2021	807	(110)	(232)	(5)	(204)	256
Income statement expense/(credit)	(43)	13	84	–	(37)	17
Prior year adjustment	(6)	–	–	–	–	(6)
Rate adjustment due to 1% decrease in company income tax rate	(14)	(6)	–	–	10	(10)
Currency translation	5	–	–	–	–	5
Balance at 31 March 2022	**749**	**(103)**	**(148)**	**(5)**	**(231)**	**262**
Income statement expense/(credit)	**117**	**11**	**(3)**	**–**	**65**	**190**
Prior year adjustment	**–**	**–**	**–**	**–**	**(1)**	**(1)**
Currency translation	**7**	**–**	**–**	**–**	**–**	**7**
Deferred tax liability at 31 March 2023	**873**	**(92)**	**(151)**	**(5)**	**(167)**	**458**
Deferred tax assets						
Balance at 1 April 2021	(72)	(58)	7	(2)	(172)	(297)
Rate adjustment due to 1% decrease in company income tax rate	(5)	7	4	–	4	10
Income statement (credit)/expense	(16)	(23)	(5)	(1)	34	(11)
Balance at 31 March 2022	**(93)**	**(74)**	**6**	**(3)**	**(134)**	**(298)**
Income statement (credit)/expense	**(75)**	**(1)**	**(76)**	**(4)**	**124**	**(32)**
Prior year adjustment	**(12)**	**1**	**(1)**	**3**	**(6)**	**(15)**
Currency translation	**–**	**–**	**(16)**	**–**	**(2)**	**(18)**
Disposal of subsidiary	**30**	**–**	**17**	**–**	**4**	**51**
Deferred tax asset at 31 March 2023	**(150)**	**(74)**	**(70)**	**(4)**	**(14)**	**(312)**
Total net deferred tax liability/(asset)	**723**	**(166)**	**(221)**	**(9)**	**(181)**	**146**

[1] *Includes investment property and prepaid expenditure.*

Deferred tax assets of R312 million have been recognised for tax losses carried forward and other temporary differences. These relate to certain subsidiaries within the group and the asset has been recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. An assessment of future taxable profits has been performed at a relevant subsidiary level based on budgets and cash flow forecasts that take into account the recovery in trading following the impact of Covid-19 on various operations. For further details on the basis of preparation of these cash flow forecasts, refer to note 17.2.

23. INVENTORIES

	2023 Rm	2022 Rm
Food and beverage	**32**	25
Operating equipment	**5**	5
Consumable stores	**38**	39
	75	69
Inventory costs recognised in Other operating expenses (note 11):		
Cost of food and beverage and consumable stores	**487**	283
Cost of operating equipment	**18**	12

	2023 Rm	2022 Rm
24. TRADE AND OTHER RECEIVABLES		
Financial instruments		
Financial assets measured at amortised cost		
Trade receivables – net	**258**	218
Trade receivables – gross	**308**	268
Trade receivables – loss allowance	**(50)**	(50)
Deposits	**91**	79
IHL Holdco loan	**44**	65
Tenant loan	**–**	3
Other receivables	**60**	37
	453	402
Non-financial instruments		
Prepayments	**51**	51
VAT receivable	**–**	17
	51	68
Total trade and other receivables	**504**	470

24.1 Trade receivables

Trade receivables comprise a widespread customer base mostly in respect of the hotel, banqueting and conferencing facilities provided in the ordinary course of business at the group's properties. Credit sales mostly have negotiated credit terms of 30 days and are therefore all classified as current. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable as shown above. The group does not hold any collateral as security. The carrying value less impairment provision of trade and other receivables is assumed to approximate fair value due to the short-term nature of trade and other receivables.

The group performs ongoing credit evaluations of the financial condition of its customers for both new credit applications and existing customers with credit facilities. These reviews include evaluating previous relationships the customer has had with the group, taking into account the length of time and amount of business. New customers are given credit only after meeting strict minimum requirements. The utilisation of credit limits is regularly monitored by reviewing the ageing analysis of these debtors on an ongoing basis. At 31 March 2023, no single customer was in debt in excess of 10% of the total trade receivables balance.

Credit limits exceeded during the year under review were closely monitored, and management does not expect any losses from non-performance by these counterparties that have not been provided for.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

24.2 Debtor loss allowance calculated under the provision matrix

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 March 2023 and the corresponding historical credit losses experienced over the period. The 12-month period used to assess the payment profiles is mainly due to the volatility of the current economic environment which is prone to more significant changes over the short term.

The historical loss rates are adjusted to reflect current and publicly available forward-looking information on macroeconomic factors affecting the ability of the customer to settle the receivables. A counterparty will be considered to be in default and any outstanding balance that is deemed to be unrecoverable will be fully provided for where:

- The counterparty has breached approved credit limits, and recovery is uncertain due to no alternative repayment plan being agreed; and/or
- Based on qualitative public information available, management has assessed the counterparty as being in financial distress; and/or
- The counterparty has been placed under business rescue.

Certain customer accounts (including Hospitality debtors) and large travel management companies (TMCs) have been separately identified and risk-weighted based on their relative susceptibility to the following factors:

- Vulnerability of state-owned enterprises at present in South Africa;
- Ongoing energy crisis facing South Africa;
- GDP in South Africa; and
- The diminishing impact of Covid-19.

24. TRADE AND OTHER RECEIVABLES continued

24.2 Debtor loss allowance calculated under the provision matrix continued

Large TMCs operate against the backdrop of the above factors along with a burgeoning cost base, driven by increasing salary costs, increasing interest rates along with cash flow issues emanating from the slow payments from government departments and parastatals. This, combined with relatively low levels of commission earned, increases the level of risk associated with the TMC business model. These entities which comprise the largest proportion of the group's trade receivables, typically, have a very small or no asset base to recoup losses from in the event of business failure. Large TMCs have a carrying amount of R122 million (2022: R102 million) and the group has raised a provision of R20 million (2022: R16 million) relating to large TMCs' debtors. As reflected in the loss allowance table for large TMC and Hospitality debtors the loss allowance table below, the total expected loss rate has decreased from the prior year. This can be attributed to the continued recovery in the travel and tourism industry in South Africa as lockdown regulations eased and the severity of Covid-19 disease declined. Both of these factors contributed to a marked improvement in sentiment with guests becoming more confident to travel as the year progressed. Consequently, as the travel and tourism industry recovers from the impact of Covid-19, so does the recoverability of debtors balances due to the group from large TMC and Hospitality debtors.

Hospitality debtors have a carrying value of R28 million (2022: R42 million) and are considered to be lower risk as they are related to rental income which is mostly current. Rentals are due in advance and are current, 30 days or less. Historically, there have not been material impairments of Hospitality debtors; however, as a consequence of Covid-19, the group has raised a provision of R2 million (2022: R6 million) relating to Hospitality debtors. Customers comprise lessees paying rent to occupy hotel buildings.

On this basis, the loss allowance as at 31 March 2023 was determined as follows for trade receivables:

	Current-performing Rm	**30 to 60 days past due Rm**	**60 to 90 days past due Rm**	**More than 90 days past due Rm**	**Total Rm**
Large South African TMCs and Hospitality debtors:					
Expected loss rate (%)	**12.5**	**14.3**	**–**	**44.4**	**14.7**
Gross carrying amount	**104**	**35**	**2**	**9**	**150**
Loss allowance	**13**	**5**	**–**	**4**	**22**
Other remaining South African debtors[1] (excluding large TMCs and specifically identified debtors):					
Expected loss rate (%)	**9.7**	**9.1**	**33.3**	**40.0**	**11.5**
Gross carrying amount	**103**	**11**	**3**	**5**	**122**
Loss allowance	**10**	**1**	**1**	**2**	**14**

On this basis, the loss allowance as at 31 March 2022 was determined as follows for trade receivables:

	Current-performing Rm	30 to 60 days past due Rm	60 to 90 days past due Rm	More than 90 days past due Rm	Total Rm
Large South African TMCs and Hospitality debtors:					
Expected loss rate (%)	7.6	15.2	14.1	63.3	15.1
Gross carrying amount	94	32	4	14	144
Loss allowance	7	5	1	9	22
Other remaining South African debtors[1] (excluding large TMCs and specifically identified debtors):					
Expected loss rate (%)	2.8	44.7	3.6	89.5	22.3
Gross carrying amount	60	9	3	15	87
Loss allowance	1	4	–	14	19

[1] *Includes small TMCs, sporting bodies, government departments and corporate accounts.*

24. TRADE AND OTHER RECEIVABLES continued

24.3 Specific South African debtors

Specific debtors are long outstanding and generally have slower payment terms. These are considered to have a higher risk profile due to their customer base. Specific debtors that are placed under business rescue are fully impaired as there is no reasonable expectation of recovery even though enforcement activities to recover balances due continue. These are credit-impaired (stage 3).

	2023 Rm	2022 Rm
Gross carrying amount	**11**	4
Loss allowance in respect of specific trade debtors	**11**	4

Specific debtors provided for completely amounted to R11 million (2022: R4 million). During the year, specific debtors (stage 3) amounting to R3 million (2022: R8 million) were impaired as non-collectable.

24.4 Offshore debtors

The loss allowance has been established as follows:

	Current-performing Rm	**30 to 60 days past due Rm**	**60 to 90 days past due Rm**	**More than 90 days past due Rm**	**Total Rm**
Offshore debtors 31 March 2023:					
Expected loss rate (%)	**5.6**	**33.3**	**–**	**33.3**	**12.0**
Gross carrying amount	**18**	**3**	**1**	**3**	**25**
Loss allowance	**1**	**1**	**–**	**1**	**3**
Offshore debtors 31 March 2022:					
Expected loss rate (%)	3.5	0.1	0.2	88.0	14.4
Gross carrying amount	27	1	1	4	33
Loss allowance	2	–	–	3	5

The closing loss allowance for trade receivables as at 31 March reconciled to the opening loss allowance is as follows:

	2023 Rm	2022 Rm
At 1 April	**50**	44
Provision for receivables impairment	**8**	19
Impaired as non-collectable	**(4)**	(13)
Disposal of subsidiary (note 42)	**(4)**	–
At 31 March	**50**	50

As at 31 March 2023, the stage 2 gross debtors amounted to R67 million (2022: R81 million). During the year, stage 2 debtors amounting to R1 million (2022: R5 million) were written off as non-collectable; however, the group continues on an ongoing basis to recover any amounts written off where possible and unused provisions of Rnil (2022: Rnil) were reversed. The balance of R3 million relates to stage 3-specific debtors detailed above.

24. TRADE AND OTHER RECEIVABLES continued

24.5 Deposits, associate and tenant loans and other receivables

Deposits, associate and tenant loans as well as other receivables do not contain significant credit risk, have a low probability of default and there are no significant receivables past due that have been impaired. No further disclosure is provided in this regard.

The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

	2023 Rm	2022 Rm
SA Rand	**416**	341
Nigerian Naira	**–**	11
Great Britain Pound	**44**	65
US Dollar	**7**	25
Mozambican Metical	**11**	12
Tanzanian Shilling	**3**	2
Kenyan Shilling	**1**	–
Seychelles Rupee	**14**	10
Zambian Kwacha	**6**	4
United Arab Emirates Dirham	**2**	–
	504	470

25. CASH AND CASH EQUIVALENTS

	2023 Rm	2022 Rm
Cash and cash equivalents measured at amortised cost		
Current accounts	**516**	216
Demand deposit held as security[2]	**230**	–
Call and fixed deposit accounts	**135**	387
Money market account	**–**	102
Cash	**2**	2
Gross cash and cash equivalents[1]	**883**	707
Less: Bank overdrafts included in borrowings (note 28)[1]	**–**	(42)
Net cash and cash equivalents per cash flow statement	**883**	665
Gross cash and cash equivalents are denominated in the following currencies:		
SA Rand	**530**	625
Nigerian Naira	**–**	37
US Dollar	**298**	19
Mozambican Metical	**8**	5
Seychelles Rupee	**6**	2
Zambian Kwacha	**3**	2
United Arab Emirates Dirham	**4**	6
Euro	**34**	11
	883	707

[1] *There is a master netting arrangement in place; however, the gross positive cash balances of R653 million (2022: R707 million) and bank overdrafts of Rnil (2022: R42 million) do not qualify to be offset on the balance sheet.*

[2] *In order to secure the disposal proceeds and provide Kasada with additional time to refinance the hotel's in-country debt of US$12.8 million, the group agreed to Kasada depositing US$12.8 million, equating to R230 million, in a Southern Sun-controlled bank account in Mauritius to serve as cash held as security against the group's guarantee obligations (Ikoyi Cash Deposit). Refer to note 42.*

Due to the short-term nature of these assets and historical experience, cash and cash equivalents are regarded as having a low probability of default and therefore the related expected credit loss is deemed insignificant.

26. ORDINARY SHARE CAPITAL AND PREMIUM

	Number of ordinary shares '000	Ordinary share capital Rm	Treasury shares Rm	Total Rm
At 1 April 2021	1 477 906	5 333	–	5 333
Issue of shares	–	–	–	–
At 31 March 2022	**1 477 906**	**5 333**	**–**	**5 333**
Issue of shares on exercise of share options	**161**	**–**	**1**	**1**
Purchase of treasury shares[1]	**(10 000)**	**–**	**(45)**	**(45)**
At 31 March 2023	**1 468 067**	**5 333**	**(44)**	**5 289**

[1] *The group bought back 10 million SSU shares at an average price of R4.46.*

The total authorised number of ordinary shares is 2 000 000 000 (2022: 2 000 000 000) with no par value. All issued shares, other than those related to the IFRS 2 *Share-based Payments – Equity Settled* (refer to note 33) are fully paid.

The company's authorised but unissued ordinary share capital was placed under the control of the directors until the forthcoming annual general meeting (AGM). Directors are accordingly able to issue SSU shares subject only to the limitations contained in the Companies Act, the memorandum of incorporation (MOI) and the Listings Requirements.

27. OTHER RESERVES

	Share capital reserve Rm	Trans-actions with non-controlling interests Rm	Cash flow hedge reserve Rm	Foreign currency translation reserve Rm	Share-based payments Rm	Common control reserve Rm	Total Rm
Balance at 1 April 2021	(52)	2 763	(22)	(29)	66	(921)	1 805
Cash flow hedges	–	–	40	–	–	–	40
Cash flow hedges fair value adjustments	–	–	56	–	–	–	56
Deferred tax on cash flow hedges fair value adjustments	–	–	(16)	–	–	–	(16)
Currency translation adjustments	–	–	–	(27)	–	–	(27)
Share-based payments charge	–	–	–	–	10	–	10
Balance at 31 March 2022	**(52)**	**2 763**	**18**	**(56)**	**76**	**(921)**	**1 828**
Cash flow hedges	**–**	**–**	**9**	**–**	**–**	**–**	**9**
Cash flow hedges fair value adjustments	**–**	**–**	**42**	**–**	**–**	**–**	**42**
Cash flow hedges reclassified to profit or loss	**–**	**–**	**(28)**	**–**	**–**	**–**	**(28)**
Deferred tax on cash flow hedges fair value adjustments	**–**	**–**	**(5)**	**–**	**–**	**–**	**(5)**
Currency translation adjustments	**–**	**–**	**–**	**295**	**–**	**–**	**295**
Share-based payments charge	**–**	**–**	**–**	**–**	**18**	**–**	**18**
Derecognition on disposal of subsidiary	**–**	**–**	**–**	**(313)**	**–**	**–**	**(313)**
Balance at 31 March 2023	**(52)**	**2 763**	**27**	**(74)**	**94**	**(921)**	**1 837**

	2023 Rm	2022 Rm
28. INTEREST-BEARING BORROWINGS		
Borrowings are made up as follows:		
Financial liabilities measured at amortised cost[2]		
Bank borrowings	**1 968**	1 798
Corporate bonds (Domestic Medium-term Note Programme)[4]	**–**	1 700
Bank overdrafts	**–**	42
	1 968	3 540
Less: Facility raising fees	**(4)**	(3)
	1 964	3 537
Analysed as:		
Non-current portion	**1 964**	3 495
Current portion	**–**	42
	1 964	3 537
Secured	**1 964**	3 540
Unsecured	**–**	–
	1 964	3 540
The following represents the carrying amount of the security for these borrowings:		
Property, plant and equipment (note 15)[3]	**6 530**	6 698
Investment properties (note 17)[1]	**1 435**	1 450
Pledge of cash in bank accounts (note 25)	**201**	665
Trade receivables (note 24)	**133**	218
	8 299	9 031
The carrying amounts of the group's borrowings are denominated in the following currencies:		
SA Rand	**1 496**	2 872
US Dollar	**440**	638
Mozambican Metical	**28**	27
	1 964	3 537
The group has the following committed direct facilities excluding bank overdrafts (from banks and corporate bonds):		
Expiring within one year	**–**	320
Expiring beyond one year	**1 964**	4 487
	1 964	4 807
Undrawn facility of committed direct bank borrowings	**1 000**	1 309
Weighted average effective interest rates (including cash held in call accounts)	**8.9%**	7.2%

[1] *Investment properties represent the value of the properties in HPF, leased to external third-party operators, over which mortgage bonds have been registered and pledged as security to the lenders for the bank borrowings.*
[2] *Refer to note 44 relating to the terms of the interest-bearing borrowings.*
[3] *Includes properties owned by HPF and leased and managed by Southern Sun Hotel Interests Proprietary Limited and pledged as securities for the bank borrowings. On consolidation, these properties are accounted for as part of the carrying amount of property, plant and equipment (both companies being subsidiary companies of the group).*
[4] *Refer to note 38.1 relating to the detail of the corporate bonds.*

28. INTEREST-BEARING BORROWINGS continued

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments and is within level 3 of the fair value hierarchy. The fair values of long and medium-term borrowings are based on cash flows discounted using commensurate variable rates chargeable by SA Rand lenders of the above loans ranging between 9.06% and 9.13% (2022: 5.87% and 6.75%). The fair value of long and medium-term loans using variable rates by US Dollar currency lenders was calculated using 7.59% (2022: 2.52% and 3.57%) and 22.60% (2022: 18.35%) for those relating to the Mozambican Metical currency loan. All borrowings bear interest at floating rates.

The carrying amounts and fair values of the bank borrowings and corporate bonds are as follows:

	Carrying amount		Fair value	
	2023 Rm	2022 Rm	**2023 Rm**	2022 Rm
Bank borrowings	**1 968**	1 798	**1 980**	1 797
Corporate bonds (Domestic Medium-term Note Programme)	**–**	1 700	**–**	1 647
	1 968	3 498	**1 980**	3 444

29. LEASE LIABILITIES AND COMMITMENTS

	2023 Rm	2022 Rm
Opening balance	**1 360**	1 360
Finance costs (note 13)	**132**	128
Modification of lease contract	**9**	14
New leases raised	**100**	–
Lease payments	**(154)**	(122)
Rent concessions	**–**	(20)
Closing net carrying amount	**1 447**	1 360
Lease liabilities		
Lease liabilities recognised in the balance sheet are analysed as:		
Non-current portion	**1 412**	1 349
Current portion	**35**	11
	1 447	1 360
Total cash flows in respect of leases:		
Principal portion of the lease liabilities (included in cash flows from financing activities)	**22**	10
Interest portion of the lease liabilities (included in finance costs cash flows)	**132**	112
Short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities (included in cash generated from operations)	**142**	16
Total cash outflow for leases	**296**	138

29. LEASE LIABILITIES AND COMMITMENTS continued

The group leases various hotel properties including the Garden Court Marine Parade, Garden Court Nelson Mandela Boulevard, Cape Town City Bowl Complex, Southern Sun Cape Sun, Sandton Sun, Sandton Towers, Garden Court Sandton City and Garden Court East London. These rental contracts are typically made for fixed periods of 20 years to 30 years, but may have extension options as described below.

29.1 Rental concessions

As permitted by IFRS 16, the group early adopted the amendment with effect from 1 April 2020 retrospectively although there was no adjustment to the opening balance of retained earnings at the same date. The IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to Covid-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. No such relief is provided for lessors. Lessors are required to assess whether rent concessions are lease modifications and, if so, account for them accordingly.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic, and only if all of the following conditions are met:

(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(b) Any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
(c) There is no substantive change to other terms and conditions of the lease.

The group applied the practical expedient to all of its leases where it is a lessee and lease concessions were granted to the group which met the rent concession requirements as set out in IFRS 16.

Only the rent concession relating to the Sandton Consortium leases was still applicable during the 2022 financial year and had the effect of reducing rental expenses and lease liabilities by R20 million.

During the prior year, the rent concession relating to the Sandton Consortium leases was extended beyond the 30 June 2022 date allowed in terms of applying the practical expedient. The change to the consideration of the leases was assessed and resulted in a modification of the leases which increased the finance lease liability and the right-of-use asset by R14 million.

During the period under review, the group and the lessor reconsidered the financial performance of the Sandton Consortium hotels and agreed that the hotel precinct was approaching economic viability. The impact of this assessment was considered and resulted in the finance lease liability and the right-of-use asset increasing by R9 million for the year ended 31 March 2023.

The lease relating to Garden Court East London was extended for an additional 10 years on 1 July 2022 on revised terms, which resulted in the recognition of a right-of-use asset and a corresponding lease liability of R70 million.

Additionally, a right-of-use asset and corresponding lease liability of R23 million has been recognised relating to the rental of office space at Nelson Mandela Square with the lease effectively commencing on 1 April 2023 as well as a right-of-use asset and corresponding lease liability of R7 million relating to the Southern Sun Cape parking lease extended on 1 January 2023 for an additional 10 years.

29. LEASE LIABILITIES AND COMMITMENTS continued

29.2 Variable lease payments

Some property leases contain variable payment terms that are linked to the Ebitdar or revenue generated by the hotel. Due to the variable nature of Ebitdar the variable lease payments cannot be predicted with reasonable assurance, these variable leases are not considered in determining the lease liability.

For five leases, up to 100% of lease payments are on the basis of variable payment terms with percentages of 98% of Ebitdar or 18% of rooms revenue. Variable payment terms are used for a variety of reasons, including for the rental expense to correlate with the operating performance of the hotel property. Variable lease payments that are based on Ebitdar or revenue generated by the hotel are recognised in profit or loss in the period in which the condition triggers those payments occur.

A 10% increase in Ebitdar across all hotels in the group with such variable lease contracts would increase total lease payments by approximately Rnil (2022: Rnil). The same increase in revenue would increase total lease payment by approximately R1.0 million (2022: R0.6 million).

Variable lease payments are included in other operating expenses (refer to note 11).

29.3 Extension options and termination options

Extension options and termination options are included in certain property and equipment leases across the group. These are used to maximise operational profitability in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

The leases were individually assessed for management's intention of extending the lease on an individual basis and the extension period was included in determining the lease liability where management was reasonably certain that the extension period would be exercised.

29.4 Residual value guarantees

The group has not provided residual value guarantees in relation to any of its leases as none of its leases contain residual value guarantees.

29.5 Lease commitments

At the balance sheet date, the group had outstanding commitments under non-cancellable operating leases which are not capitalised because the lease payments relate to variable lease payments, short-term leases (leases with a lease term of 12 months or less) and low-value assets (comprising mainly small items of office equipment and furniture), which fall due as follows:

	2023 Rm	2022 Rm
Not later than one year	**3**	2
Later than one year and not later than five years	**–**	–
Later than five years	**–**	–
	3	2

The group has no leases not yet commenced but committed nor does it have sale and leaseback transactions. None of the group's leases imposes covenants or restrictions on the group's performance.

30. POST-EMPLOYMENT BENEFITS

30.1 Pension fund

The group operates two pension funds: The Tsogo Sun Group Pension Fund and the Southern Sun Group Retirement Fund. Both are defined contribution funds, governed by the Pension Funds Act, 1956, which provides retirement and death benefits for all permanent, full-time employees who are not members of any other approved pension or provident fund.

30.2 Provident funds

The group also operates the Alexander Forbes Retirement Fund which is a defined contribution fund, governed by the Pension Funds Act, 1956, which provides retirement and death benefits for all permanent, full-time employees who are not members of any other approved pension or provident fund.

30. POST-EMPLOYMENT BENEFITS continued

30.3 Medical aid

The group operates a closed fund-defined benefit plan for certain medical aid members. The assets of the funded plans are held independently of the group's assets. This fund is valued by independent actuaries every year using the projected unit credit method.

The movement in the defined benefit obligation is as follows:

	Present value of obligation Rm	Fair value of plan assets Rm	Net asset Rm
Year ended 31 March 2023			
At 1 April 2022	**27**	**(29)**	**(2)**
Other post-employment benefits – medical aid	**–**	**–**	**–**
Expected return on plan assets	**–**	**(3)**	**(3)**
Expected benefit payments from plan assets	**(3)**	**3**	**–**
Interest expense	**3**	**–**	**3**
Remeasurement through SOCI	**(3)**	**–**	**(3)**
Gain from change in financial assumptions	**(3)**	**–**	**(3)**
At 31 March 2023	**24**	**(29)**	**(5)**

	Present value of obligation Rm	Fair value of plan assets Rm	Net asset Rm
Year ended 31 March 2022			
At 1 April 2021	28	(31)	(3)
Other post-employment benefits – medical aid	–	–	–
Expected return on plan assets	–	(3)	(3)
Expected benefit payments from plan assets	(3)	3	–
Interest expense	3	–	3
Remeasurement through SOCI	(1)	2	1
Gain from change in financial assumptions	(1)	–	(1)
Return on plan assets	–	2	2
At 31 March 2022	27	(29)	(2)

The present value of the obligation is R24 million (2022: R27 million) and the fair value of the plan assets is R29 million (2022: R29 million).

The principal actuarial assumptions used for the valuation were:

	2023 %	2022 %
Discount rate	**11.5**	10.4
Healthcare cost inflation	**7.5**	7.9
Expected return on plan assets	**11.5**	10.4
Remuneration inflation	**7.0**	7.4

The fund is actively managed and returns are based on both the expected performance of the asset class and the performance of the fund managers. The assets of the medical aid scheme comprise cash for 2023 and 2022.

The expected long-term rate of return on medical aid assets of 11.5% (2022: 10.4%) is determined by using a standard 0% margin on the assumed rate of discount as per the revised IAS 19 *Employee Benefits*. The discount rate of 11.5% (2022: 10.4%) per annum is based on current bond yields of appropriate term gross of tax as required by IAS 19. South Africa does not have a deep market in high-quality corporate bonds. The discount rate is therefore determined by reference to current market yields on government bonds.

No contributions are expected to be paid into the group's defined scheme during the annual period after 31 March 2023 (2022: Rnil).

30. POST-EMPLOYMENT BENEFITS continued

30.3 Medical aid continued

At 31 March, the effects of a 1% movement in the assumed medical cost trend rate would be as follows:

	2023 Rm	2022 Rm
Upward movement		
Effect on the current service cost and interest cost	*	*
Effect on the post-retirement medical aid liability	(2)	(2)
Downward movement		
Effect on the current service cost and interest cost	*	*
Effect on the post-retirement medical aid liability	2	2

* *Amount less than R1 million.*

31. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments measured at fair value are made up as follows:

	2023 Rm	2022 Rm
Net (asset)/liabilities: Interest rate swaps – cash flow hedges	(28)	13
Less: Current portion (asset)/liability (net)	–	(9)
Non-current portion (asset)/liability (net)	(28)	4
Net (assets)/liabilities are made up as follows:		
Asset	(28)	–
Liability	–	13
Net (asset)/liability	(28)	13

There is a master netting arrangement in place per financial institution; however, there have not been any gross positive derivative balances and gross negative derivative balances in the current year that qualify to be offset on the balance sheet.

Hedge accounting is applied to the group's interest rate swaps (refer to note 44.1(a)(ii)). For the impact of hedge accounting on the statement of changes in equity (SOCIE) refer to note 27. The group's primary interest rate risk arises from long-term borrowings (excluding bank overdrafts). In line with group policy, a portion of the group debt is hedged.

Fixed interest rate swaps ranged from 6.2% to 6.7% as at 31 March 2023 referenced against the three-month JIBAR of 8.0% (2022: Fixed interest rate swaps ranged from 6.2% to 7.2% as at 31 March 2022 referenced against the three-month JIBAR of 4.4%).

The fair value of the group's derivatives used for hedge accounting is an asset of R28 million (31 March 2022: liability of R13 million) and is calculated as the present value of the estimated future cash flows based on observable yield curves, which is consistent with the prior year.

In line with group policy, a long-term hedging profile of approximately 50% is maintained, deviating to a minimum of 25% and a maximum of up to 100% of gross debt, considering the interest rate cycle. As at 31 March 2023, 66% (2022: 46%) of consolidated gross borrowings and 120% (2022: 57%) of consolidated net borrowings were in fixed rates, taking into account interest rate swaps, but excluding the Ikoyi Cash Deposit (refer to note 25) of 99%. The hedge ratio is monitored on an ongoing basis.

31. DERIVATIVE FINANCIAL INSTRUMENTS continued

The notional amounts and terms of the outstanding effective interest rate swap contracts (hedged instruments) at 31 March were:

	2023 Rm	2022 Rm
Absa – With a fixed rate of 7.24% maturing 30 June 2022[1]	**–**	500
Absa – With a fixed rate of 7.42% maturing 31 March 2022[2]	**–**	300
Nedbank – With a fixed rate of 7.16% maturing 31 March 2023	**–**	300
RMB – With a fixed rate of 6.69% maturing 30 September 2024	**500**	500
Absa – With a fixed rate of 6.18% maturing 30 September 2024[1]	**300**	–
Absa – With a fixed rate of 6.36% maturing 30 September 2024[2]	**500**	–
	1 300	1 600

[1] *The group replaced this hedge with a forward-starting R300 million vanilla interest rate swap commencing on 1 July 2022 and maturing on 30 September 2024 at a fixed interest rate of 6.18%.*

[2] *The group replaced this hedge with a forward-starting R500 million vanilla interest rate swap commencing on 1 April 2022 and maturing on 30 September 2024 at a fixed interest rate of 6.36%.*

Based on independently performed hedge effectiveness tests, the group has assessed the hedges to be effective as at 31 March 2023.

32. DEFERRED REVENUE

The group's contract liabilities consist of the customer rewards programmes and are shown as deferred revenue. The group accounts for its hotel customer reward programmes in terms of IFRS 15 *Revenue from Contracts with Customers* with the liability on the balance sheet allocated to deferred revenue. The customer rewards programme (SunRands) consists of a loyalty programme whereby a guest earns SunRands based on their stay at one of the group's hotels. The amount of SunRands earned is based on the value of a guest's stay and spend on accommodation, food and beverages, and parking (only at participating hotels). Once a guest earns SunRands, the value is recognised as deferred revenue (liability) as it is expected that the guest will use the SunRands in future to pay for accommodation, food and beverages, and other related spend as a currency payment. SunRands are only available for a 24-month period, after which the guest forfeits the SunRands not spent.

As a result of the Covid-19 pandemic, the group granted extensions to members of the customer rewards programme during which they could redeem their SunRands that would normally have been forfeited two years after being earned. Extensions to the expiry of SunRands were granted in 2020 and 2021 due to the continued lockdowns with a final extension granted to 30 September 2022 after which unredeemed SunRands earned prior to 31 March 2020 would be forfeited. The forfeitures recognised during the year took into account the forfeitures of the extension periods in the prior years.

Deferred revenue is made up as follows:

Non-financial instruments

Deferred revenue – rooms and food and beverage revenue

	2023 Rm	2022 Rm
At 1 April	**87**	111
Created during the year	**109**	65
Forfeitures during the year	**(52)**	(44)
Utilised during the year	**(75)**	(45)
At 31 March	**69**	87
Less: Current portion	**(46)**	(58)
Non-current portion	**23**	29

The expected timing of the recognition of the deferred revenue is within two years (2022: three years).

	2024 Rm	2025 Rm	Total Rm
Revenue expected to be recognised in respect of deferred revenue as of 31 March 2023	**46**	**23**	**69**

	2023 Rm	2022 Rm
Revenue recognised that was included in the contract liability balance at the beginning of the period	**75**	45

33. LONG-TERM INCENTIVE PLANS

The Southern Sun Share Appreciation Rights is a bonus scheme whereby participants receive SSU shares equal to the appreciation of the awarded share appreciation rights (SARs) over the vesting period. The appreciation of the SARs is calculated as the difference between the seven-day volume weighted average price (seven-day VWAP) of SSU shares on the date on which notice is given to surrender the SAR (exercise price) and the seven-day VWAP on the date on which the award was made to an eligible employee to participate in the scheme (the award price) multiplied by the number of SARs awarded. Allocations vest over a minimum of three years after the date of allocation.

The fair value is expensed over the period as services are rendered by the employees. In terms of the rules, the fair values of the payments are determined using the seven-day VWAP of the company's share prior to the determination of the fair value of the long-term incentive bonus.

A Black-Scholes valuation model was applied in determining the fair value of the SARs to be issued under the SAR plan and the valuation assumptions and inputs to this model are set out below:

	2023	2022
Spot price (R)	**3.45**	3.05
Dividend yield (%)	**0.0 – 4.7**	0.0 – 4.7
Share price volatility(%)	**24.2 – 27.2**	24.2 – 27.2
Risk-free rate (%)	**7.6 – 9.6**	7.6 – 9.4

The long-term incentive expense relating to the SAR plan will continue over the SAR vesting periods according to the terms of the SAR plan rules. The long-term incentive expense will increase by new grants made to employees and decrease by employee forfeitures. Included in the employee cost as disclosed in note 10 is an income statement charge of R18 million (2022: R10 million) relating to the share appreciation rights for the 2023 financial year.

Set out below are summaries of options granted under the plan:

	2023 Number of options	2022 Number of options
As at 1 April	**83 112 035**	87 646 348
Granted during the year	**15 281 824**	14 861 845
Exercised during the year	**(511 121)**	–
Expired during the year	**(11 655 059)**	(12 009 059)
Forfeited during the year	**(2 948 869)**	(7 387 099)
As at 31 March	**83 278 810**	83 112 035
Vested and exercisable at 31 March	**31 135 141**	43 808 626

Appreciation rights outstanding at the end of the year have the following expiry dates and exercise price:

Grant date	**Expiry date**	**Exercise price**	**Share options 31 March**
1 October 2017	**1 October 2023**	**3.91**	**127 956**
1 April 2018	**1 April 2024**	**4.62**	**9 747 210**
1 October 2018	**1 October 2024**	**4.13**	**11 377 505**
1 April 2019	**1 April 2025**	**4.24**	**9 658 439**
1 October 2019	**1 October 2025**	**4.02**	**224 031**
13 January 2021	**1 April 2027**	**1.49**	**22 000 000**
14 January 2022	**30 September 2027**	**3.03**	**14 861 845**
1 April 2022	**1 April 2027**	**3.34**	**15 281 824**
			83 278 810

	2023 Rm	2022 Rm
34. PROVISIONS		
Provisions are made up as follows:		
At 1 April		
Long-service awards	**73**	62
Short-term incentives	**82**	53
	155	115
Released during the year		
Long-service awards	**–**	–
Short-term incentives	**(1)**	(1)
	(1)	(1)
Created during the year		
Long-service awards	**4**	11
Short-term incentives	**125**	30
	129	41
Utilised during the year		
Long-service awards	**(12)**	–
Short-term incentives	**(64)**	–
	(76)	–
At 31 March		
Long-service awards	**65**	73
Short-term incentives	**142**	82
Total provisions	**207**	155
Less: Current portion	**(137)**	(88)
Non-current portion	**70**	67

34.1 Long-service awards

The group pays its employees a long-service benefit. The benefit is paid when employees reach predetermined years of service. The method of accounting and frequency of valuation are similar to those used for defined benefit schemes. The actuarial valuation to determine the liability is performed annually by independent actuaries using the projected unit credit method.

	2023 Rm	2022 Rm
Movement in unfunded obligation:		
Benefit obligation at 1 April	**73**	62
Interest cost	**7**	6
Service cost	**5**	6
Actuarial gain	**(8)**	(1)
Benefits paid	**(12)**	–
Obligation at 31 March	**65**	73
The amounts recognised in the income statement are as follows:		
Interest cost	**7**	6
Current service cost	**5**	6
Actuarial gain	**(8)**	(1)
	4	11

34. PROVISIONS continued

34.1 Long-service awards continued

	2023 Rm	2022 Rm
The principal actuarial assumptions used for accounting purposes are:		
Discount rate (%)	**10.2**	9.7
Inflation rate (%)	**5.1**	5.7
Salary increase rate (%)	**5.6**	6.2
Pre-retirement mortality rate	**SA 85 – 90 (Light) table**	SA 85 – 90 (Light) table
The present value of the long-service award obligations for the current and prior years are as follows:		
Present value of unfunded obligations	**65**	73
Experience adjustment on plan obligations	**–**	–

There are no plan assets in respect of the long-service award liability.

Due to the nature of the long-service award provisions, the timing of their utilisation is uncertain. The short-term incentives provision was utilised subsequent to year end in May 2023.

35. TRADE AND OTHER PAYABLES

	2023 Rm	2022 Rm
Financial instruments		
Trade and other payables	**729**	699
Trade payables	**116**	196
Accrued expenses	**333**	275
Advance deposits	**105**	77
Unallocated deposits	**35**	30
Loan from RDI Hotel Group Limited[1]	**10**	33
Capital expenditure payables	**41**	41
Other payables	**89**	47
Non-financial instruments	**158**	139
VAT payable	**33**	36
Leave pay liability	**46**	23
Payroll-related payables	**79**	80
	887	838

[1] *The loan relates to IHL Holdco, in which the group holds a 25.9% shareholding. The loan is repayable on demand and bears interest at 6.5% per annum.*

The carrying values of trade and other payables are assumed to approximate their fair values due to the short-term nature of trade and other payables.

The carrying amounts of the group's trade and other payables are denominated in the following currencies:

	2023 Rm	2022 Rm
SA Rand	**787**	762
Nigerian Naira	**–**	14
US Dollar	**28**	17
Mozambican Metical	**34**	19
Tanzanian Shilling	**6**	3
Kenyan Shilling	**1**	1
Seychelles Rupee	**20**	15
Zambian Kwacha	**10**	6
United Arab Emirates Dirham	**1**	1
	887	838

	2023 Rm	2022 Restated[1] Rm
36. CASH GENERATED FROM OPERATIONS		
Profit/(loss) before income tax	**1 011**	(86)
Adjusted for finance income and costs, share of profit of equity accounted entities, dividends received and non-cash movements:		
Finance income	**(29)**	(15)
Finance costs	**335**	366
Share of profit of associates	**(25)**	(26)
Amortisation and depreciation	**346**	357
Impairment charge for bad and doubtful debts, net of reversals	**7**	20
Operating equipment usage	**17**	11
Movement in provisions	**102**	39
Long-term incentive expense	**18**	10
Profit on disposal of property, plant and equipment	**5**	1
Fair value adjustment on investment properties	**(4)**	(55)
Translation impact on the income statement	**–**	4
Impairment of trademark	**6**	–
Other non-cash moves and adjustments	**(11)**	(16)
Cash flow hedges reclassified to profit and loss	**(28)**	–
Cash generated from operations before working capital movements	**1 750**	610
Working capital movements		
Increase in inventories	**(12)**	(7)
Increase in trade and other receivables	**(274)**	(280)
Increase in payables and provisions	**230**	276
Cash generated from operations	**1 694**	599

[1] *Restated for discontinued operations – refer to note 42.*

	2023 Rm	2022 Restated[1] Rm
37. INCOME TAX PAID		
Net tax liability at 1 April	**(41)**	(44)
Current tax provided	**(130)**	(8)
Withholding tax	**(3)**	–
Currency translation	**5**	2
Derecognition on disposal of subsidiary	**5**	–
Net tax liability at 31 March	**64**	41
	(100)	(9)
Less: Income tax paid from discontinued operations	**–**	(1)
Income tax paid from continuing operations	**–**	(8)

[1] *Restated for discontinued operations – refer to note 42.*

38. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

38.1 Changes in interest-bearing borrowings arising from financial activities

Changes arising from interest-bearing borrowings for the year under review, excluding bank overdrafts from short-term borrowings of nil (2022: R42 million), are as follows:

	Long term Rm	Short term Rm	Total Rm
Year ended 31 March 2023			
Balance at 1 April 2022	**3 495**	**–**	**3 495**
Borrowings raised	**2 383**	**–**	**2 383**
Borrowings repaid	**(3 829)**	**–**	**(3 829)**
Currency translation	**133**	**–**	**133**
Derecognition on disposal of subsidiary	**(218)**	**–**	**(218)**
Balance at 31 March 2023	**1 964**	**–**	**1 964**
Year ended 31 March 2022			
Balance at 1 April 2021	2 991	485	3 476
Borrowings raised	379	100	479
Borrowings repaid	(448)	–	(448)
Currency translation	(17)	–	(17)
Reclassification to long-term borrowings	585	(585)	–
Other	5	–	5
Balance at 31 March 2022	3 495	–	3 495

Total cash outflow of R210 million (2022: R242 million) relating to finance costs has been included in the consolidated cash flow statement relating to interest-bearing borrowings.

Finance cost is settled quarterly and no interest was outstanding as at 31 March 2023.

In December 2022, the group successfully concluded the refinancing of its debt package 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 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. Refer to note 44.1(c).

38.2 Changes in finance lease liabilities

Changes arising from lease liabilities for the year under review are as follows:

	Non-current portion 2023 Rm	Current portion 2023 Rm	Total 2023 Rm
Year ended 31 March 2023			
Balance at 1 April 2022	**1 349**	**11**	**1 360**
New leases raised	**95**	**5**	**100**
Transfer to current lease liability	**(35)**	**35**	**–**
Principal elements of lease payments	**–**	**(22)**	**(22)**
Modification of lease contract	**3**	**6**	**9**
Balance at 31 March 2023	**1 412**	**35**	**1 447**

Total cash outflow of R132 million (2022: R112 million) relating to finance costs has been included in cash flows from operating activities.

38. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES continued

38.2 Changes in finance lease liabilities continued

	Non–current portion 2022 Rm	Current portion 2022 Rm	Total 2022 Rm
Year ended 31 March 2022			
Balance at 1 April 2021	1 346	14	1 360
Transfer to current lease liability	(11)	11	–
Rent concessions	–	(4)	(4)
Principal elements of lease payments	–	(10)	(10)
Modification of lease contract	14	–	14
Balance at 31 March 2022	1 349	11	1 360

39. RELATED PARTIES

On 26 May 2022, the company announced on SENS that it had concluded a separation agreement with TSG, which gave TSG the right to terminate (on one month's notice) the various management and licensing agreements in respect of 15 hotels owned by TSG, for a Separation payment of R399 million. The group also concluded a hotel properties and businesses acquisition agreement with TSG to acquire the Southern Sun Mbombela and StayEasy Mbombela hotel buildings and related assets, which are important for the group's distribution in the Mpumalanga province, for an aggregate purchase consideration of R142 million (collectively, the TSG transaction). All conditions precedent were fulfilled by the end of August 2022, with the exception of the approval by the Eastern Cape Gambling Board of the termination of the management contract relating to the Southern Sun Hemingways Hotel which was fulfilled by the end of January 2023. The TSG transaction was implemented with effect from 30 September 2022. The net cash inflow to the group as at 31 March 2023 amounted to R257 million. As at 31 March 2023, the management and licensing agreement in respect of all 15 hotels owned by TSG has been terminated and excluded from the group's portfolio of managed hotel properties.

As detailed below, the group has concluded certain material transactions with related parties at arm's length. Transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note.

	2023 Rm	2022 Rm
39.1 Transactions with related parties		
Hotel management fees and royalties received from Tsogo Sun Gaming	**31**	29
Management fees received from Tsogo Sun Gaming for shared services	**6**	4
Fees received from Tsogo Sun Gaming for administration services for hotels	**15**	15
Management fees paid to Tsogo Sun Gaming for shared services	**(1)**	(2)
Tenant recoveries by Tsogo Sun Gaming	**(5)**	(4)
Purchase of Southern Sun and StayEasy Mbombela from Tsogo Sun Gaming	**(142)**	–
Separation payment received from Tsogo Sun Gaming	**399**	–
Insurance premiums paid to Tsogo Sun Gaming	**–**	(10)
Insurance claims received or receivable from Tsogo Sun Gaming	**–**	179
Dividend received from associate – RBH	**3**	5
	306	216

	2023 Rm	2022 Rm
39.2 Amounts owing (to)/by related parties		
Amounts receivable from Tsogo Sun Gaming Limited and its subsidiaries	**2**	6
Loan due to fellow shareholder in associate – RDI	**(10)**	(33)
Shareholder loans to associate – IHL Holdco	**44**	65
	36	38

These loans have been disclosed as current assets or liabilities. These loans bear no interest, with the exception of the loan due to fellow shareholder in associate, RDI, which bears interest at 6.5% per annum and is repayable on demand.

39. RELATED PARTIES

39.3 Key management compensation

Directors of the company and prescribed officers of the group are considered to be the group's key management personnel. All remuneration and fees 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:

39.3.1 Executive directors

	Year ended 31 March 2023					
	Basic remuneration R'000	**Benefits R'000**	**Short-term incentives R'000**	**Directors' fees from subsidiaries R'000**	**Long-term incentives R'000**	**Total paid R'000**
MN von Aulock	**7 678**	**607**	**1 704**	**–**	**–**	**9 989**
L McDonald	**2 630**	**474**	**1 000**	**–**	**–**	**4 104**
Total remuneration*	**10 308**	**1 081**	**2 704**	**–**	**–**	**14 093**

* *The increase in remuneration paid is as a result of the increasing rate of pay paid to all employees as the group recovered from the impact of Covid-19 and began to trade cash positively on a monthly basis. Most employees returned to 100% salary with effect from February 2022.*

	Year ended 31 March 2022					
	Basic remuneration R'000	Benefits R'000	Short-term incentives R'000	Directors' fees from subsidiaries R'000	Long-term incentives R'000	Total paid R'000
MN von Aulock	6 203	258	–	–	–	6 461
L McDonald	2 197	166	–	–	–	2 363
Total remuneration	8 400	424	–	–	–	8 824

39.3.2 Executive directors' LTIs

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 2023**	**Award price R**	**Strike price R**	**Fair value of SARs awarded R'000**	**Vesting date**	**Expiry date**
MN von Aulock	01/10/2018	**10 893 353^**	4.13	4.03	9 180	30/09/2021	30/09/2024
	13/01/2021	**1 142 857**	1.49	1.50	819	13/01/2024	13/01/2027
	14/01/2022*	**3 302 633**	3.03	3.05	3 975	30/09/2024	30/09/2027
	14/01/2022*	**3 302 632**	3.03	3.05	4 128	30/09/2025	30/09/2027
	14/01/2022*	**3 302 632**	3.03	3.05	4 266	30/09/2026	30/09/2027
L McDonald	01/04/2018	**324 907^**	4.62	4.57	231	31/03/2021	31/03/2024
	01/04/2019	**1 603 856^**	4.24	3.99	1 409	31/03/2022	31/03/2025
	13/01/2021	**1 142 857**	1.49	1.50	819	13/01/2024	13/01/2027
	14/01/2022*	**1 651 316**	3.03	3.05	1 987	30/09/2024	30/09/2027
	14/01/2022*	**1 651 316**	3.03	3.05	2 064	30/09/2025	30/09/2027
	14/01/2022*	**1 651 316**	3.03	3.05	2 133	30/09/2026	30/09/2027
	01/04/2022	**1 048 752**	3.34	3.45	1 786	31/03/2025	31/03/2028

* *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. Refer to note 4. Between December 2022 and June 2023, the company has repurchased 99 million ordinary shares which will be used to settle LTI obligations to participants.

39. RELATED PARTIES continued

39.3 Key management compensation continued

39.3.3 Non-executive directors

	2023 Total directors' fees paid by the company R'000	2022 Total directors' fees paid by the company R'000
JA Copelyn	**436**	339
M Ahmed	**495**	413
SC Gina	**381**	317
ML Molefi	**394**	322
JG Ngcobo	**394**	322
JR Nicolella	**282**	223
CC September	**294**	228
	2 676	2 164

Fees are exclusive of VAT.

39.4 Contingencies, commitments and guarantees

There are no contingencies, commitments or guarantees on the group's related parties.

40. FUTURE CAPITAL EXPENDITURE

	2023 Rm	2022 Rm
Authorised by directors but not yet contracted for:		
Property, plant and equipment	**527**	184
Investment property	**13**	–
Intangible assets: software	**34**	2
	574	186
Authorised by directors and contracted for:		
Property, plant and equipment	**39**	18
Intangible assets: software	**1**	–
	40	18

41. OPERATING LEASE COMMITMENTS

Operating lease arrangements where the group is a lessor

The group's main leases are contracts with tenants in respect of its investment properties held in HPF. The group also rents out retail space in its hotel properties as set out in the below minimum rentals receivable.

At the balance sheet date, the group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods. The rentals below relate only to fixed rentals for retail space and do not include any variable rentals or escalations based on CPI:

	2023 Rm	2022 Rm
Not later than one year	**48**	35
Later than one year and not later than five years	**6**	3
Later than five years	**–**	–
	54	38

42. DISCONTINUED OPERATIONS

In accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the profits from discontinued operations have been disclosed separately and relate to the sale of the group's Southern Sun Ikoyi Hotel in Ikoyi, Nigeria to Kasada Albatross Holding (Kasada), effective 1 December 2022. Southern Sun Ikoyi was the group's only hotel operation in Nigeria.

The group's Southern Sun Ikoyi Hotel in Ikoyi, Nigeria was disposed of to Kasada for aggregate proceeds of US$32 million (funds flow occurred on 12 December 2022), US$7 million of which was used to settle the group's Mauritian-based US$-denominated debt. The balance of the proceeds was repatriated back to South Africa and used to settle ZAR-denominated debt. In order to secure the disposal proceeds and provide Kasada with additional time to refinance the hotel's in-country debt of US$12.8 million, the group agreed to Kasada depositing US$12.8 million (equating to R230 million) in a Southern Sun-controlled bank account in Mauritius to serve as cash held as security against the group's guarantee obligations (Ikoyi Cash Deposit). Should the refinancing not be implemented by 30 November 2023, the group has the right to utilise this cash to settle the outstanding external debt balance. The Ikoyi Cash Deposit has been included in cash and cash equivalents as at 31 March 2023 and the related liability to repay Kasada should the hotel's debt be refinanced has been separately disclosed on the face of the balance sheet.

Therefore, in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the profits from discontinued operations have been disclosed separately. Profit attributable from discontinued operations:

42.1 Profit attributable to discontinued operations

	Period ended 30 November 2022 Rm	Year ended 31 March 2022 Rm
Profit/(loss) attributable to discontinued operations		
Revenue	**94**	104
Expenses	**(49)**	(53)
Fair value adjustments of investment properties	**–**	(94)
Employee costs	**(18)**	(20)
Amortisation and depreciation	**(5)**	(8)
Operating profit/(loss)	**22**	(71)
Net finance costs	**(8)**	(7)
Profit/(loss) before income tax	**14**	(78)
Income tax credit	**–**	6
Profit/(loss) for the period from discontinued operations after income tax	**14**	(72)
Profit on disposal of subsidiary after income tax	**259**	–
Profit/(loss) from discontinued operations net of tax	**273**	(72)

	As at 30 November 2022 Rm
The net carrying amount of assets and liabilities as at the date of sale	
Non-current assets:	
Property, plant and equipment	855
Deferred income tax assets	51
Current assets:	
Inventory	5
Trade and other receivables	20
Cash and cash equivalents	77
Total assets	1 008
Non-current liabilities:	
Interest-bearing borrowings	(218)
Current liabilities:	
Trade and other payables	(31)
Provisions	(1)
Current income tax liabilities	(5)
Total liabilities	(255)

42. DISCONTINUED OPERATIONS continued

42.2 Cash flow from discontinued operations

	Period ended 30 November 2022 Rm	Year ended 31 March 2022 Rm
Net cash flows attributable to discontinued operations		
Net cash generated from operating activities	**27**	20
Net cash utilised for investment activities	**(2)**	–
Net cash generated by discontinued operations	**25**	20

	2023 Rm
Proceeds from disposal of subsidiary	
Cash proceeds received	**548**
Cash disposed of with subsidiary	**(77)**
Proceeds from disposal of subsidiary net of cash disposed of	**471**

	2023 Rm
Profit on disposal of subsidiary	
Net asset value disposed of	**753**
Non-controlling interests (NCI)	**(161)**
Net asset value after NCI	**592**
Liabilities recognised on disposal	**10**
Reserves realised on sale: Reclassification of foreign currency translation reserve to profit or loss	**(313)**
Cash proceeds received	**(548)**
Profit on disposal of subsidiary after income tax	**(259)**

43. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

43.1 General repurchase of shares

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.

43.2 Ikoyi Cash Deposit (refer to note 42)

On 30 June 2023, Kasada settled Ikoyi Hotel Limited's loan balance owing to Absa Bank Limited of US$13.1 million (including interest). Consequently and with effect from the same date, the Southern Sun group was released from all security and guarantee obligations to Absa in respect of this loan. As a result, the Ikoyi Cash Deposit of US$13.1 million (including interest) held as cash collateral for these security obligations was repaid to Kasada on 19 July 2023.

43.3 Birchwood property acquisition

With effect from 10 July 2023, HPF Properties acquired the balance of the land not already owned at the Birchwood Hotel & OR Tambo Conference centre as well as certain moveable assets for a total purchase consideration of R79 million.

44. FINANCIAL RISK MANAGEMENT

44.1 Financial risk factors

The group'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 group'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 group. The group uses derivative financial instruments to hedge certain risk exposures.

Risk management process

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 management 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 and 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 consolidated annual 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 (e.g. zero tolerance for regulatory risks) as well as quantitative terms, guided by the board's risk tolerance and risk appetite measures. The scope of the risk assessment includes risks that impact shareholder value or that may lead to a significant loss, or loss of opportunity. Appropriate 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. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the group's operating units. 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.

44. FINANCIAL RISK MANAGEMENT continued

44.1 Financial risk factors

Risk management process continued

(a) Market risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

(i) 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 group is not exposed to significant foreign exchange cash flow risk as the group seeks to mitigate this exposure, where cost-effective, by raising its debt denominated in US Dollars in the offshore entities with cash generated in US Dollars to service the interest and capital repayments of those offshore operations where the functional currency of those entities is US Dollars. As a result, no forward cover contracts are required in respect of this debt. The group does not hedge currency exposures from the translation of profits earned in foreign currency subsidiaries, associates and joint ventures.

Foreign exchange risk also arises from exposure in the foreign operations due to trading transactions denominated in currencies other than the functional currency.

The following significant exchange rates against the SA Rand applied during the year:

	Average rate		Reporting date closing rate	
	2023	2022	**2023**	2022
1 US Dollar is equivalent to	**16.96**	14.95	**17.79**	14.54
1 Euro is equivalent to	**17.68**	17.36	**19.35**	16.17

A 10% strengthening of the functional currency against the following currencies at 31 March would have increased/(decreased) profit or loss by the amounts shown below due to foreign exchange gains or losses on foreign-denominated trade receivables, cash and cash equivalents and trade payables recorded in the functional currency of the foreign operations. This analysis assumes no hedging and that all other variables, in particular interest rates, remain constant. This analysis was performed on the same basis for 2022.

	2023 Rm	2022 Rm
Euro	**(3)**	(1)
Mozambican Metical	**1**	–
Nigerian Naira	**–**	(3)
US Dollar	**(28)**	(3)
Great Britain Pound	**(5)**	(7)

A 10% weakening of the functional currency against above currencies at 31 March would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(ii) 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.

Hedge accounting is applied to the group's interest rate swaps. The group's primary interest rate risk arises from long-term borrowings (excluding bank overdrafts). Borrowings at variable rates expose the group to cash flow interest rate risk. Borrowings at fixed rates expose the group to fair value interest rate risk. In line with group policy, a portion of the group debt is hedged. Refer to note 31.

The group's policy is to borrow in floating rates, having due regard that floating rates are generally lower than fixed rates in the medium term.

44. FINANCIAL RISK MANAGEMENT continued

44.1 Financial risk factors continued

Risk management process continued

(a) Market risk continued

(ii) Interest rate risk continued

The group manages its interest rate risk by using floating-to-fixed interest rate swaps. Interest rate swaps have the economic effect of converting floating rate borrowings to fixed rates. Where the group raises long-term borrowings at floating rates, it swaps them into fixed rates in terms of group policy. Under the interest rate swaps, the group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to an agreed reference interest rate calculated on agreed notional principal amounts. The settlement dates coincide with the dates on which interest is payable on the underlying debt and settlement occurs on a net basis.

In line with group policy, a long-term hedging profile of approximately 50% is maintained, deviating to a minimum of 25% and a maximum of up to 100% of gross debt, considering the interest rate cycle. As at 31 March 2023, 66% (2022: 46%) of consolidated gross borrowings and 120% (2022: 57%) of consolidated net borrowings were in fixed rates, taking into account interest rate swaps, excluding the Ikoyi Cash Deposit (note 25) of 99%. The hedge ratio is monitored on an ongoing basis.

Hedge effectiveness is determined at the inception of the hedge relationship, and at each reporting date (mainly half-yearly and annually) when effectiveness is assessed to ensure that an economic relationship exists between the hedged item and the hedging instrument. The group enters into interest rate swaps that have similar terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amounts. In line with policy, the group does not hedge 100% of borrowings, however, loans eligible for hedging are identified based on their profile, predominantly three to five-year term loan facilities with bullet repayments. Hedge instrument terms are matched to the interest and capital repayment profile for the hedged item in order to minimise ineffectiveness. The effectiveness of the hedges is tested at inception and thereafter annually and the ineffective portion is recognised immediately in profit or loss. Hedge ineffectiveness for interest rate swaps may occur due to:

- The credit value adjustment on the interest rate swaps which is not matched by borrowings;
- Debt prepayments which result in a mismatch between borrowings and the interest rate swaps;
- Differences in critical terms between the interest rate swaps and borrowings; and
- Costs of hedging (including the costs of adjusting an existing hedging relationship).

Fixed interest rate swaps ranged from 6.2% to 7.2% as at 31 March 2023 referenced against the three-month JIBAR of 8.0% (2022: Fixed interest rate swaps ranged from 6.2% to 7.2% as at 31 March 2022 referenced against the three-month JIBAR of 4.4%).

At 31 March, floating rate borrowings are linked/referenced to various rates, the carrying amounts of which are as follows:

	2023 Rm	2022 Rm
Linked to three-month JIBAR[1]	**1 500**	2 400
Linked to three-month US Dollar LIBOR[2]	**440**	640
Linked to SAFEX	**–**	201
Linked to South Africa prime rate	**–**	230
Linked to Central Bank prime rate in Mozambique	**28**	27
	1 968	3 498

[1] *The Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets. The South African Revenue Bank (SARB) has indicated its intention to move away from JIBAR and to create an alternative reference rate for South Africa. The SARB has indicated their initial preference for the adoption of the South African Rand Overnight Index Average (ZARONIA) as the preferred unsecured candidate to replace JIBAR in cash and derivative instruments. ZARONIA has been published for the purposes of observing the rate and how it behaves, but has not been formally adopted by the SARB as the successor rate to JIBAR. Accordingly, there is still uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the group.*

[2] *Subsequent to year end the remaining US Dollar-denominated debt facilities in Mozambique, linked to the three-month US Dollar LIBOR were amended. The base lending rate of Term LIBOR was replaced by Term SOFR, the final all in rate applicable to the loan will remain equivalent to the LIBOR interest rate originally approved by the Mozambican Central Bank. The total outstanding balance of US Dollar-denominated loans linked to LIBOR as at 31 March 2023 amounts to R440 million (2022: R640 million).*

44. FINANCIAL RISK MANAGEMENT continued

44.1 Financial risk factors continued

Risk management process continued

(a) Market risk continued

(ii) Interest rate risk continued

At 31 March, the interest rate profile of the group's interest-bearing financial instruments, excluding the effect of interest rate swaps and bank overdrafts, was:

	2023 Rm	2022 Rm
Variable rate instruments		
Financial assets[1] (note 25)	**(365)**	(489)
Financial liabilities (note 28)	**1 968**	3 498
	1 603	3 009

[1] *The financial assets relate to group cash due to improved trading and the Ikoyi Cash Deposit amounting to R230 million (refer to note 42). The prior year represents the business interruption insurance proceeds received and held on fixed deposits as well as group cash held in a call account due to improved trading.*

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates would have increased/decreased pre-tax profit or loss by R31 million (2022: R31 million), including the effects of the interest rate swaps. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for 2022.

(iii) 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.

(b) 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.

With the exception of its exposure to large TMCs (refer to note 24), the group 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.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to the group's customer base, including outstanding receivables and committed transactions.

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 & Poor's 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. To reduce credit exposure, the group has international swaps and derivatives association master agreements with most of its counterparties for financial derivatives which permit net settlement of assets and liabilities in certain circumstances.

Refer to note 24 for further credit risk analysis in respect of trade and other receivables.

(c) 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.

Management monitors rolling forecasts of the group'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 group's long-term planning process.

44. FINANCIAL RISK MANAGEMENT continued

44.1 Financial risk factors continued

Risk management process continued

(c) Liquidity risk continued

(i) Facility headroom

The group's policy is to ensure that it has, at all times, in excess of 15% of surplus, undrawn committed borrowing facilities. At 31 March 2023, the group had 33% (2022: 28%) surplus facilities. Bank overdrafts are not considered to be long-term debt but rather working capital arrangements as part of cash management as set up with the banking institutions.

	2023 Rm	2022 Rm
Debt at 1 April[1]	**(3 498)**	(3 480)
Net decrease/(increase) in debt during the year	**1 530**	(18)
Debt at 31 March[1]	**(1 968)**	(3 498)
Credit facilities[1]	**2 958**	4 827
Headroom available	**990**	1 329

[1] *Excludes indirect facilities (letters of guarantees, forward exchange contracts and letters of credit), finance leases. Refer to 44.1(c)(ii) for the detailed debt facility analysis.*

(ii) Debt facility analysis

The group sources its funding from a syndicate of four large South African banks thereby reducing liquidity concentration risk. The facilities for continuing operations comprise a mix of short, medium and long-term tenure, with utilisations and available facilities as follows:

	2023 facility			2022 facility		
	Total Rm	Utilisation Rm	Available Rm	Total Rm	Utilisation Rm	Available Rm
Demand facilities (overdrafts)	**20**	**–**	**20**	20	–	20
Revolving credit facilities maturing 11 February 2023[2]	**–**	**–**	**–**	320	–	320
Term facilities maturing 31 March 2024[4]	**–**	**–**	**–**	600	600	–
RCF loan facility maturing 30 April 2023[4]	**–**	**–**	**–**	250	230	20
Overnight loan facilities maturing 30 June 2023[4]	**–**	**–**	**–**	600	201	399
Term facilities maturing 31 August 2023[4]	**–**	**–**	**–**	500	500	–
Revolving credit facilities maturing 19 December 2023[4]	**–**	**–**	**–**	500	200	300
Term facilities maturing 31 March 2024[4]	**–**	**–**	**–**	300	300	–
Term facilities maturing 30 September 2024[4]	**–**	**–**	**–**	800	800	–
Revolving credit facilities maturing 11 February 2025[3]	**–**	**–**	**–**	363	93	270
Term facilities maturing 31 March 2025[5]	**28**	**28**	**–**	27	27	–
Term facilities maturing 22 December 2025[1]	**–**	**–**	**–**	187	187	–
Term facilities maturing 31 July 2026[5]	**440**	**440**	**–**	360	360	–
General banking facility maturing on 8 December 2024[4, 6]	**170**	**–**	**170**	–	–	–
General banking facility maturing on 8 December 2024[4, 6]	**200**	**–**	**200**	–	–	–
Revolving credit facility maturing on 8 December 2025[4, 6]	**600**	**–**	**600**	–	–	–
Term facility maturing on 8 December 2025[4, 6]	**500**	**500**	**–**	–	–	–
Term facility maturing on 8 December 2026[4, 6]	**500**	**500**	**–**	–	–	–
Term facility maturing on 8 December 2027[4, 6]	**500**	**500**	**–**	–	–	–
	2 958	**1 968**	**990**	4 827	3 498	1 329

[1] *The group disposed of its Southern Sun Ikoyi Hotel in Ikoyi, Nigeria, effective 1 December 2022. In order to secure the disposal proceeds and provide Kasada with additional time to refinance the hotel's in-country debt of US$12.8 million, the group agreed to Kasada depositing US$12.8 million, equating to R230 million, in a Southern Sun-controlled bank account in Mauritius to serve as cash held as security against the group's guarantee obligations (Ikoyi Cash Deposit). Should the refinancing not be implemented by 30 November 2023, the group has the right to utilise this cash to settle the outstanding external debt balance. The Ikoyi Cash Deposit has been included in cash and cash equivalents as at 31 March 2023 and the related liability to repay Kasada should the hotel's debt be refinanced has been separately disclosed on the face of the balance sheet. Refer to note 42.*

[2] *Following the group's disposal of Southern Sun Ikoyi Hotel, the group cancelled the revolving credit facility effectively on 8 December 2022. Commitment fees were payable up to and including 8 December 2022.*

[3] *Following the group's disposal of Southern Sun Ikoyi Hotel, the group cancelled the revolving credit facility effectively on 15 February 2023. Commitment fees were payable up to and including 15 February 2023.*

[4] *In December 2022, the group successfully concluded the refinancing of its debt package 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 the four major South African banks, ensuring that the group remain multi-banked and is not exposed to concentration risk. R2.1 billion of these facilities was applied towards the settlement of HPF's maturing term loans and corporate notes, with the balance allocated towards headroom for the group's short-term working capital requirements.*

[5] *The group's Mozambican US Dollar-denominated facilities equating R440 million and R28 million MZN-denominated loan which was due in March 2022 have been refinanced for a further five and three years respectively.*

[6] *Repayable in a bullet payment at maturing date.*

44. FINANCIAL RISK MANAGEMENT continued

44.1 Financial risk factors continued

Risk management process continued

(c) Liquidity risk continued

The table below analyses the group's financial liabilities that will be settled 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:

	Less than 1 year Rm	Between 2 and 5 years Rm	Over 5 years Rm
At 31 March 2023			
Bank borrowings[2]	**123**	**2 321**	**–**
Lease liabilities	**35**	**289**	**1 088**
Derivative financial instruments	**–**	**(28)**	**–**
Trade and other payables	**729**	**–**	**–**
	887	**2 582**	**1 088**
At 31 March 2022			
Bank borrowings	155	1 968	–
Corporate bonds[3]	103	1 826	–
Lease liabilities	135	666	1 745
Bank overdrafts[1]	42	–	–
Derivative financial instruments	9	4	–
Trade and other payables	699	–	–
	1 143	4 464	1 745

[1] *Bank overdrafts are repayable on demand; however, the group maintains sufficient cash balances to settle these as part of cash management arrangements as set up with its banking institutions. Refer to note 25.*

[2] *The projected cash flows based on the maturing dates of the different facilities amount to R152 million in year two, R617 million in year three, R1 019 million in year four and R533 million in year five.*

[3] *The group refinanced the debt package in December 2023. Refer to note 44.1(c)(ii).*

Gross cash inflows and outflows in respect of the group's derivative financial instruments are not material and therefore no further information has been presented.

44. FINANCIAL RISK MANAGEMENT continued

44.2 Financial instruments by category

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

	Amortised cost Rm	Derivatives used for hedging Rm	Other financial liabilities at amortised cost Rm	Not categorised as a financial instrument Rm	Total Rm	Non- current Rm	Current Rm
At 31 March 2023							
Financial assets							
Non-current receivables	**14**	**–**	**–**	**–**	**14**	**14**	**–**
Derivative financial instruments	**–**	**28**	**–**	**–**	**28**	**28**	**–**
Trade and other receivables	**453**	**–**	**–**	**51**	**504**	**–**	**504**
Cash and cash equivalents	**883**	**–**	**–**	**–**	**883**	**–**	**883**
Financial liabilities							
Interest-bearing borrowings	**–**	**–**	**1 964**	**–**	**1 964**	**1 964**	**–**
Lease liabilities	**–**	**–**	**1 447**	**–**	**1 447**	**1 412**	**35**
Trade and other payables	**–**	**–**	**729**	**158**	**887**	**–**	**887**
At 31 March 2022							
Financial assets							
Non-current receivables	14	–	–	–	14	14	–
Trade and other receivables	402	–	–	68	470	–	470
Cash and cash equivalents	707	–	–	–	707	–	707
Financial liabilities							
Interest-bearing borrowings	–	–	3 537	–	3 537	3 495	42
Lease liabilities	–	–	1 360	–	1 360	1 349	11
Derivative financial instruments	–	13	–	–	13	4	9
Trade and other payables	–	–	699	139	838	–	838

45. CAPITAL RISK MANAGEMENT

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

The group defines capital as equity funding provided by shareholders and debt funding from external parties. Shareholder funding comprises permanent paid-up capital, share premium, revenue reserves and other reserves as disclosed in the balance sheet. Debt funding comprises loans from shareholders, banking institutions and corporate bonds and net debt represents gross debt net of all cash reserves.

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 group defines as the weighted average cost of capital, taking into account the group'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. The group's debt capacity and optimal gearing levels are determined by the cash flow profile of the group and are measured through applicable ratios such as net debt to Ebitdar and interest cover which ratios were complied with throughout the year.

These ratios provide a framework within which the group's capital base is managed. The group's current utilisation of debt facilities is shown in note 44.1(c)(ii).

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

Under the terms of the borrowing facilities, the group was required to comply with the following financial covenants:

45.1 Financial capacity and covenants

In December 2022, the group successfully concluded the refinancing of its debt package 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 the four major South African banks, ensuring that the group remains multi-banked and is not exposed to concentration risk. R2.1 billion of these facilities was applied towards the settlement of HPF's maturing term loans and corporate notes, with the balance allocated towards headroom for the group's short-term working capital requirements.

The leverage ratio and interest cover ratio for the initial covenant measurement period ending 31 March 2023 were set at less than 3.5 and greater than 2.0, respectively. In addition, the group is required to maintain a minimum liquidity level of R500 million until 31 March 2023.

Improved profitability and cash generation during the year, along with the application of the proceeds from the TSG transaction and Ikoyi Hotels disposal towards the settlement of the group's interest-bearing borrowings, created facility headroom of R1.0 billion. Together with available cash of R653 million (excluding the Ikoyi Cash Deposit), the group has comfortably exceeded the liquidity covenant by R1.2 billion, achieved a leverage ratio of 1.1, and an interest cover ratio of 4.8 for the 31 March 2023 measurement date. The minimum liquidity requirement falls away after 31 March 2023 when the covenants become more restrictive over time, based on a sliding scale:

- The maximum leverage cover ratio reduces to 3.0 for periods after 31 March 2023, to 2.5 for periods after 31 March 2024 and to 2.0 for periods after 31 March 2025; and
- The minimum interest cover ratio increases to 2.5 for periods after 31 March 2023.

Based on current performance and management's forecast cash flows to 31 March 2024 (refer to note 3.1.2), there is no reason to believe that the group will not meet these covenant levels.

As at 31 March 2023, the group had net cash and cash equivalents net of bank overdrafts of R653 million (FY22: R665 million) which excludes the Ikoyi Cash Deposit (refer to note 42 for further information). The group has R1.96 billion (FY22: R3.5 billion) of gross interest-bearing debt (excluding capitalised lease liabilities) and access to R1.0 billion in undrawn facilities to meet its obligations as they become due.

45. CAPITAL RISK MANAGEMENT continued

45.1 Financial capacity and covenants continued

The board of directors of the company has assessed the cash flow forecasts and is of the view that the group has sufficient liquidity to meet its obligations over the next 12 months.

	2023 Rm
Year ended 31 March 2023	
Total borrowings (note 28)	**1 964**
Less: Cash and cash equivalents (note 25)	**(883)**
Plus: Demand deposit held as security (note 25)	**230**
Net debt	**1 311**
Adjusted Ebitda (see below)	**1 154**
Net debt:Adjusted Ebitda (times)	**1.1**
Finance costs (note 13)	**(343)**
Adjusted for	
IFRS 16 finance costs (note 13)	**132**
Gains relating to derivative instruments (note 13)	**(28)**
Adjusted finance costs	**(239)**
Interest cover (times)	**4.8**
Adjusted EBITDA	
Ebitdar pre-exceptionals (note 5)	**1 436**
Rentals paid – pre-IFRS 16	**(288)**
Once-off costs relating to the implementation of the refinance agreements	**6**
	1 154

	2022 Rm
Year ended 31 March 2022	
Total borrowings (note 28)	3 537
Less: Cash and cash equivalents (note 25)	(707)
Net debt	2 830
Ebitdar (note 5)	590
Net debt: Ebitdar (times)	4.8
Southern Sun Hotels' (excluding HPF) rolling 12-month Ebitda 2022: <loss of R330 million	51
Southern Sun Hotels' (excluding HPF) liquidity including cash and cash equivalents 2022: >R500 million	1 473
Hospitality liquidity including cash and cash equivalents 2022: >R125 million	547

46. FAIR VALUE ESTIMATION OF FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY

Specific valuation techniques used to value financial instruments and investment property include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments and investment property.

46.1 Financial instruments in level 2

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

The group has the following level 2 financial instruments (note 31), which are subject to enforceable master netting arrangements which are not offset due to offsetting requirements not being met as at 31 March:

	2023 Rm	2022 Rm
Derivative financial instruments – interest rate swaps assets	**28**	1
Derivative financial instruments – interest rate swaps liability	**–**	(14)

46.2 Financial instruments and investment property in level 3

The level 3 basis of fair value is market value which is defined as an opinion of the best price at which the sale of a financial instrument and investment property, taking into account existing conditions, would have been completed unconditionally for a cash consideration on the date of valuation assuming:

- A willing seller;
- That the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as at the date of valuation;
- That no account is taken of any additional bid by a prospective purchaser with a special interest; and
- That both parties to the transaction had acted knowledgeably, prudently and without compulsion.

The group has the following level 3 financial instruments and investment property:

	2023 Rm	2022 Rm
Investment properties (note 17)	**1 485**	1 450
	1 485	1 450

There were no transfers between levels 1, 2 and 3 during the year under review or in the prior year. The group has no other financial assets or liabilities measured at fair value.

47. SUBSIDIARIES HAVING MATERIAL NON-CONTROLLING INTERESTS

The total non-controlling interests' share of losses for the year and accumulated non-controlling interests are allocated as follows:

	Place of business	NCI's ownership as at 31 March		Share of profit/(loss) for the year 31 March		Accumulated non-controlling interests as at 31 March	
		2023 %	2022 %	**2023 Rm**	2022 Rm	**2023 Rm**	2022 Rm
Ikoyi Hotels Limited	Nigeria	**–**	24	**2**	3	**–**	159
Southern Sun (Mozambique) Limitada	Mozambique	**13**	13	**(4)**	(5)	**13**	(29)
Other non-material non-controlling interests				**1**	2	**1**	(33)
				(1)	–	**14**	97

Summarised financial information, before intergroup eliminations, for subsidiaries having material non-controlling interests is as follows:

	Ikoyi Hotels Limited		Southern Sun (Mozambique) Limitada	
	2023 Rm	2022 Rm	**2023 Rm**	2022 Rm
Summarised balance sheets as at 31 March				
Non-current assets	**–**	799	**828**	696
Current assets	**–**	35	**28**	9
Total assets	**–**	834	**856**	705
Non-current liabilities	**–**	132	**602**	227
Current liabilities	**–**	21	**65**	20
Total liabilities	**–**	153	**667**	247
Net assets	**–**	681	**189**	458
Summarised income statements for the year ended 31 March				
Revenue	**–**	104	**155**	95
Profit/(loss) before income tax	**–**	10	**(32)**	(35)
Income tax credit/(expense)	**–**	11	**4**	(5)
Profit/(loss) for the year	**–**	21	**127**	(40)
Total comprehensive income/(loss)	**–**	21	**127**	(40)
Summarised cash flows for the year ended 31 March				
Cash generated from operations	**–**	31	**43**	15
Finance costs paid	**–**	(7)	**(33)**	(17)
Income tax paid	**–**	–	**–**	(10)
Net cash generated from/(utilised in) operations	**–**	24	**10**	(12)
Net cash generated from/(utilised in) investment activities	**–**	1	**(4)**	2
Net cash utilised in financing activities	**–**	(4)	**(6)**	(2)
Net increase/(decrease) in cash and cash equivalents	**–**	21	**–**	(12)
Foreign currency translation	**–**	(1)	**2**	15
Cash and cash equivalents at beginning of the year	**–**	18	**9**	6
Cash and cash equivalents at end of the year	**–**	38	**11**	9

48. SUBSIDIARY COMPANIES

The following information relates to the company's financial interest in its principal subsidiaries:

	Issued share capital		Effective holding		Shares at cost net of impairment	
Subsidiary	**2023 Rm**	2022 Rm	**2023 %**	2022 %	**2023 Rm**	2022 Rm
Direct shareholding						
Southern Sun Investments Proprietary Limited	*	*	**100**	100	**4 267**	4 267
Southern Sun Hotel Interests Proprietary Limited	**1 061**	1 061	**100**	100	**2 713**	2 713
Southern Sun Offshore Proprietary Limited	*	*	**100**	100	**1 930**	1 930
Elsivert Proprietary Limited	*	*	**100**	100	**75**	75
Majormatic 194 Proprietary Limited	*	*	**100**	100	**11**	11
Indirect shareholding						
Hospitality Property Fund Limited	**578**	578	**100**	100	**4 790**	4 790
Southern Sun Africa	*	*	**100**	100	**397**	397
Ikoyi Hotels Limited[1]	–	3	–	76	–	*
Southern Sun (Mozambique) Limitada	**18**	18	**87**	87	**16**	16
Southern Sun Middle East Investment Holdings Proprietary Limited	*	*	**100**	100	*	*
Reshub Proprietary Limited	*	*	**100**	100	*	*
					14 199	14 199

* *Amount less than R1 million.*

[1] *Ikoyi Hotels Limited, incorporated in Nigeria, was disposed of on 30 November 2023; refer to note 42.*

The group comprises of a large number of companies. The list above only includes those subsidiary undertakings which materially affect the profit or net assets of the group, or a business segment, together with the principal intermediate holding companies of the group. 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.

All of the above subsidiaries are unlisted, and with the exception of Southern Sun (Mozambique) Limitada, which is incorporated in Mozambique, and Southern Sun Africa, which is incorporated in Mauritius, are incorporated in South Africa.

49. GOING CONCERN

The audited consolidated annual financial statements are prepared on the going-concern basis. Based on the cash flow forecasts, available cash resources and the other measures the group has taken or plans to take, management believes that the group has sufficient resources to continue operations as a going concern in a responsible and sustainable manner. The group monitors the covenants on an ongoing basis and does not expect to breach covenants. Refer to note 45.

ANALYSIS OF ORDINARY SHAREHOLDERS

as at 31 March 2023

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	0.00
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	0.00	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	0.00	583 857	0.04
Sovereign funds	1	0.00	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	0.00
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).

ANALYSIS OF ORDINARY SHAREHOLDERS *continued*

as at 31 March 2023

Shareholder type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Non-public shareholders	11	0.05	622 432 556	42.12
>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**

Beneficial shareholders with a holding greater than 3% of the issued shares	Number 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
Dividend yield as at 31 March 2023	0.00
Market capitalisation as at 31 March 2023	R6 354 994 484

	31 March 2023				31 March 2022			
	Direct beneficial	**Indirect beneficial[1]**	**Associates**	**Total**	Direct beneficial	Indirect beneficial[1]	Associates	Total
Executive directors								
MN von Aulock	**–**	**6 677 831**	**–**	**6 677 831**	–	5 590 903	–	5 590 903
L McDonald	**46 377**	**260 188**	**–**	**306 565**	46 377	260 188	–	306 565
Non-executive directors								
JA Copelyn	**–**	**14 855 338**	**–**	**14 855 338**	–	14 855 338	–	14 855 338
JR Nicolella	**–**	**–**	**59 479**	**59 479**	–	–	59 479	59 479
Total	**46 377**	**21 793 357**	**59 479**	**21 899 213**	46 377	20 706 429	59 479	20 812 285

[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.*

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

	Date	**Indirect beneficial**
Executive director		
MN von Aulock	13 July 2023	5 017
	14 July 2023	106 348

B-BBEE ANNUAL COMPLIANCE REPORT

BROAD-BASED BLACK ECONOMIC EMPOWERMENT COMMISSION

COMPLIANCE REPORT BY COMPANIES LISTED ON THE JOHANNESBURG STOCK EXCHANGE (JSE) (in terms of Section 13G (2) of the Act)

SECTION A: DETAILS OF ENTITY

Name of entity/organisation: **Southern Sun Limited**

Registration number: **2002/006356/06**

Physical address: **4th Floor South Tower, Nelson Mandela Square, Cnr 5th and Maude Streets, Sandton, 2196**

Telephone number: **011 461 9779**

Email address: **Candy.Tothill@southernsun.com**

Indicate type of entity/organisation: **Hotel operators**

Industry/sector: **Tourism**

Relevant code of good practice: **Tourism**

Name of verification agency: **Empowerdex**

Name of technical signatory: **Jenny Brebnor**

SECTION B: INFORMATION AS VERIFIED BY THE BROAD-BASED BLACK ECONOMIC EMPOWERMENT VERIFICATION PROFESSIONAL AS PER SCORECARDS

B-BBEE elements	Target score including	Bonus points	Actual score achieved
Ownership	e.g. 25 points		27.00
Management control	e.g. 19 points		12.78
Skills development	e.g. 20 points	1.22	17.11
Enterprise and supplier development	e.g. 40 points	1.00	35.83
Socio-economic development	e.g. 5 points	3.00	8.00
Total score	e.g. 109 points	5.22	100.72
Priority elements achieved	YES/NO and specify them	Yes, all priority elements achieved	
Empowering supplier status	YES/NO and specify them	Yes	
Final B-BBEE status level		Level 1	

* *Indicate how each element contributes to the outcome of the scorecard*

SECTION C: FINANCIAL REPORT

1. **BASIC ACCOUNTING DETAILS:**
   a. Accounting officer's name: **Laurelle McDonald**
   b. Address: **4th Floor South Tower, Nelson Mandela Square, Cnr 5th and Maude Street, Sandton, 2196**
   c. Accounting policy: (are your accounts done weekly, monthly, other – specify): **Monthly**
   d. Has the attached financial statements and annual report been approved by the entity? Y/N: **Yes**
2. **PLEASE ATTACH THE FOLLOWING:**
   i. COPY OF ANNUAL FINANCIAL STATEMENT INCLUDING BALANCE SHEET AND INCOME AND EXPENDITURE REPORT **Attached**
   ii. ANNUAL REPORT **Attached**

Entity annual turnover: **R5 386 million**

Compliance Report (Form B-BBEE 1) (in terms of Section 13G (2) of the Act)

GLOSSARY AND KEY TERMS

Initialism	Definition
Adjusted headline profit/(loss)	Adjusted headline profit/(loss) is defined as profits or losses attributable to equity holders of the company adjusted for after-tax exceptional items (including headline adjustments) that are regarded as sufficiently material and unusual that they would distort the numbers if they were not adjusted. This measure is not required by IFRS, is reviewed at year end, and is commonly used in the industry
AGM	Annual general meeting
ARR	Average room rates
F&B	Food and beverage
B-BBEE	Broad-Based Black Economic Empowerment
board	The board of directors of Southern Sun Limited
capex	Capital expenditure
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CODM	Chief Operating Decision Maker (includes the group CEO, CFO and senior management team)
Companies Act	The Companies Act, 71 of 2008, as amended or replaced from time to time
Company Secretary	The Company Secretary of Southern Sun Limited namely LR van Onselen for Southern Sun Secretarial Services Proprietary Limited (registration number 1969/001208/07), a private company incorporated and registered in accordance with the laws of South Africa
cps	cents per share
CSI	Corporate social investment
DTIC	Department of Trade, Industry and Competition
GDP	Gross domestic product
GDPR	General Data Protection Regulation
CPI	Consumer Price Index
CTC	Cost to company
DCF	Discounted cash flow
directors	The directors of the company, from time to time, whose names appear in the corporate information and advisers section of this report
Ebitdar	Earnings before interest, tax, depreciation, amortisation, rentals and exceptional items
HCI	Hosken Consolidated Investments Limited (registration number 1973/007111/06), a public company incorporated and registered in accordance with the laws of South Africa and listed on the JSE
HOFs	Heads of function
HPF or Hospitality	Hospitality Property Fund Limited (registration number 2005/014211/06), a public company incorporated and registered in accordance with the laws of South Africa
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBD	Interest-bearing debt
IFRS	International Financial Reporting Standards
IHL	IHL Holdco Limited (registration number 2083505), a private company incorporated and registered in accordance with the laws of the British Virgin Islands
IHG	InterContinental Hotels Group plc

IIRC	International Integrated Reporting Council
JSE	The Johannesburg Stock Exchange operated by the JSE Limited (registration number 2005/022939/06), a public company incorporated and registered in accordance with the laws of South Africa, and licensed to operate and exchange under the Financial Markets Act, 19 of 2012
JSE Listings Requirements	The Listings Requirements of the JSE, as amended from time to time
IT	Information technology
King IV	The Code on Corporate Governance representing principles of good corporate governance as laid out in the King Report on Corporate Governance for South Africa, 2016, as amended from time to time
L2D	Liberty 2 Degrees Limited
LPG	Liquefied petroleum gas
LTI	Long-term incentive
Manco	Management company
MOI	Memorandum of incorporation
Net debt:Ebitda ratio	*Net debt* Aggregate amount of all obligations in respect of borrowings after deducting the aggregate amount of cash and cash equivalents *Ebitda* Earnings before interest, income tax, depreciation, amortisation, IFRS 16 rent adjustments, long-term incentives and exceptional items – which definition is consistent with the funding agreements
NED	Non-executive director
ORMS	Organisational Risk Management System
PABX	Physical and virtual private branch exchanges
POPIA	Protection of Personal Information Act, 4 of 2013
pp	Percentage points
RCF	Revolving credit facility
RDI	RDI REIT plc is a property investment business listed on the London Stock Exchange
Rand or R	South African Rand, the lawful currency of South Africa
RBH	RBH Hotels Group Limited (registration number 07399345), a private company incorporated and registered in accordance with the laws of the United Kingdom
RCF	Revolving Credit Facility
Revpar	Revenue per available room
SAB	South African Breweries
SAICA	South African Institute of Chartered Accountants
SAR	Share appreciation right

SENS	Stock Exchange News Service
Shareholders	Holders of SSU shares from time to time
Separation agreement	The agreement entered into between Southern Sun and Tsogo Sun Gaming Limited, which gave TSG the right to terminate (on one months' notice) the various management and licensing agreements in respect of 15 hotels owned by TSG, for a once-off payment of R399 million
Separation payment	The once-off payment of R399 million received from Tsogo Sun Gaming Limited on implementation of the Separation agreement
SDS	Skills development spend
STI	Short-term incentive
SSU shares	Shares in Southern Sun, listed on the JSE
Southern Sun or the company	Southern Sun Limited (previously known as Tsogo Sun Hotels Limited) (registration number 2002/006356/06), incorporated as a private company and converted to a public company on 15 May 2019 in accordance with the laws of South Africa and listed on the JSE
Subsidiaries	Shall have the meaning ascribed thereto in the Companies Act
The group	Southern Sun and its subsidiaries
TCFD	Task Force on Climate-related Financial Disclosure
TSG	Tsogo Sun Limited (previously known as Tsogo Sun Gaming Limited) (registration number 1989/002108/06), a public company incorporated and registered in accordance with the laws of South Africa with shares listed on the JSE
TSG transaction	The conclusion of a hotel properties and businesses acquisition agreement between Southern Sun and TSG for Southern Sun to acquire the two hotel properties and business assets of Southern Sun Mbombela (formerly Southern Sun Emnotweni) and StayEasy Mbombela (formerly StayEasy Mbombela) for an aggregate purchase consideration of R142 million and a Separation agreement between Southern Sun and TSG for the termination of the various management and licensing agreements in respect of 15 hotels owned by TSG, for a termination fee of R399 million paid to Southern Sun. The effective date being 1 October 2022
US$	United States Dollar, the lawful currency of the United States
VAT	Value added tax

CORPORATE INFORMATION AND ADVISERS

Southern Sun

DIRECTORS

JA Copelyn (Chairman)*, MN von Aulock (Chief Executive Officer), L McDonald (Chief Financial Officer), MH Ahmed (Lead Independent)*#, SC Gina*#, ML Molefi#, JG Ngcobo*#, JR Nicolella*, CC September*#

** Non-executive.* *# Independent.*

COMPANY SECRETARY

LR van Onselen for Southern Sun Secretarial Services Proprietary Limited

REGISTERED OFFICE

4th Floor, South Tower, Nelson Mandela Square
Cnr 5th and Maude Streets, Sandton, 2196
(Private Bag X200, Bryanston, 2021)

TRANSFER SECRETARIES

JSE Investor Services Proprietary Limited
(previously Link Market Services South Africa Proprietary Limited), 13th Floor, Rennie House
19 Ameshoff Street, Braamfontein, 2001
(PO Box 4844, Johannesburg, 2000)

SPONSOR

Investec Bank Limited, 100 Grayston Drive
Sandown, Sandton, 2196, South Africa

COMMERCIAL BANKERS

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

INDEPENDENT EXTERNAL AUDITOR

PricewaterhouseCoopers Inc.
4 Lisbon Lane, Jukskei View, 2090
(Private Bag X36, Sunninghill, 2157)

FORWARD-LOOKING STATEMENT(S)

This integrated annual report contains forward-looking statements and information in relation to the group. By its very nature, such forward-looking statements and information require the company to make assumptions that may not materialise or that may not be accurate. Such forward-looking information and statements involve known and unknown risks, uncertainties and other important factors beyond the control of the company that could cause the actual performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements. Past share performance cannot be relied on as a guide to future performance. Forward-looking statements speak only as at the date of this document and no statement is intended to be a profit forecast. Forward-looking statements are the responsibility of the directors and have not been reviewed and reported on by the external auditors in accordance with ISAE 3400 *The Examination of Prospective Financial Information*.

Luxury		Full Service	Economy	Convention Centre
54 ON BATH	Arabella HOTEL, GOLF & SPA	Southern Sun HOTELS	stayeasy	SANDTON CONVENTION CENTRE
BEVERLY HILLS	InterContinental JOHANNESBURG O.R.TAMBO AIRPORT	Southern Sun RESORTS	SUN 1	
SANDTON SUN	SANDTON TOWERS	SUN SQUARE		
MOUNT GRACE HOTEL & SPA	Paradise Sun praslin seychelles	Garden Court		

OVER **90**

HOTELS & RESORTS

in South Africa, Africa, the Seychelles and the Middle East

OVER **16,000** rooms from luxury to economy

Luxury

54 ON BATH

Arabella HOTEL, GOLF & SPA

BEVERLY HILLS

INTERCONTINENTAL JOHANNESBURG O.R.TAMBO AIRPORT

SANDTON SUN

SANDTON TOWERS

MOUNT GRACE HOTEL & SPA

Paradise Sun praslin seychelles

Full Service

Southern Sun HOTELS

Southern Sun RESORTS

SUN SQUARE

Garden Court

Economy

stayeasy

SUN 1

Convention Centre

SANDTON CONVENTION CENTRE

OVER **300** CONFERENCE VENUES & banqueting facilities

VARIETY OF **restaurants & bars**

CITIZENSHIP

Community development

Entrepreneur development

Environmental education

LEVEL **1** B-BBEE CONTRIBUTOR

PREFERRED ACCOMMODATION PARTNER to South Africa's leading sports teams

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