TSOGO SUN

HOTELS

2021

Integrated annual report

Contents

Icons for further digital information within the report:

Further relevant reading within this report

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

Social platforms via other media:

Like our Facebook page to connect with Tsogo Sun Hotels on a regular basis **www.facebook.com/tsogosun**

Link to our Twitter account to follow the latest news regarding Tsogo Sun Hotels **www.twitter.com/tsogosun**

View Tsogo Sun Hotels' images on Instagram **www.instagram.com/tsogosun**

www.tsogosun.com

About this report

Reporting approach

We are pleased to present our second 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.

We remain cognisant of the evolving Covid-19 crisis and strive to report transparently to our stakeholders within the constraints of the situation, as highlighted on page 2.

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

Assured element	Assurance provided	Assurance provided
Consolidated financial statements	External audit	PricewaterhouseCoopers Inc. (PwC)
Broad-Based Black Economic Empowerment (B-BBEE) level 3 group rating	Verification	Empowerdex Proprietary Limited
Internal audit	Internal controls	GRIPP Advisory Proprietary Limited

Scope and boundaries

The contents of this report relates to Tsogo Sun Hotels Limited (Tsogo Sun Hotels or TGO) and its subsidiaries (the group) for the 2021 financial year and beyond. This report covers Tsogo Sun Hotels' performance for the year ended 31 March 2021, compared to the prior year ended 31 March 2020. The matters included address material issues for the group (TGO and its subsidiaries), associates and joint ventures.

The process we utilised in determining and applying materiality is included on page 37 of the report.

Non-financial disclosures, except for environmental disclosures, focus on the South African operations, which generate 88% of our income.

The scope and boundaries of environmental disclosures are defined on page 48.

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.tsogosun.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 **companysecretaryTGO@tsogosun.com**.

John Copelyn
Chairman

Marcel von Aulock
Chief Executive Officer (CEO)

30 July 2021

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The Covid-19 crisis and its impact on the travel and tourism industry

The results for the 2021 financial year, clearly reflect the devastating impact that Covid-19 and the accompanying lockdown regulations have had, and continue to have, on the hospitality industry in general and our group in particular. There had been encouraging signs of a slow recovery in trading, following the move to level 1 of the national lockdown on 21 September 2020. The lifting of the international travel ban, subject to strict health protocols, as announced by President Ramaphosa on 11 November 2020, was a positive step towards reviving the South African tourism sector. However, thereafter the announcement to move to level 3 of the national lockdown in respect of the country's second wave of infections and the accompanied closure of beaches and the alcohol ban were particularly detrimental to the hospitality industry as they negatively affected the willingness of guests to travel.

This was exacerbated by the negative publicity around the South African variant of the Covid-19 virus, resulting in South Africa being added to the "red" list of many of the group's key source markets including Germany, the United Kingdom, France and the United States of America.

This means that recovery in the international and corporate travel markets is likely to take longer than anticipated, particularly now that the third wave of infections are upon us. The delays in vaccine rollouts locally, as well as the recent civil unrest and looting, which has been experienced across the country since 8 July 2021 and which was intensified by opportunistic acts of criminality, will worsen the negative impact on recovery.

The success of the group's Covid-19 response during the initial level 5 lockdown period meant that it was well placed to respond quickly to the subsequent waves of infection and the more stringent restrictions. Drawing on its ability to deactivate and reactivate hotels in a short space of time, the group was able to capitalise on any potential business while keeping costs to a minimum.

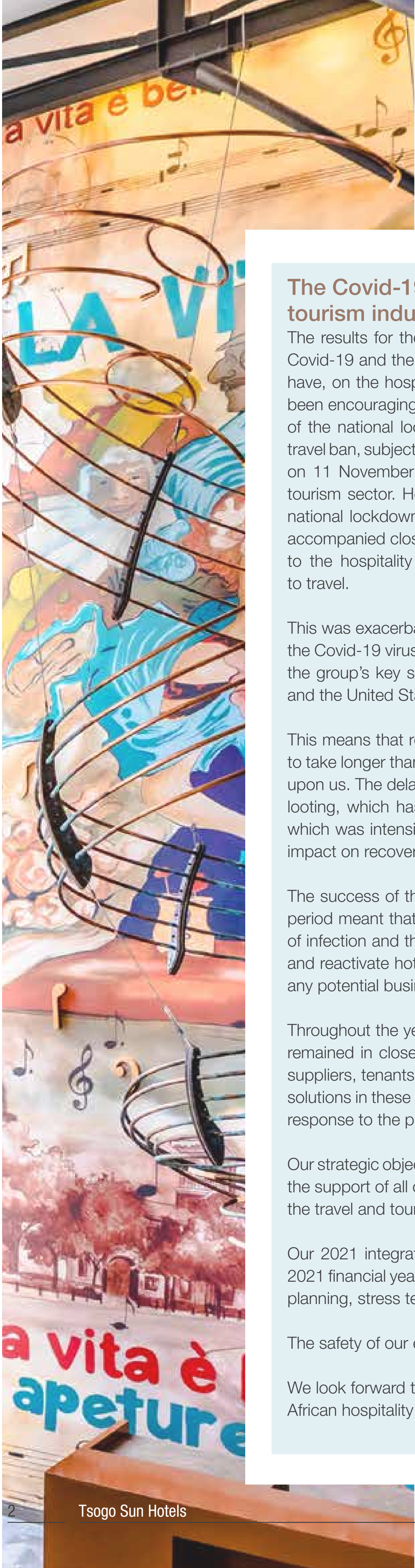
Throughout the year, in the midst of the challenging circumstances, the group has remained in close communication with our lenders, employees, trading partners, suppliers, tenants and landlords in order to arrive at mutually sustainable operating solutions in these extraordinarily difficult times. The various measures put in place in response to the pandemic are discussed further in our leadership reports.

Our strategic objective of sustainability has never been more relevant. We appreciate the support of all our stakeholders as we continue to navigate this turbulent time in the travel and tourism industry.

Our 2021 integrated annual report, as a whole, reflects our performance for the 2021 financial year. The significant consideration given to Covid-19 in our approach, planning, stress testing, and the like, is incorporated throughout the report.

The safety of our employees and guests remains paramount.

We look forward to welcoming our guests back to our hotels with the warm South African hospitality we are known for.



Group overview

Our vision

Our vision is to create great hospitality and leisure experiences at every one of our distinctive destinations.

Who we are

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

Comprising 112 hotels in South Africa, Africa, the Seychelles and the Middle East, an extensive selection of restaurants and bars, and a diverse collection of conference and banqueting facilities, Tsogo Sun Hotels provides products of unparalleled variety and scale.

Our group structure

Our owners

Our key shareholder at 31 March 2021 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, excluding treasury shares.

The HCI shareholding is of particular importance to the sustainability of the group as it provides the bulk of the 52% effective black ownership at group level. 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.

(1) *Includes directors and associates that own 2.5% of the company's total issued share capital.*

Joint statement from the Chairman and CEO

John Copelyn I *Non-Executive Chairman*
Marcel von Aulock I *Chief Executive Officer*

Welcome to our second integrated report since the unbundling of Tsogo Sun Hotels and Tsogo Sun Gaming into separate entities in June 2019.

The focus of the year ended 31 March 2021 has been navigating the Covid-19 crisis and taking all measures to ensure the group's sustainability. We reported on many of the initiatives put in place in last year's integrated annual report and we continue with these as the pandemic persists. As we prepare this report, South Africa is in the midst of the third and most aggressive wave of infections to date. We have traded under level 4 restrictions until recently, which have had a severe impact, once again, on the amount of travel being undertaken in the country and consequently on the number of rooms we are selling per day.

This difficult environment has been further impacted by the lawless anarchy experienced, particularly in KwaZulu-Natal, in mid-July. We were extremely fortunate to have been spared any physical infrastructure damage to our hotels during the violence. However, since KwaZulu-Natal and Durban have been stronger markets for us during the pandemic, the impact of the violence on the confidence of travellers is pronounced. The South African government needs to act quickly to ensure that this does not happen again and that perpetrators are actively prosecuted.

Despite this terrible environment, our people continue to do all they can to serve the customers who stay with us. Amid the violence in KwaZulu-Natal, our employees jumped to action, securing food supplies and looking after guests who could not check out and return home. Employees have made heroic efforts to get to work, staying in-house and not returning to their own families, in the absence of public transport and within an atmosphere of threat and danger.

We currently have multiple hotels operating as *bio-bubbles* in Johannesburg and Cape Town to host all the teams and support employees involved in the Castle Lager Lions Series tour to South Africa. This involves hotel management and employees living in-house for several weeks at a time and working long hours catering to a complicated tournament contingent with many changing requirements. These efforts have been above and beyond the call of duty and we thank them for this.

Payroll is the largest single cost item in our business and as we have taken emergency action and restructured in order to survive the pandemic, the impact has been most keenly felt by the organisation's people, through reduced salaries and wages, short time and retrenchments. Despite this, it is humbling to see how the people of Tsogo Sun Hotels have remained dedicated, service-orientated and willing to do whatever it takes to look after our guests and our business.

Key to the group's survival has been managing cash flow to reduce losses and ensuring we have adequate liquidity to fund our operations for as long as it takes for the pandemic to pass. Ultimately a business cannot survive forever on little to no revenue and a return to more normalised revenue levels is the only guaranteed way of ensuring we remain in business.

There have been encouraging signs in Europe and America that once the vaccination programmes reach a substantial portion of the population, it is possible to return to a more normal way of life. Recently, we have witnessed events in the United Kingdom such as the Wimbledon tennis, the Euro 2020 soccer and the Silverstone Formula 1 Grand Prix take place in front of large crowds. In the United States many hotel markets have began reporting Revpar numbers above the equivalent period in 2019, which shows that the pent-up demand for travel exists, particularly starting with local leisure travel.

We believe the situation will be similar in South Africa and we have experienced this increase in demand as each wave of infections and the associated restrictions have passed. Tsogo Sun Hotels is well-placed to capture local leisure, with great destination resorts such as Beverly Hills, Arabella Hotel, Golf & Spa and Mount Grace Hotel & Spa. Urban leisure business in Johannesburg and Durban have also shown resilience when restrictions were lifted with properties such as the Sandton Sun and Palazzo showing a good recovery in occupancies and food and beverage revenues, particularly in the summer of 2020/2021. With the South African vaccination programme gaining momentum, we are optimistic for the coming summer months. This will be greatly enhanced if South Africa can reopen for international travel and we see some recovery in domestic corporate travel.

While we anticipate a return to more normal travel patterns, we are mindful that this could take some time to be achieved and we continue to manage cash flow and liquidity closely. The sale of our share of the Maia luxury hotel in the Seychelles for US$28 million contributed to a meaningful reduction in our offshore US$-denominated debt. Working capital management and a stronger Rand/US Dollar exchange rate have further helped us fund operating losses and reduce debt in the year under review.

The expected receipt of up to R177 million in business interruption claims from our insurers will greatly assist our liquidity in FY22 and help fund ongoing losses until trading recovers.

In the medium term, the successful acquisition of the remaining shares in Hospitality Property Fund (HPF), through the issue of Tsogo Sun Hotels shares and the subsequent delisting of HPF is an important transaction, that will allow us time to restore our balance sheet without the need to declare dividends to maintain HPF's REIT status. This transaction will also allow us a clean holding structure to optimise our portfolio of hotels and refinance HPF's R2.6 billion debt programme in due course.

The group is multi-banked with exposure to all four major banks in South Africa, and the financiers have been greatly supportive of all our efforts to date for which we are grateful. As at 31 March 2021, we had received waivers of our covenants on the various facilities to September 2021 and had over R400 million in cash and some R1.5 billion in unutilised facilities.

Our sincere gratitude goes to the people of Tsogo Sun Hotels for what they have endured and contributed to the group over this period. We also want to thank the myriad of suppliers and partners for the concessions, flexibility and continued service they have provided us, that has allowed us to continue servicing our customers.

John Copelyn
Non-Executive Chairman

Marcel von Aulock
Chief Executive Officer

TSOGO 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 23 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

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.

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 Tsogo Sun Hotels' major shareholder.

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 also 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 hotels as SUN1 properties. 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 (relaunched as 54 on Bath) hotels from Hyprop.

Offshore, Tsogo Sun acquired 75.5% of Ikoyi Hotels Limited which owns 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.

2012 to 2017

2018 to 2019

2020 to 2021

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.

50 YEARS OF HOSPITALITY & ENTERTAINMENT

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 per share held; and the sale of its 50% interest in the Maia Luxury Resort and Spa for aggregate proceeds of R467 million. Hospitality subsequently delisted from the JSE as an equity issuer and ceased to trade as a Real Estate Investment Trust (REIT).

Strategy and performance review

While the group's strategic objectives don't change from year to year, the impact of the Covid-19 pandemic on the business has been pervasive and the 2021 performance metrics should be reviewed in that context.

For more information on the Covid-19 crisis, refer to page 2.

SUSTAINABILITY

Our strategic objectives are:

GROWTH

How we create long-term sustainable value

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 3** (2020: Level 1) B-BBEE contributor • Black ownership **52%** (2020: 75%) • **R1.3 billion** (2020: R3.1 billion) value added to black economic empowered businesses and government • **153** (2020: 162) beneficiaries supported through the Tsogo 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 • Minimising cash burn • Maintaining adequate facility headroom and compliance with revised debt covenants • Unutilised facilities and cash of **R1.9 billion** (2020: R1.7 billion) • **2.2** (2020: 2.9) years weighted average expiry of debt facilities • **52%** (2020: 49%) 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	• **18 804** (2020: 18 834) hotel rooms across all market segments • **87%** (2020: 88%) 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 Tsogo Sun Hotels' experience	• **5 844** (2020: 6 596) direct employees • **93%** (2020: 92%) of employees are African, Coloured and Indian and 55% (2020: 56%) are women

A business 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

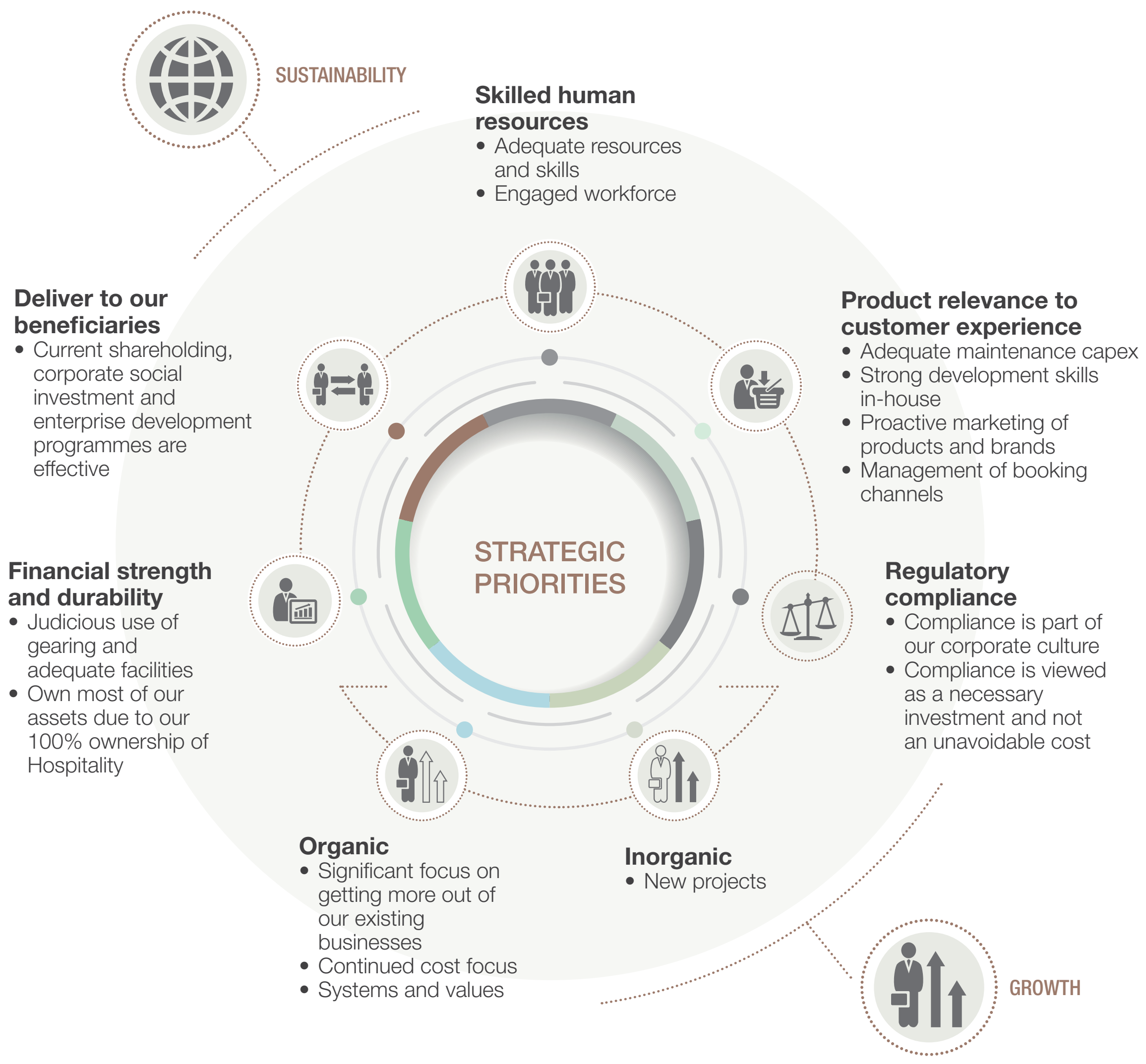
Optimal operation of the group's capitals generates growth in cash flow and thus value	2021	2020
Income (Rm)	**1 163**	4 475
Ebitdar (Rm)	**(177)**	1 352
Ebitdar margin (%)	**(16)**	30
Adjusted headline (loss)/earnings per share (cents)	**(51.4)**	26.2
Free cash flow (Rm)	**(446)**	484
Maintenance capital expenditure (Rm)	**46**	366

Inorganic growth

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

- Five of Hospitality's properties (previously externally managed) came under the management of Tsogo Sun Hotels during the year.
- 100% of Hospitality's ordinary shares were acquired during the year at an exchange ratio of 1.77 TGO for every 1 HPB share.

Strategic priorities and growth drivers

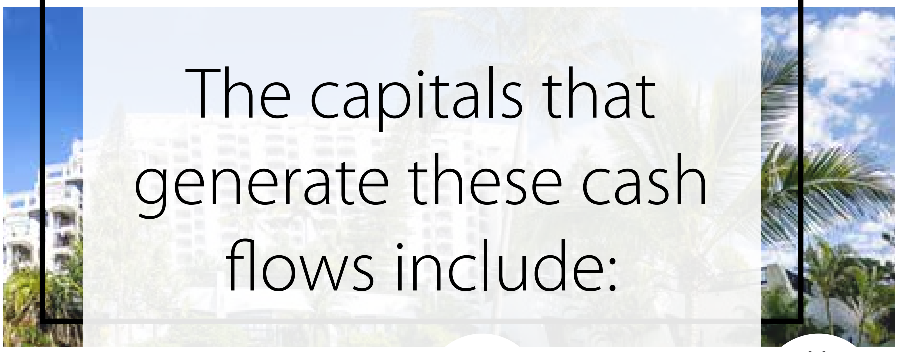


Economic recovery	• Growth in revenue per available room (Revpar) as economy improves through higher occupancies and the resultant rate increase and yielding opportunities • Focus on costs to protect margins
Economic cycle	• Hospitality industry's economic cycle is generally closely tied to the macro-economic cycle • Cyclical and seasonal nature of the business links into the macro-economic environment and key analytics on trends remain crucial to support investment decisions
Location	• Hotels in prime locations, where visibility and accessibility to major business hubs or points of leisure interest are important demand drivers
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
Investment in South African hotels	• Property acquisitions • Management contracts in South Africa
Expansion in offshore hotels	• Management contracts in Africa
Capital capacity	• To maintain an appropriate balance of our debt and equity, we need to balance our cash requirements for reinvestment with our shareholders' expectations for dividends • We need to ensure that we have sufficient flexibility to adapt to prevailing economic conditions 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.



Our hotel real estate together with our employees who provide guests with our signature hospitality experience.

Capitals	Manufactured	Natural	Human
Utilisation of the capitals	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.	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.	People are at the core of delivering the Tsogo Sun Hotels' 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.
Strategic objective	PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE; GROWTH	DELIVER TO OUR BENEFICIARIES	SKILLED HUMAN RESOURCES
Page	16	47	57

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

WE HAVE IDENTIFIED OUR MOST IMPORTANT CAPITALS

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 relationships** with key stakeholders.

Capitals	Intellectual	Financial	Social and relationship
Utilisation of the capitals	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.	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.	Quality relationships with our key stakeholders are vital to the long-term sustainability of Tsogo Sun Hotels. Building trust and credibility with our key stakeholders is crucial to retaining our social and regulatory licence to operate.
Strategic objective	PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE; REGULATORY COMPLIANCE	FINANCIAL STRENGTH AND DURABILITY	DELIVER TO OUR BENEFICIARIES; REGULATORY COMPLIANCE
Page	53	20	34

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.

Operating model

Key features

The group owns, leases and manages hotels in South Africa as well as several sub-Saharan African countries, the Seychelles and Abu Dhabi.

Hospitality, which became a wholly owned subsidiary of Tsogo Sun Hotels during the reporting period, provides scale to the group. We hold a minority investment in RBH and IHPL, based in the United Kingdom. We also operate the hotels that were developed as part of the various casino complexes owned by Tsogo Sun Gaming under long-term management agreements.

Portfolio philosophy

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

TSOGO SUN
HOTELS

REAL ESTATE

1 Land

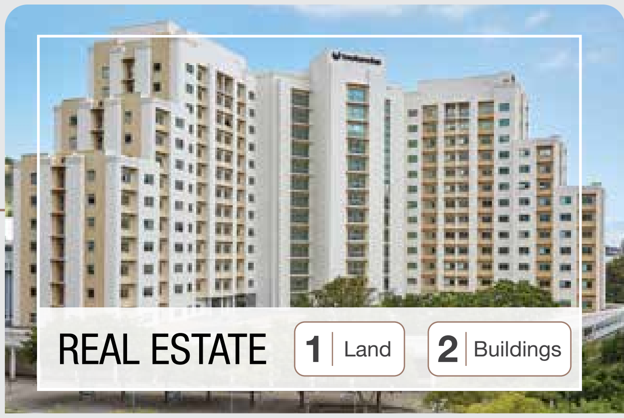
2 Buildings

MANAGEMENT OF HOTEL OPERATIONS

3 Operations

4 Management

5 Brands



As a wholly owned subsidiary of the group, **Hospitality owns a total of 54 hotels** in South Africa.

54 HOTELS	47	Leased and managed by the group
	7	Leased and managed by external operators including Marriott and Radisson

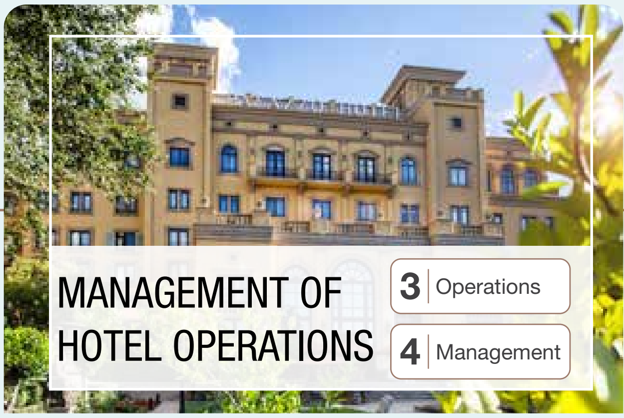
South Africa

Hospitality PROPERTY FUND

Outside of Hospitality, various group subsidiaries **own and manage a further 28 hotels.**

28 HOTELS	22	South Africa
	6	Offshore

With 73% 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.



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 or lease.

The group manages operations for offshore third parties as this is a low-risk option to enter new markets and operates 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 Tsogo Sun Hotels' occupancy depends on the business traveller, government and group and convention markets. Relationships with key customers and travel intermediaries, and access to the correct distribution networks, are critical in driving both occupancies and average room rates throughout the group.

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

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 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.

RESERVATIONS, CHANNEL MANAGEMENT, WEB AND MARKETING

Central reservations, channel management, web and marketing services 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.

SALES AND REVENUE MANAGEMENT

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 topline 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 and this has never been more important than in the difficult environment we are presently experiencing.

MARKETING

Marketing includes core promotions such as the Sunbreaks campaign, seasonal special offers and promotion of the Rewards programme. Over 40% of the group's rooms revenue is generated from Rewards members, who demonstrate their loyalty to our brands and recognise the value of SunRands offered to them through their membership.

INFORMATION TECHNOLOGY

IT service, which includes 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 Wi-Fi infrastructure.

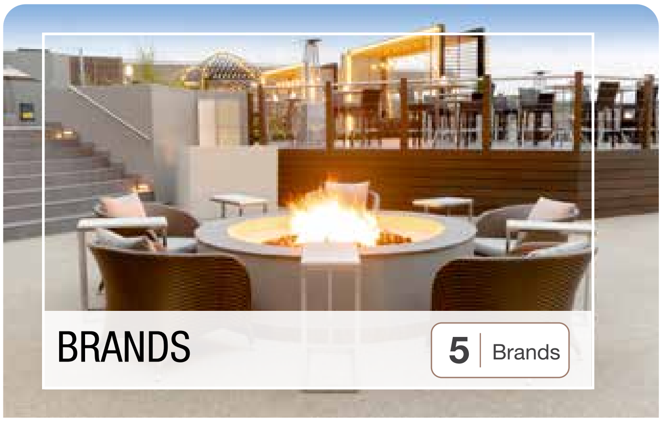
DEVELOPMENT

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

HUMAN RESOURCE SERVICES

Human resource services including 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 Tsogo 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 operates its hotel portfolio.



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: Sandton Sun at Sandton City; Palazzo at Montecasino; Beverly Hills in uMhlanga; Suncoast Towers on Durban's Golden Mile; and 54 on Bath in Rosebank.

During the year, we added the Arabella Hotel, Golf & Spa near Hermanus and the Mount Grace Hotel & Spa in Magaliesburg to the group's luxury collection when Marriott vacated these Hospitality properties and they reopened their doors within Tsogo Sun Hotels. The group also operates two InterContinental branded hotels in Johannesburg under licence from the InterContinental Hotels Group plc (IHG).

LOCATION: Sandton, uMhlanga, Durban, Rosebank, Fourways, OR Tambo Airport, Hermanus, Magaliesburg

☆☆☆☆☆

LUXURY

Sandton Sun, Palazzo, Beverly Hills, 54 on Bath, InterContinental, Suncoast Towers, Arabella Hotel Golf & Spa, Mount Grace Hotel & Spa

FULL SERVICE PORTFOLIO

Southern Sun Hotels and Resort hotels

Southern Sun Hotels is our core 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. The hotels have substantial food and beverage offerings as well as conference facilities.

During the year, we added Southern Sun The Marine in Gqeberha and The Edward hotel in Durban to the collection when Marriott vacated them and they were reopened within Tsogo Sun Hotels. In partnership with the Remgro Group, we welcomed a new boutique Southern Sun hotel to the portfolio in May 2021, when Southern Sun de Wagen in Stellenbosch opened its doors.

Our Resort hotels are located in attractive tourist destinations such as uMhlanga, Plettenberg Bay, the Drakensberg and Mpumalanga, and include a significant timeshare offering.

During the year, we added the Hazyview Sun in Mpumalanga to the Resorts collection when Marriott vacated it and it was reopened by the group. Holiday Inn Sandton is the only remaining IHG brand hotel in the full service portfolio. The final gem in this collection is the beautiful Paradise Sun on Praslin Island in the Seychelles.

LOCATION: uMhlanga, Cape Town, Stellenbosch, Durban, Plettenberg Bay, Drakensberg, East London, Gqeberha, Mpumalanga, Rosebank, Sandton, Hyde Park, Fourways, Bloemfontein, Nigeria, Mozambique, Tanzania, Seychelles

☆☆☆☆

Garden Court

The Garden Court brand is a well-established and successful mid-market offering, spanning 20 hotels with 3 959 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 Newcastle and Garden Court Mossel Bay.

LOCATION: South Africa, Zambia

20 HOTELS

3 959 ROOMS

SunSquare

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

LOCATION: Montecasino, Suncoast, Cape Town City Bowl, Cape Town Gardens

Jeera, Zepi, Vigour & Verve

FULL SERVICE

Southern Sun Hotels, Resorts, Holiday Inn, Garden Court, Sun Square

Tsogo Sun Hotels' 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.

ECONOMY PORTFOLIO

StayEasy
This brand comprises 10 hotels with 1 505 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.

LOCATION	HOTELS	ROOMS
Cape Town, Eastgate, Pietermaritzburg, Pretoria, Zambia, Mozambique	10	1 505

hi Hotels
hi Hotels is the newest brand introduced by the group. The first of its kind was hi Monte that opened in February 2020. The hotel consists of a modular design, with each room fully factory built. The building's innovative structure makes it scalable, offering an attractive physical product with unique bedroom and public spaces at a capital cost that makes it highly feasible with great future potential.

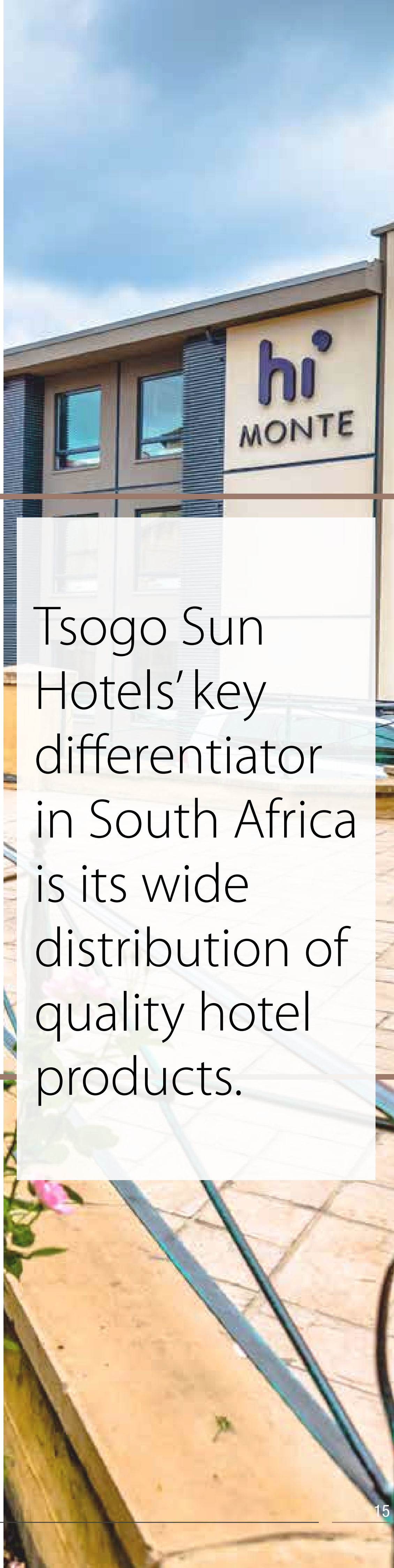
LOCATION	
Montecasino	Innovative modular design

SUN1
The SUN1 brand comprises the portfolio of budget hotels acquired from Accor, which were originally built as Formula1 hotels in South Africa. This portfolio consists of 22 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.

LOCATION	HOTELS	ROOMS
Countrywide	22	1 741

ECONOMY

stayeasy | hi HOTELS | SUN1



Tsogo Sun Hotels' key differentiator in South Africa is its wide distribution of quality hotel products.

Business model *continued*

Operating model *continued*

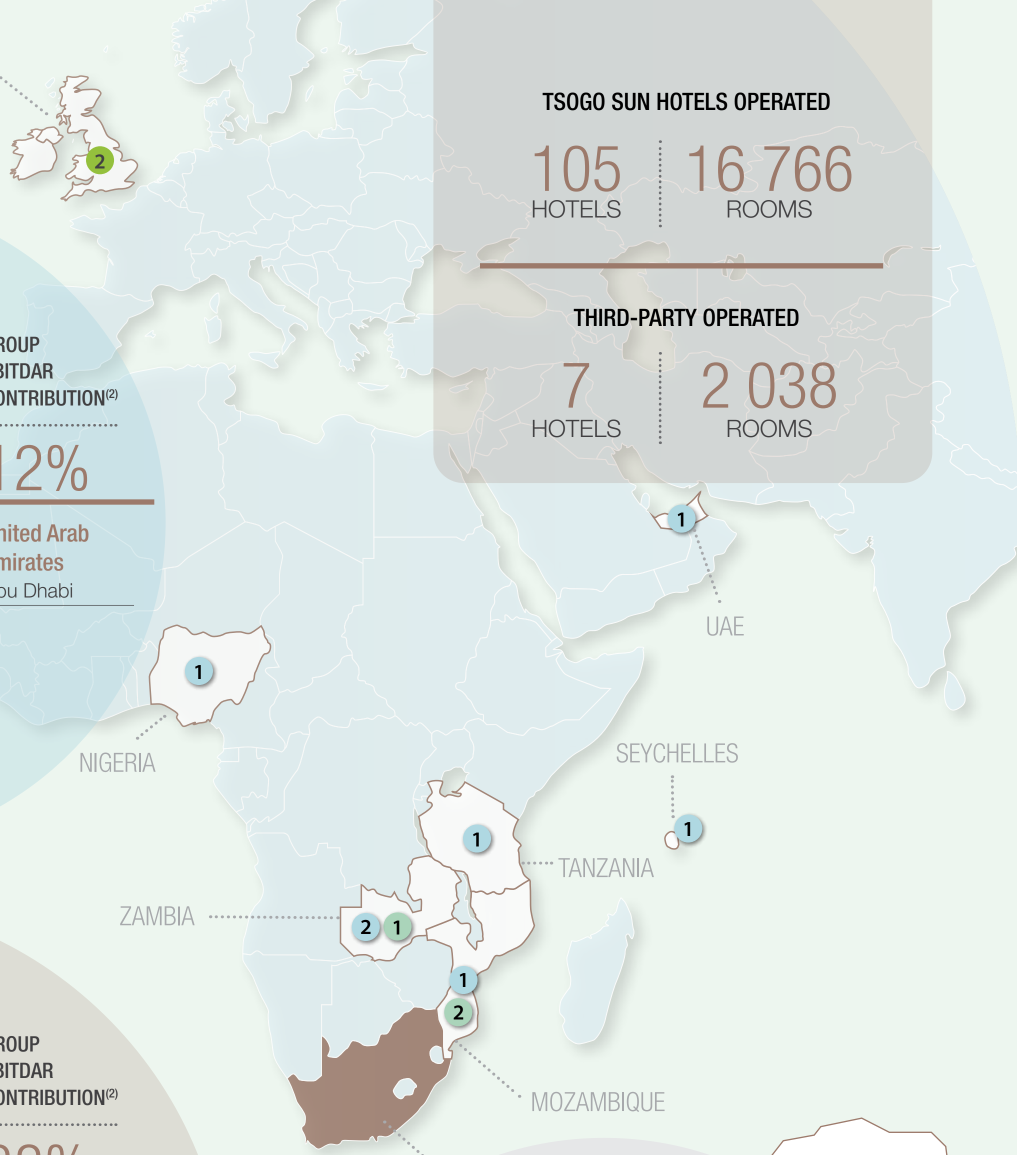
Geographical footprint

TSOGO SUN HOTELS OPERATED

105	16 766
HOTELS	ROOMS

THIRD-PARTY OPERATED

7	2 038
HOTELS	ROOMS



LOCATION

International markets	GROUP REVENUE CONTRIBUTION[2]	GROUP EBITDAR CONTRIBUTION[2]
	12%	12%

United Kingdom[1]

Nigeria
Lagos

Zambia
Lusaka
Kitwe

Mozambique
Maputo
Tete

Tanzania
Dar es Salaam

Seychelles
Praslin

United Arab Emirates
Abu Dhabi

LOCATION

South Africa	GROUP REVENUE CONTRIBUTION[2]	GROUP EBITDAR CONTRIBUTION[2]
	88%	88%

Northern Cape
Kimberley

Western Cape
Cape Town
Caledon
Hermanus
Mossel Bay
Stellenbosch

Eastern Cape
East London
Mthatha
Gqeberha

Free State
Bloemfontein

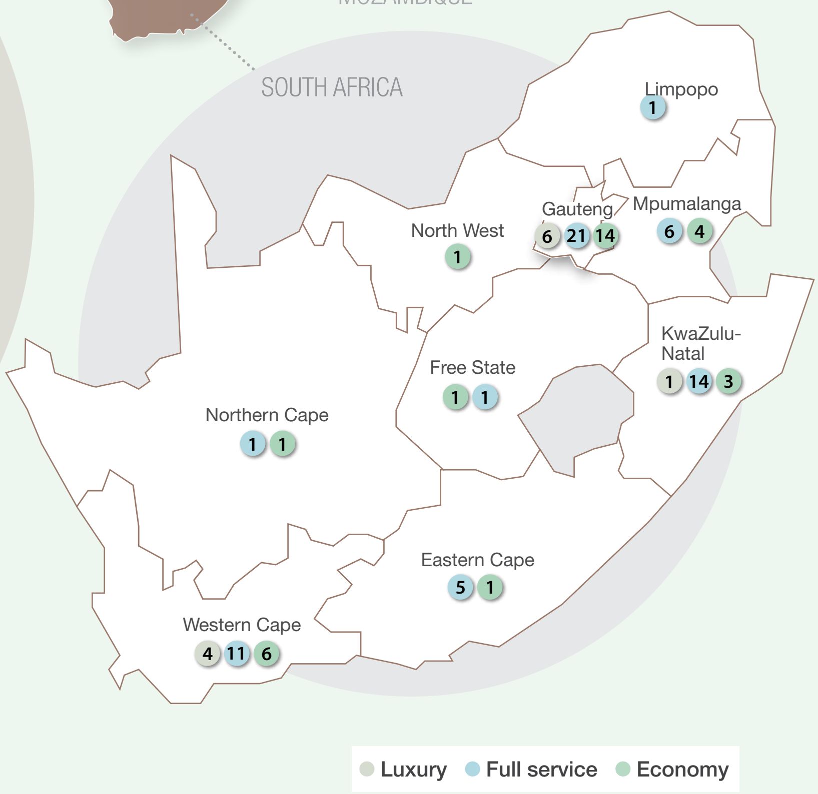
North West
Rustenburg

Gauteng
Johannesburg
Pretoria
Vereeniging
Magaliesburg

Limpopo
Polokwane

Mpumalanga
Mbombela
eMalahleni
Hazyview

KwaZulu-Natal
Durban
Pietermaritzburg
Newcastle
Winterton
uMhlanga
Richards Bay
Ulundi



[1] *Tsogo Sun Hotels owns a minority interest in both IHPL and RBH and accordingly hotels owned and managed by these entities are excluded from the footprint.*
[2] *As per the group segmental analysis.*

Luxury brands

Full service brands

Economy brands

INTERNAL BRANDS

SANDTON SUN
PALAZZO
BEVERLY HILLS
Arabella HOTEL, GOLF & SPA
54 ON BATH
SUNCOAST TOWERS
MOUNT GRACE HOTEL & SPA

Southern Sun HOTELS
RESORTS
SUN SQUARE
Garden Court

stayeasy
hi HOTELS
SUN1

EXTERNAL BRANDS

WESTIN HOTELS & RESORTS
INTERCONTINENTAL
Radisson BLU

PROTEA HOTELS MARRIOTT
Holiday Inn
arla | KOPANONG HOTEL & CONFERENCE CENTRE
CHAMPAGNE SPORTS RESORT
BIRCHWOOD

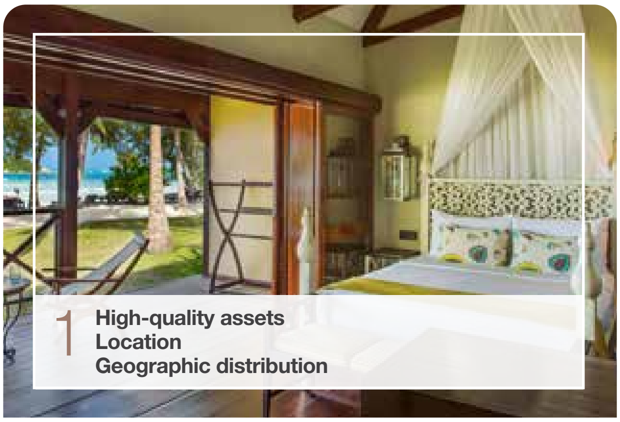
29 COASTAL HOTELS | 35 INLAND HOTELS | 31 OTHER HOTELS

Portfolio segmentation

	Owned/leased		Managed		Total		Group revenue contribution[2]	Group Ebitdar contribution[2]
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	%	%
Tsogo Sun operated **Manco**[1]	–	–	–	–	–	–	3	15
Coastal	**22**	**5 583**	**7**	**659**	**29**	**6 242**	**37**	**50**
Luxury	2	234	1	165	3	399	8	1
Full service	17	4 745	6	494	23	5 239	27	54
Economy	3	604	–	–	3	604	2	(5)
Inland	**23**	**4 623**	**12**	**1 426**	**35**	**6 049**	**26**	**50**
Luxury	4	753	2	384	6	1 137	7	13
Full service	16	3 474	7	669	23	4 143	17	38
Economy	3	396	3	373	6	769	2	(1)
Other	**24**	**1 879**	**7**	**889**	**31**	**2 768**	**16**	**(26)**
Full service	2	138	7	889	9	1 027	4	(4)
Economy	22	1 741	–	–	22	1 741	12	(22)
South Africa	**69**	**12 085**	**26**	**2 974**	**95**	**15 059**	**82**	**89**
Offshore	**6**	**961**	**4**	**746**	**10**	**1 707**	**12**	**12**
Total 2021	**75**	**13 046**	**30**	**3 720**	**105**	**16 766**	**94**	**101**
Total 2020	71	12 478	28	3 720	99	16 198	93	77
Third-party operated Hospitality owned[3]	7	2 038	–	–	7	2 038		
Total 2021	**7**	**2 038**	**–**	**–**	**7**	**2 038**	**6**	**(1)**
Total 2020	12	2 636	–	–	12	2 636	7	23

(1) *Includes revenue generated by Manco and the elimination of internal management fees.*
(2) *As per the group segmental analysis.*
(3) *The CODM reviews rental income net of rates, taxes and other expenses for segmental reporting purposes.*

WHY INVEST
IN TSOGO SUN HOTELS?

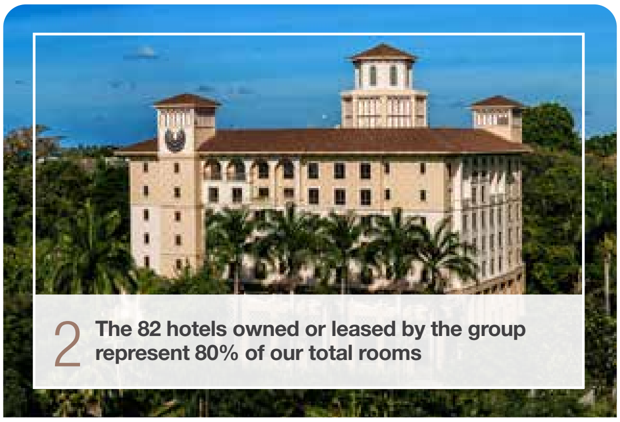


HIGH-QUALITY ASSETS IN KEY LOCATIONS

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.



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 112 hotels operated by the group, we own or lease 82 (representing 80% of our total rooms) and manage 30 for third parties.

3 Participants in our Rewards programme contributed 42% (2020: 36%) of total rooms revenue for the year ended 31 March 2021

RESPONSIVE TO CUSTOMER NEEDS

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

The Tsogo Sun Hotels Rewards 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 Rewards programme members more effectively.

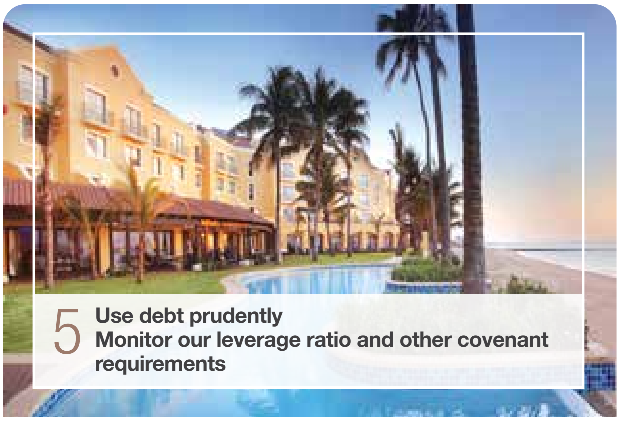
4

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 52-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.



5 Use debt prudently
Monitor our leverage ratio and other covenant requirements

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 interest cover and loan to value (LTV) ratios.

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

6 Combined social investment in community development was R5 million during the year ended 31 March 2021

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 2021, the group's combined social investment in community development amounted to R5 million (2020: R11 million). This represents 14.13 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

Laurelle McDonald | *Chief Financial Officer*

This represents the group's second integrated annual report. The results reflect the devastating impact that Covid-19 and the accompanying lockdown regulations have had and continue to have on the hospitality industry in general and on our group in particular.

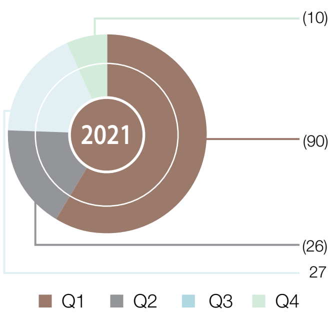
FY21 at a glance

EBITDAR LOSS LIMITED TO
R177 million
>R160 MILLION OF WHICH WAS INCURRED IN Q1

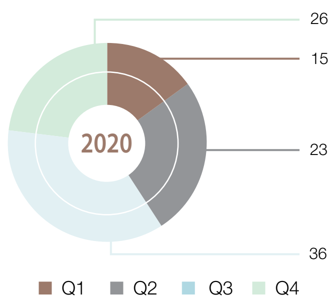
DEBT REDUCED BY R183 MILLION TO
R3 069 million

R1.5 billion
LIQUIDITY MAINTAINED

Quarterly contribution to Ebitdar loss (%)



Quarterly contribution to Ebitdar profit (%)



During another challenging, volatile year, the group has continued to implement its Covid-19 action plan in order to reduce costs and to preserve cash. This has led to the simplification and streamlining of organisational structures, which has resulted in permanent cost savings that will stand us in good stead in the future.

Quarterly performance review

The quarterly performance of key financial indicators as set out below reflect the seasonality of our business, which is weighted towards the summer season from October to March as well as the impact of Covid-19 and the subsequent adjustment(s) in national lockdown levels, particularly on the first quarter of the year:

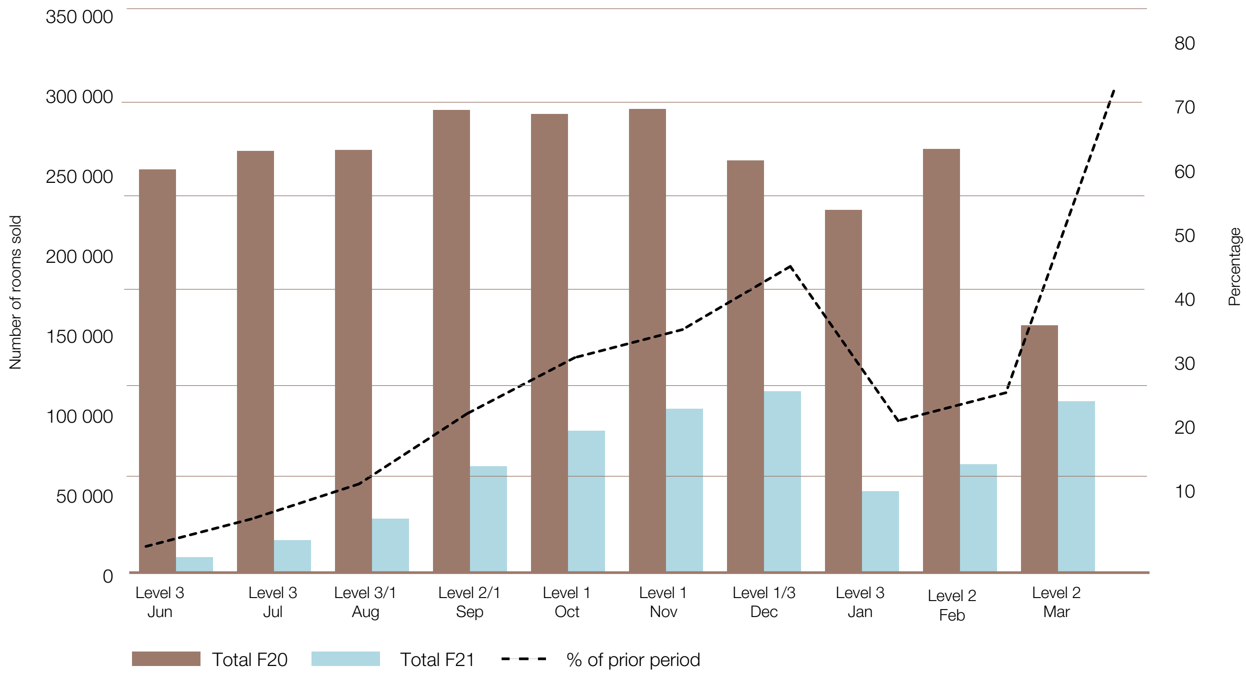
	Q1 Rm Level 5/4/3	Q2 Rm Level 3/2/1	Q3 Rm Level 1	Q4 Rm Level 3/1	Total Rm
Revenue					
2021 actual	**58**	**261**	**464**	**355**	**1 138**
2020 actual	961	1 113	1 334	1 055	4 463
Change on 2020	(903)	(852)	(870)	(700)	(3 325)
Ebitdar					
2021 actual	**(160)**	**(46)**	**47**	**(18)**	**(177)**
2020 actual	206	353	481	312	1 352
Change on 2020	(366)	(399)	(434)	(330)	(1 529)
Adjusted earnings					
2021 actual	**(216)**	**(210)**	**(92)**	**(115)**	**(633)**
2020 actual	(18)	91	142	63	278
Change on 2020	(198)	(301)	(234)	(178)	(412)

Quarterly review

The first six months of the financial year have undoubtedly been the most challenging and disruptive periods in our 52-year history as the group contended with consequences of the Covid-19 pandemic and the national lockdowns implemented to control its spread. With effect from 27 March 2020, the business was effectively placed into hibernation in order to reduce cash burn as the group's entire portfolio in South Africa, Africa and the Seychelles was deactivated with the exception of those hotels designated as quarantine facilities or as accommodation for essential service providers and persons awaiting repatriation. By September 2020, as the ban on intra-provincial travel was lifted, the group had only reached 23% of the 288 360 system-wide rooms sold in South Africa in September 2019 (refer to chart on page 22). Encouraging signs of slow recovery were seen in the third quarter, following the move to level 1 of the national lockdown and the lifting of the international travel ban on 11 November 2020, which resulted in the group generating positive Ebitdar for the quarter of R47 million. However, the move to adjusted level 3 of the national lockdown on 29 December 2020, in response to the country's second wave of Covid-19 infections, the closure of beaches and the alcohol ban that accompanied the lockdown, negatively impacted guests' willingness to travel and is reflected in the trading for the last quarter. Although the lifting of the international travel ban was a positive step towards reviving the South African tourism sector, the negative publicity around the South African variant of the Covid-19 virus resulted in the country being added to the travel ban "red" list of many of the group's key source markets, which will result in slower than anticipated recovery in the international and corporate travel markets.

Southern Sun Maputo was the only owned hotel in the offshore portfolio that traded throughout the lockdown period. Southern Sun Ikoyi, Nigeria and Southern Sun Ridgeway, Zambia commenced trading in September 2020, however, trading has been stifled in both regions. In Nigeria, the violent protests in Lagos negatively impacted trading, although the hotel does benefit from a loyal domestic market and Nigerian's unable to holiday internationally chose Southern Sun Ikoyi as their leisure destination. Zambia is reliant on South African corporate travel and given the restrictions on international travel over the year, trading at Southern Sun Ridgeway remained muted and in response, expenses have been tightly controlled. The balance of the owned offshore portfolio remains closed, with the exception of Paradise Sun, Seychelles which opened on 1 July 2021, and management continues to monitor demand levels for signs or reactivation.

South African system-wide portfolio – trend in sale of rooms



Summarised income statement review

	2021 Rm	2020 Rm	Note
Income	1 163	4 475	1
Ebitdar	(177)	1 352	2
Long-term incentive (LTI) expense	(14)	(17)	3
Property and equipment rentals	22	(84)	4
Property and equipment rentals	(106)	(210)	
Property and equipment rentals – IFRS 16	128	126	
Amortisation and depreciation	(407)	(348)	4
Amortisation and depreciation	(329)	(289)	
Amortisation and depreciation – IFRS 16	(78)	(59)	
Exceptional items	(80)	(1 669)	5
Loss before interest and taxation	(656)	(766)	
Finance income	33	40	
Finance costs	(379)	(400)	6
Finance costs	(251)	(299)	
Finance costs – IFRS 16	(128)	(101)	
Share of loss of associates and joint ventures	(128)	(3)	7
Income tax	148	(96)	8
Loss for the period	(982)	(1 225)	
Non-controlling interests	86	329	9
Attributable loss	(896)	(896)	10

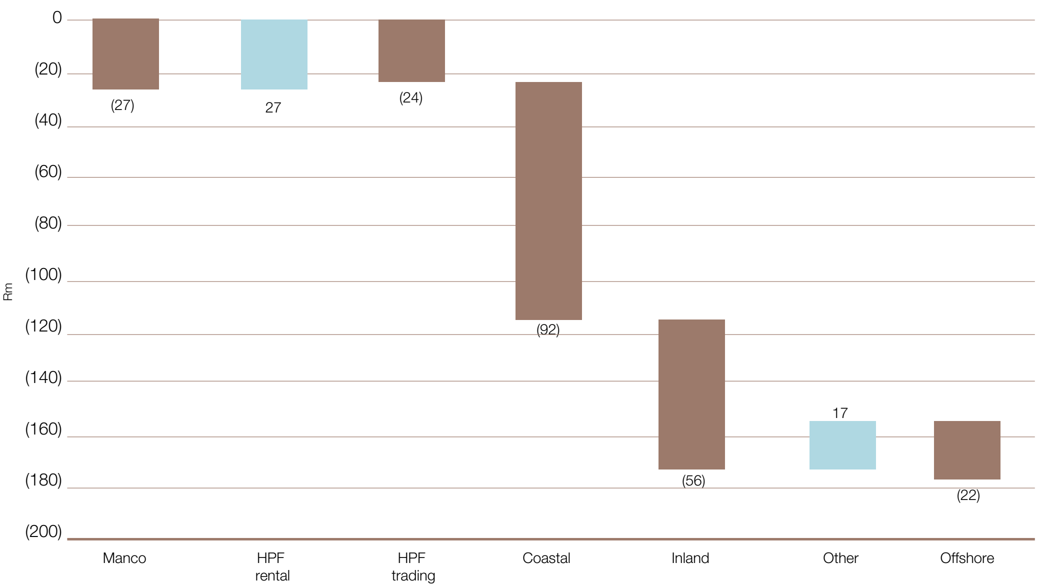
1 INCOME

Total income for the year of R1.2 billion (2020: R4.5 billion) ended 74% below the prior year, with a 79% decline in hotel rooms' revenue and a 75% decline in food and beverage revenue. The reduction in property rental income from R279 million to R52 million partially reflects the impact of rental concessions granted by Hospitality to third-party tenants during April and May 2020, together with variable rental credits as a result of losses incurred by these third-party tenants. Seven Hospitality hotel properties previously recognised as investment properties generating rental income were transferred to owner-occupied property, plant and equipment, either a consequence of hotel management being assumed by the company or the acquisition of the operation companies by Hospitality. Other income declined by R41 million to end the year on R249 million and comprised a R50 million decline in external management fee income, offset by contracted Covid-19-related income of R125 million relating to hotels used as quarantine and isolation facilities as well as the Premier Soccer League *bio-bubble*.

2 EBITDAR

All segments of the business were severely affected by the impact of Covid-19 and despite strict cost curtailment measures including the furlough of employees, rent concessions from landlords and discounts from suppliers to reduce cash burn during the year, the lack of revenue resulted in the group incurring Ebitdar losses of R177 million for the year (2020: R1.4 billion profit). Outliers include the SUN1 portfolio which achieved some success in securing Covid-19 isolation business due to their smaller size and affordable price point that allowed corporates to secure entire hotels for isolation and screening purposes. Resort hotels also traded relatively better due to their more leisure-focused offering, benefiting from domestic clientele unable to travel overseas. In addition, the group earned management fees from the Resort and TSG portfolios of R33 million that contributed to the central office costs in Manco. Contribution to Ebitdar losses for FY21 by segment are set out below:

Segmental analysis for the year ended March 2021 (Rm)



3	LTI EXPENSE
	The long-term incentive expense in the income statement on the equity-settled share incentive scheme of R14 million declined by R3 million compared to R17 million in 2020. The variance on the prior year is as a result of forfeitures relating to participants who have left the group's employ during the year. On 13 January 2021, the group awarded 27 million share appreciation rights to 99 employees in terms of the equity-settled share appreciation scheme.
4	PROPERTY AND EQUIPMENT RENTALS AND AMORTISATION AND DEPRECIATION
	Property and equipment rental income of R9 million (2020 expense: R97 million) includes IFRS 16 rent concessions of R39 million whereby the group elected to apply the practical expedient method as allowed by IFRS 16 (2020: nil). Excluding the IFRS 16 adjustments, the group incurred cash rent of R106 million in the current year compared to R210 million in the prior year. Amortisation and depreciation at R407 million (2020: R348 million) increased by R59 million from the prior year which includes IFRS 16 adjustments of R78 million (2020: R59 million) as well as depreciation of R27 million (2020: nil) on the seven investment properties in Hospitality that were transferred to owner-occupied property, plant and equipment during the year.
5	EXCEPTIONAL ITEMS
	Exceptional losses for the year of R80 million (2020: R1.7 billion) mainly relate to: • profit on the sale of the group's 50% investment in United Resorts and Hotels Limited, which owns the Maia Luxury Resort and Spa of R355 million; • fair value losses on the revaluation of externally managed investment properties in Hospitality of R99 million (2020: R888 million); • property, plant and equipment impairments of hotels in South Africa and offshore totalling R237 million (2020: R716 million); • restructuring costs of R36 million (2020: R40 million) that includes retrenchment costs relating to the operational restructure of the group in response to the impact of Covid-19; • goodwill impairment on the acquisition of associates by Hospitality of R30 million; and • the impairment of the group's investments in RBH and IHPL of R15 million in aggregate (2020: R17 million). The majority of the quantum of the current year impairments are due to management's downward revision of cash flow forecasts in FY23 to reflect the sustained negative impact of Covid-19 and increased in-country risk assessments that have had a material impact on discount rates applied to the group's hotels in African territories. Refer to pages 124 and 126 of the consolidated financial statements for the sensitivity analyses relating to impairments and fair value adjustments.
6	FINANCE COSTS
	Net finance costs of R346 million (2020: R360 million) include IFRS 16 adjustments of R128 million (2020: R101 million) and excluding this impact, have declined by R41 million due to reduced offshore debt balances following the sale of Maia as well as the reduction in interest rates.
7	SHARE OF LOSS OF ASSOCIATES AND JOINT VENTURES
	The share of loss of associates and joint ventures of R128 million (2020 loss: R3 million) increased by R125 million mainly due to the group's share of fair value losses on investment properties owned by IHL of R100 million (2020: fair value loss of R41 million). In addition, the group's share of trading losses (excluding exceptional items) of R25 million declined by R64 million from the prior year profit of R39 million. This performance is directly related to the impact of Covid-19 and the lockdowns instituted in the UK, the most recent of which is in response to the second wave of infections.

8 INCOME TAX

The income tax credit for the year of R148 million (2020 expense: R96 million) includes a net deferred tax expense of R89 million recognised due to Hospitality ceasing to be a REIT and resuming wear and tear claims on its assets. Deferred tax assets amounting to R297 million have been recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable.

9 NON-CONTROLLING INTERESTS

Losses attributable to non-controlling interests of R86 million (2020 loss: R329 million) relate mainly to losses incurred by Hospitality prior to Tsogo Sun Hotels' successful acquisition of all the Hospitality shares reducing non-controlling interests from 40.8% to nil as at 31 March 2021. Non-controlling interests absorbed none of the fair value adjustments or impairments recognised in the current year while R362 million of the R888 million fair value adjustment in the prior year was attributed to non-controlling interests.

10 ATTRIBUTABLE LOSS

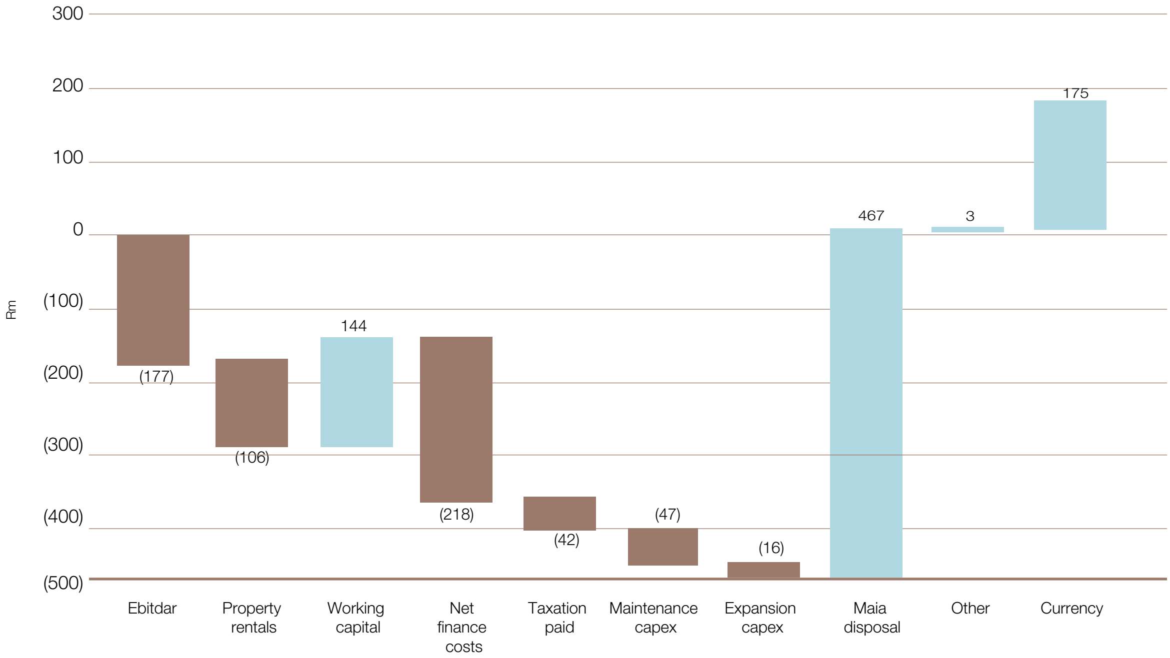
	2021		2020	
	Gross Rm	Net of tax Rm	Gross Rm	Net of tax Rm
Attributable loss		(896)		(896)
Loss on disposal of property, plant and equipment	1	–	2	2
Fair value adjustment of investment property	99	83	888	888
Impairment of property, plant and equipment	237	236	716	664
Impairment relating to RBH (associate)	15	15	17	17
Share of associates' headline earnings adjustment	100	100	41	41
Impairment of goodwill	30	30	–	–
Gain on disposal of investment in joint venture	(355)	(355)	–	–
Non-controlling interest effects of adjustments	4	4	(500)	(500)
Headline (loss)/earnings		(783)		216
Restructure costs	36	26	40	30
Transaction costs	6	6	3	2
Pre-opening costs	3	2	–	–
Impairment of inventory	8	8	2	2
Fair value adjustments on RDI REIT plc (RDI) investment	–	–	1	1
Derecognition deferred tax	–	–	30	30
Tax effects of HPF ceasing to be a REIT	105	105	–	–
Share of associates' exceptional items	3	3	1	1
Non-controlling interest effects of adjustments	–	–	(4)	(4)
Adjusted headline (loss)/earnings		(633)		278

Group adjusted headline losses for the period at R633 million (2020 profit: R278 million) increased by R911 million. The adjustments include the reversal of the post-tax and non-controlling interest impacts of the exceptional losses noted above. The weighted average number of shares in issue increased as a result of the acquisition of all Hospitality shares in issue in exchange for 417 million shares in Tsogo Sun Hotels and the resultant adjusted headline loss per share recorded is 51.4 cents (2020 earnings: 26.2 cents).

Liquidity, funding capacity and covenants

Free cash flow utilised for the year of R446 million (2020 free cash flow generated: R484 million) comprises Ebitdar losses of R177 million, property rent of R106 million, working capital inflows of R144 million, net finance costs (cash excluding IFRS 16) of R218 million, tax paid of R42 million and maintenance capex (including operating equipment) of R47 million. Cash flows from investing activities include expansion capex of R16 million, proceeds from the sale of Maia of R467 million, a net currency translation gain of R175 million which was recognised on the US Dollar-denominated loans and other inflows of R3 million, resulting in the group's interest-bearing debt net of cash reducing by R183 million to close at R3.1 billion (2020: R3.3 billion).

Cash flow for the year ended March 2021 (Rm)



Interest-bearing debt net of cash at 31 March 2021 comprises of:

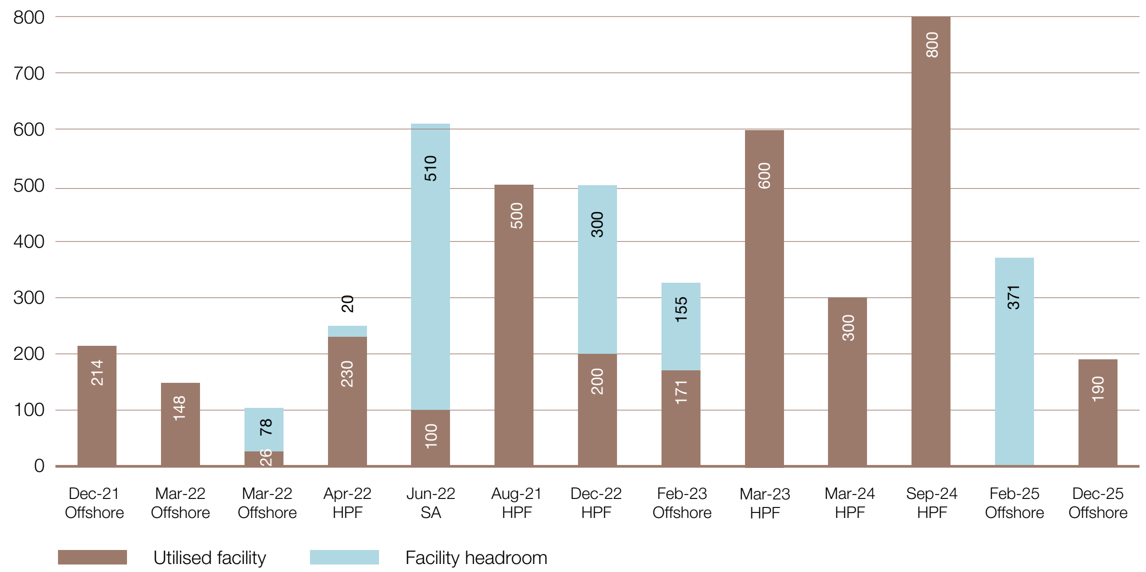
	2021 Rm	2020 Rm
External debt – Offshore (US$-based)	**750**	1 430
External debt (Rand-based)	**2 730**	2 550
Prepaid borrowing costs	**(4)**	(6)
Gross IBD	**3 476**	3 974
Cash on hand – SA	**(365)**	(571)
Cash on hand – Offshore	**(42)**	(151)
Net IBD	**3 069**	3 252
Analysed as: – SA	**2 363**	1 977
– Offshore	**706**	1 275
Facility surplus including cash on hand	**1 860**	1 662
Cost of net debt – pre-tax (%)	**7.0**	8.1
Cost of net debt – post-tax (%)	**5.1**	6.1

The group's liquidity and access to facilities are of paramount importance. The group extended its R600 million facility, of which R100 million was utilised at 31 March 2021, to 30 June 2022. Terms have also been agreed with lenders to refinance the US$25 million Mozambican facilities (R385 million) expiring within the next 12 months for a further five years. The approval from the Mozambican Central Bank, which was outstanding at 31 March 2021 was received on 4 June 2021 and the group is finalising the administrative process to implement the refinancing.

Global Credit Ratings downgraded Hospitality's long and short-term credit rating to BBB-(ZA)/A3(ZA) respectively. Concurrently, the ratings assigned to the Senior Secured Notes issued by Hospitality have been downgraded to A(ZA)(EL) from A+(ZA)(EL). The outlook on all the ratings has been maintained.

The average maturity profile of our debt is 2.2 years as at 31 March 2021. The debt maturity profile and utilisation of facilities is presented below:

Debt maturity profile (Rm)



Going concern

The audited consolidated 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 as detailed above, management believes that the group has sufficient resources to continue operations as a going concern in a responsible and sustainable manner. As at 31 March 2021, the group has net cash and cash equivalents of R407 million (March 2020: R722 million). The group has R3.5 billion (March 2020: R4.0 billion) of interest-bearing debt (excluding capitalised lease liabilities) and access to R1.5 billion in undrawn facilities to meet its obligations as they become due. The group comfortably met the minimum Ebitda and liquidity thresholds for the June 2021 covenant measurement period.

Dividends

Given the anticipated extended period of reduced revenue, the directors considered it prudent to retain cash resources in order to ensure that the group is able to navigate this difficult period until trading normalises. Accordingly, the directors have not declared a final cash dividend for the year ended 31 March 2021.

Events occurring after the balance sheet date

During May 2021, Tsogo Sun Gaming signed a loss agreement with its insurer Tsogosure Insurance Company Limited to settle the combined business interruption insurance claim of Tsogo Sun Gaming and Tsogo Sun Hotels which is limited to R150 million in aggregate. Tsogo Sun Hotels' share of this claim is expected to be in the region of R27 million while Hospitality continues to engage with the loss adjustors on its standalone business interruption claim which is also limited to R150 million. Any proceeds received in terms of the business interruption claims will contribute to the group's liquidity. Refer to note 45 of the consolidated annual financial information for further details.

Appreciation

I would like to thank everyone involved in the year end process and in the preparation of this report. Your dedication and support in meeting our deliverables under the most difficult circumstances is greatly appreciated and speaks to who we are as a company.

Laurelle McDonald
Chief Financial Officer (CFO)

30 July 2021

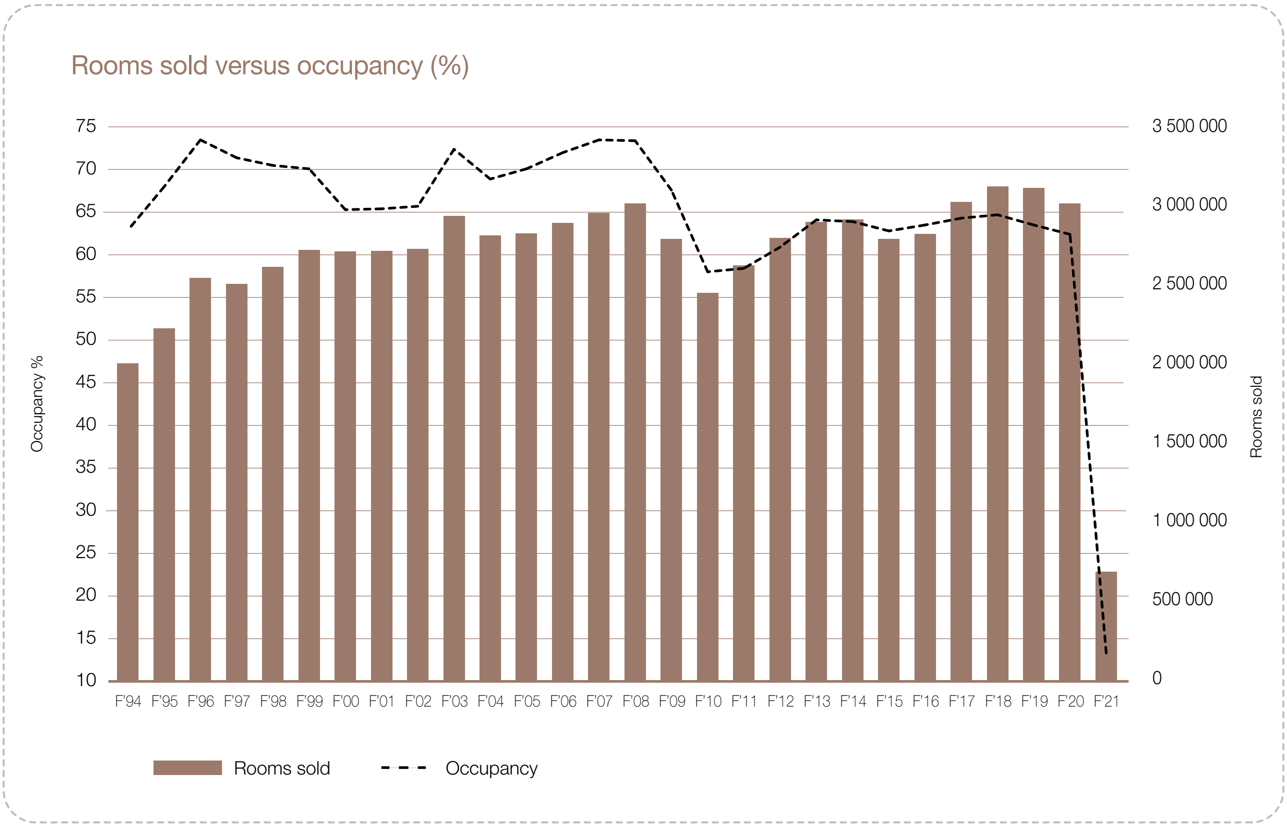
The environment in which we operate

> The hotels 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 that 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 is best illustrated in the graph below which reflects rooms sold by the group in South Africa since 1994 and the occupancies achieved:



POLITICAL

Political, social, labour and economic conditions in South Africa or regionally could adversely affect our businesses

ECONOMIC

Declines in demand for our services due to general economic conditions could negatively impact our business by decreasing income and profitability

SOCIO-CULTURAL

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

TECHNOLOGICAL

The development and maintenance of our systems require ongoing investment by the group

ENVIRONMENTAL

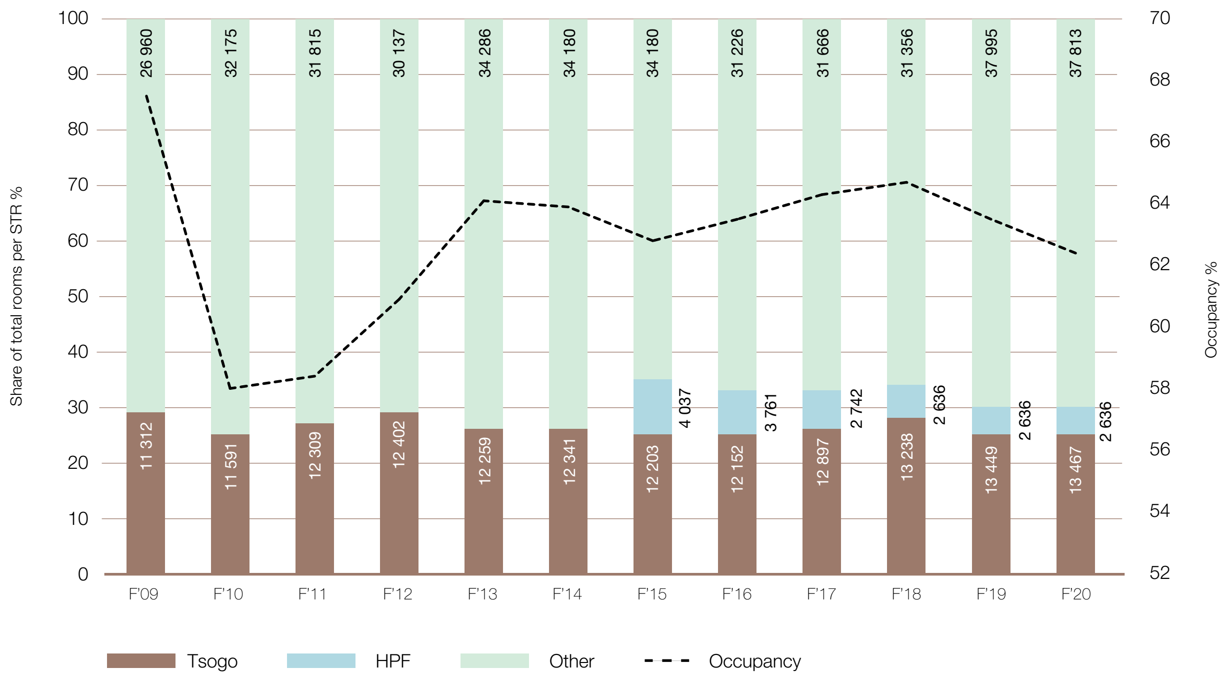
The environmental focus areas are the reduction of consumption and the responsible management of the supply chain and waste

REGULATORY

As a multinational business, Tsogo Sun Hotels is subject to a wide range of legislation, which is monitored on an ongoing basis

The chart below shows the group's overall portfolio share relative to the STR Global statistics for South Africa since the global financial crisis. 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 as it is not comparable to prior periods.

South African market – rooms sold (%)



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

> 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.

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. 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 though third-party operated hotels in Hospitality, 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 advent of the Covid-19 pandemic, coupled with the recent unrest and rioting in several provinces in South Africa will mean a period of significant 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 the majority of the African cities outside South Africa where Tsogo Sun Hotels operate 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 countries grapple with the impact of Covid-19. The markets are small and the addition of a new hotel has a more significant impact on the market.

HOTELS SA OCCUPANCY

58%	61% ▲	65% ▲	13% ▼
2011	**2012**	**2018**	**2021**

Political

Although Tsogo Sun Hotels operates primarily in South Africa, it also has operations in Mozambique, Nigeria, 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 the vast majority 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.

This has more recently become apparent with the social unrest, rioting and opportunistic looting that unfolded in a number of provinces during the month of July 2021. The impact of this devastation will be seen in the short term, including the impact thereof on the country's economy; international travellers, potentially making them reluctant to travel to South Africa and domestic travel, which is likely to reduce.

There has also been regional political instability in some of the countries surrounding South Africa. The potential for resulting political instability in the region 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.

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

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 operations must deliver a 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.

Economic

Demand for our hotels is linked to the performance of the general economy 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 behind 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 the 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 a large number 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. We are currently experiencing this with the ban on non-business-related inter-provincial travel to contain the spread of Covid-19.

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.

Any events or developments that reduce the demand for our services in these core urban centres could negatively impact our business. We are currently experiencing this with the ban on non-business-related inter-provincial travel to contain the spread of Covid-19.

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, Tsogo Sun Hotels is subject to a wide range of legislation, which is monitored on an ongoing basis. Any breach of compliance with this legislation could result in fines or sanctions that affect our profitability and may have 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 socio-economic 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.

Tax legislation

Changes in tax legislations across the jurisdictions of operation could adversely affect net 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, Nigeria 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 which will continue in the post Covid-19 environment. Health and safety is 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 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.

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.

During the Covid-19 pandemic, the group has continued to focus on the protection of the livelihoods of our many stakeholders and amidst the changing circumstances, we 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 to the challenges presented by these extraordinarily difficult times.

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 and 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 • Tsogo Sun Hotels' website	• Sustainable growth and returns on investment • Covenant requirements • Dividends • Risks and opportunities of expansion • Transparent executive remuneration • Corporate governance and ethics • Liquidity and gearing • Security of tenure over properties • Independence of the board	FINANCIAL STRENGTH AND DURABILITY Page 51 INORGANIC GROWTH Page 63 ORGANIC GROWTH Page 61
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 45 REGULATORY COMPLIANCE Page 56

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 programme • 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	PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE Page 53
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 45
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 livingTSOGO	• Job security • Engagement • Performance management • Clear understanding of reward structures • Health and safety performance • Access to HIV counselling and wellness programmes • Career planning and skills development	SKILLED HUMAN RESOURCES Page 57
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 45

Interactions with our stakeholders are based on our strategic objectives, included on page 9, which guide our behaviour ensuring our stakeholders know what to expect from us.

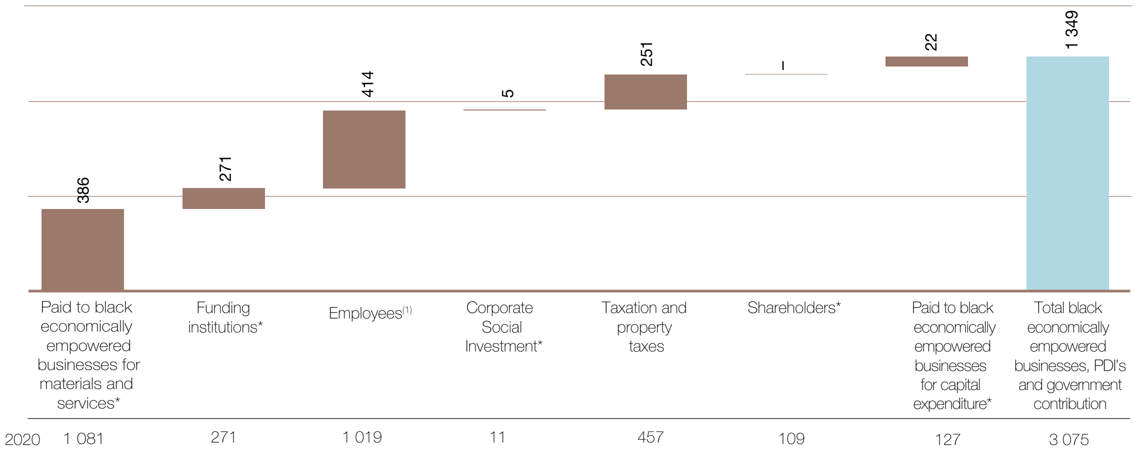
Our key stakeholders *continued*

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.

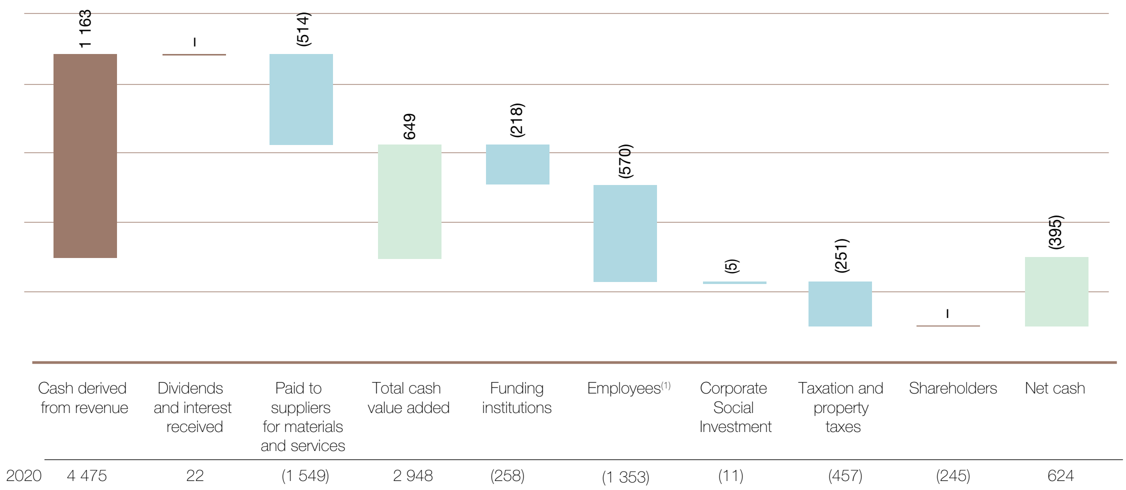
A substantial portion of the wealth generated by the group is spent with/distributed to black economically empowered businesses, previously disadvantaged individuals and government, the value of which for the year ended March 2021 is set out below:

Value added to black economically empowered businesses, previously disadvantaged individuals and government for the year ended 2021 (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 2021 (Rm)



(1) Net pay to Employees with employees' tax included in taxation.

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.

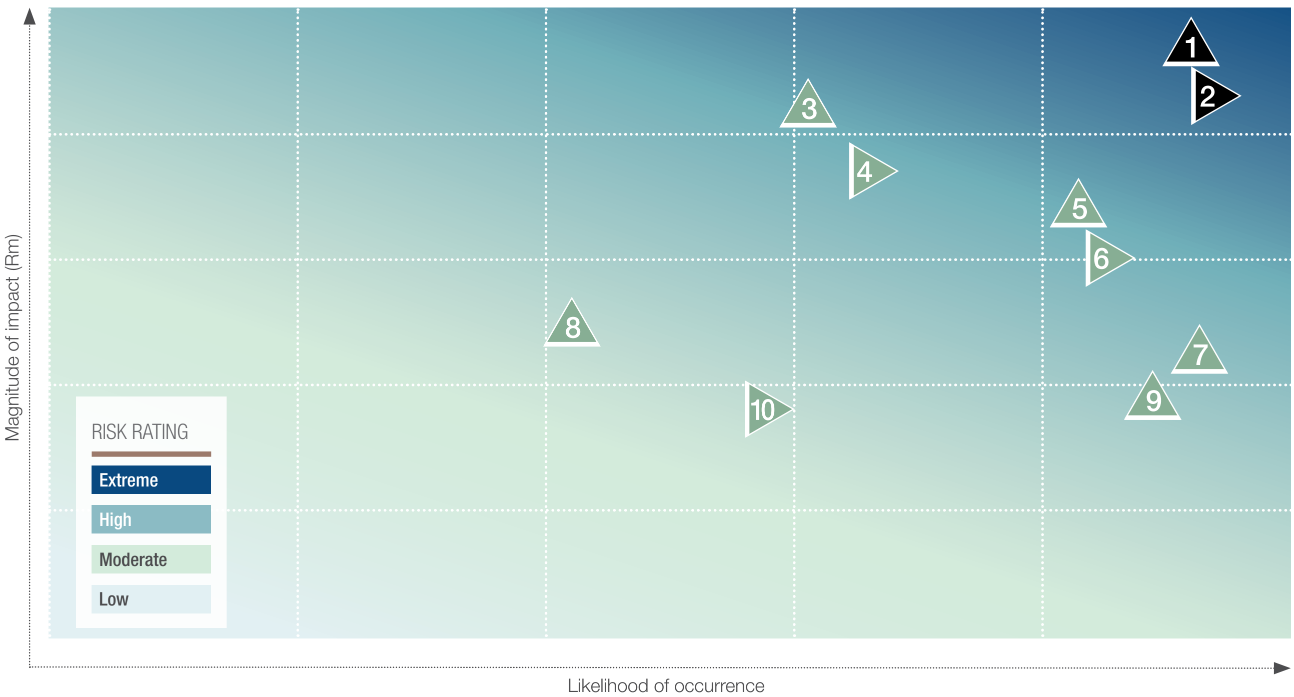
The assessment of the magnitude of the impact and the likelihood of the occurrence of the group's top risks and opportunities informed the identification and prioritisation of the material matters for inclusion in the integrated annual report.

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 39 to 43.

Tsogo Sun Hotels' risk and opportunity landscape



Risk matters

1 Macroeconomic environment
2 Covid-19 pandemic impact
3 Portfolio management and product relevance
4 Regulatory change and compliance
5 Capacity and market issues
6 Adverse tax environment
7 Crime, safety and security
8 Human resources
9 Unreliable and costly utilities
10 Cyber, IT and information management

Strength of current risk responses

- Very good
- Good
- Satisfactory
- Weak
- Unsatisfactory
- Uncontrollable

Upward
Unchanged
Downward

For a detailed understanding of how we manage risk, please refer to page 71 of the governance report.

Principal risk landscapes

1 MACRO-ECONOMIC ENVIRONMENT

Specific risks we face	Risk responses	Associated strategic priorities
• Our operations are concentrated in South Africa and are affected by the cyclical nature of the hospitality industry • The perceived inability of government to improve the current depressed macroeconomic situation and the constrained growth in the government sector may lead to increased costs of funding, which leads to reduced income and lower profitability • The Covid-19 national lockdown has had a devastating impact on the local macroeconomic environment. The closure of borders and persistent travel restrictions to curb infection rates have had a severe, negative impact on our revenues and profitability • Constrained growth in corporate, international and conferencing markets will negatively impact trading • Potential covenant breaches	• Revise strategic priorities • Review organisational structures • Innovative and relevant marketing and promotions • Reward programmes • Extensive expense management and staff furlough to limit cash burn • Covenant re-negotiations with lenders	**Strength of risk response:** ■ Uncontrollable **Magnitude of impact:** Severe **Likelihood of occurrence:** Almost certain **Risk rating:** ■ Extreme **Strategic objective** FINANCIAL STRENGTH AND DURABILITY ORGANIC GROWTH

2 COVID-19 PANDEMIC IMPACT

Specific risks we face	Risk responses	Associated strategic priorities
• Travellers' fears of exposure to contagious diseases, such as Covid-19, could reduce the number of people willing to fly or travel in future, particularly if new significant disease outbreaks occur or threaten to occur. Inter-provincial and international travel are vital to our business and the current travel restrictions have meant that occupancy levels remain extremely low • With a number of our hotels located in urban city centres, where there is a perceived increased risk of infection, many customers may choose not to travel to these hotspots, further negatively impacting trading • Loss of appeal of South Africa as travel destination due to the South African variant of the Covid-19 virus	• Phased reopening of hotels to actively manage the oversupply of hotel stock in the market • Operate all hotels on a skeletal staff structure and reduce cost base to limit cash burn • Implement enhanced health and safety procedures to assist in alleviating our guests' fears about travel and staying at our hotels	**Strength of risk response:** ■ Uncontrollable **Magnitude of impact:** Severe **Likelihood of occurrence:** Almost certain **Risk rating:** ■ Extreme **Strategic objective** FINANCIAL STRENGTH AND DURABILITY

Our material risks and opportunities *continued*

3 PORTFOLIO MANAGEMENT AND PRODUCT RELEVANCE

Specific risks we face

- Ensuring our products remain relevant to consumers in these uncertain times may require additional investment in customer experience (CX) 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
- The negative country perception of "no longer the place to visit" is expected to have a negative impact on the portfolio relevance. This has been exacerbated by the negative PR around the South African variant of the Covid-19 virus as well as the civil unrest in KwaZulu-Natal and Gauteng
- Changes to the way we do business
- Degeneration in key nodes (Durban, Pretoria, Eastgate)
- Loss of brand affinity

Risk responses

- Overview of markets
- Interaction with local authorities
- Investment in facilities and maintenance capex to ensure relevance
- CX research to inform response
- Engagement with municipalities
- Active corporate citizenship
- Employee volunteering in our communities

Associated strategic priorities

Strength of risk response: Satisfactory

Magnitude of impact: Severe

Likelihood of occurrence: Likely

Risk rating: Extreme

Strategic objective

PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE

ORGANIC GROWTH

4 REGULATORY CHANGE AND COMPLIANCE

Specific risks we face

- As a multinational business, Tsogo Sun Hotels is subject to a wide range of legislation, which is monitored on an ongoing basis. Any breach of compliance with legislation could result in fines or sanctions that affect our profitability and may have adverse reputational consequences.

Refer to page 56 for details relating to the group's regulatory compliance

- Policy uncertainty
- More aggressive regulatory authorities
- Changing B-BBEE requirements
- Degradation of formal skill sets
- Increased complexity of compliance, eg POPIA, CPA and FICA
- Changing regulations in accordance with lockdown level fluctuations

Risk responses

- Submit comments to law makers through formal comment structures
- Robust compliance procedures
- Comprehensive B-BBEE strategy

Associated strategic priorities

Strength of risk response: Satisfactory

Magnitude of impact: Major

Likelihood of occurrence: Likely

Risk rating: Extreme

Strategic objective

DELIVER TO OUR BENEFICIARIES

REGULATORY COMPLIANCE

5 CAPACITY AND MARKET ISSUES

Specific risks we face

- The group's hotel properties are subject to leases or management contracts without guaranteed renewal or successful renegotiation
- 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

Risk responses

- Continuous engagement with hotel owners to secure contract renewals on attractive contractual terms
- Strong Manco with experienced management team and central resources
- Attractive management fee structure

Associated strategic priorities

Strength of risk response: Satisfactory

Magnitude of impact: Major

Likelihood of occurrence: Likely

Risk rating: High

Strategic objective

ORGANIC GROWTH

FINANCIAL STRENGTH AND DURABILITY

6 ADVERSE TAX ENVIRONMENT

Specific risks we face

- Aggressive tax authorities particularly in other African countries
- Increase in taxes (incl VAT)
- Increased rates and property taxes

Risk responses

- Lodge of appeals on assessments and property valuations
- Robust compliance procedures

Associated strategic priorities

Strength of risk response: Satisfactory

Magnitude of impact: Major

Likelihood of occurrence: Likely

Risk rating: High

Strategic objective

DELIVER TO OUR BENEFICIARIES

REGULATORY COMPLIANCE

ORGANIC GROWTH

7 CRIME, SAFETY AND SECURITY

Specific risks we face

- 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. In addition, the impact of the violence on confidence for travellers is pronounced and is detrimental to South Africa's reputation as an attractive tourist destination
- The possibility of hotel robberies and/or follow-home robberies
- Fraud by employees/from external sources

Risk responses

- Physical security and surveillance procedures and crime intelligence
- Coordination with the South African Police Service
- Internal control frameworks and internal audit procedures

Associated strategic priorities

Strength of risk response: Satisfactory

Magnitude of impact: Significant

Likelihood of occurrence: Almost certain

Risk rating: High

Strategic objective

REGULATORY COMPLIANCE

ORGANIC GROWTH

8 HUMAN RESOURCES

Specific risks we face

- The group's business is labour intensive and, therefore, its success largely depends on its ability to attract, train, motivate and retain a sufficient number of qualified and skilled employees to run its operations
- If the group cannot attract and retain a sufficient number of qualified employees, its ability to effectively compete with its peers and its operations, profitability, cash flows and financial condition could be materially affected
- Changes in labour legislation
- Unrealistic expectations, social pressure and/or unresolved IR issues leading to violent strikes and unrest

Risk responses

- Retention of employees through appropriate remuneration structures and employee benefits
- Employee engagement through livingTSOGO
- 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

Associated strategic priorities

Strength of risk response: Satisfactory

Magnitude of impact: Significant

Likelihood of occurrence: Possible

Risk rating: High

Strategic objective

DELIVER TO OUR BENEFICIARIES

SKILLED HUMAN RESOURCES

9 UNRELIABLE AND COSTLY UTILITIES

Specific risks we face	Risk responses	Associated strategic priorities
• 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	• Electricity Efficient Demand Side Management Programme to reduce consumption • Water handling/storage capacity for emergency supply • Self-reliance on generators for emergency electricity supply	**Strength of risk response:** Satisfactory **Magnitude of impact:** Moderate **Likelihood of occurrence:** Almost certain **Risk rating:** High **Strategic objective** PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE ORGANIC GROWTH

10 CYBER, IT AND INFORMATION MANAGEMENT

Specific risks we face	Risk responses	Associated strategic priorities
• Our operations, including online booking and hotel management systems, partially 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, could result in customer dissatisfaction and harm our reputation and business	• Improved IT security and cyber awareness campaign • Payment card industry standard compliance • Increased IT auditing and assurance (internal and external) • 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 • Failovers and manual procedures to support any possible information technology downtime limits impact on the guest and reputation	**Strength of risk response:** Satisfactory **Magnitude of impact:** Moderate **Likelihood of occurrence:** Possible **Risk rating:** High **Strategic objective** ORGANIC GROWTH REGULATORY COMPLIANCE

Sustainability strategy in action

THE KEY PILLARS OF OUR SUSTAINABILITY INCLUDE:

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

Sustainability strategy in action

	Key pillars	Material risks
CSI outcomes **104** education, health and welfare organisations supported	DELIVERING TO OUR BENEFICIARIES	• Regulatory change and compliance • Macroeconomic environment
Unutilised facilities **R1.5 billion**	FINANCIAL STRENGTH AND DURABILITY	• Macroeconomic climate • Regulatory change and compliance • Local authority capability • Capacity • Missed opportunities • Crime, security, safety and health • Credit risk
Guest satisfaction **87%**	MAINTAINED PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE	• Macroeconomic climate • Regulatory change and compliance • Local authority capability • Capacity • Missed opportunities • Crime, security, safety and health • 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, safety and health
Verified training spend 2.2% as a percentage of leviable amount	ADEQUATELY SKILLED HUMAN RESOURCES	• Regulatory change and compliance • Human resources • Crime, security, safety and health • Cyber, IT and information management

DELIVERING TO OUR BENEFICIARIES

Approach

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	2021	2020
Black ownership	**52%**	75%
Value added contribution to black economic empowered businesses, previously disadvantaged individuals and government	**R1 349 million**	R3 075 million
B-BBEE level	**3**	1
CSI outcomes: education, health and welfare organisations supported	**104**	253
Enterprise and supplier development outcomes: SSMEs supported	**153**	162

2021 performance

Shareholders

The nature of the HCI shareholding provides the bulk of our 52.1% broad-based empowered ownership. The decline in black ownership from 74.8% in 2020 is due to HCI's effective interest in the group reducing to 40.6% (2020: 49.4%) as a consequence of the increase in the company's issued share capital following its acquisition of 100% interest in Hospitality. 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 overview on page 3 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. While we continue effectively harnessing our resources and experience to participate in initiatives aiming to positively impact the communities in which we operate, in March 2020, we had to suspend a significant portion of our community investment activities due to the impact of the Covid-19 lockdown on the business.

Community development

We support our local communities in education, health and welfare through in-kind contributions (such as venues, accommodation, food, linen, furniture and equipment). Over the past year, we supported 104 non-profit organisations, with our social investment amounting to R5 million in value. This represents 14.1 percentage points (pp) more than the tourism sector code target.

Enterprise and supplier development

Through the Tsogo Sun Entrepreneurs' programme, we develop emerging enterprises with the potential to form part of our procurement pipeline. The programme provides a range of business benefits to 153 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, eNCA and the Tsogo Sun Entrepreneurs' YouTube channel.

The value of our investment in enterprise and supplier development for the year was R1.9 million, which represents 2.2 pp more than the tourism sector code target. R377 072 was allocated to enterprise development beneficiaries and R1.5 million to supplier development beneficiaries.

Sustainability strategy in action *continued*

Tsogo Sun Volunteers
Through the Tsogo Sun Volunteers' programme, employees participate in diverse community projects that range from assisting welfare shelters to organising beach clean-ups. During the year, Tsogo Sun Volunteers supported Mandela Day, Reach for a Dream Slipper Day, Casual Day, the CANSA Shavathon and several Covid-19 relief outreach efforts in the areas where our hotels are situated.

Transformation
Tsogo Sun Hotels 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 3 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	2021	2020	2019
Ownership	27	27.0	27.0	27.0
Management and control	19	13.3	12.8	12.2
Skills development	20	9.8	17.2	18.4
Enterprise and supplier development	40	32.1	35.7	38.1
Socio-economic development	5	8.0	8.0	8.0
Overall	111	90.2	100.7	103.7
Rating level		Level 3	Level 1	Level 1

The group's B-BBEE contributor status lowered to level 3 with 110% procurement recognition status (2020: level 1 with 135% recognition status) due to the Covid-19 national lockdown, the deactivation of the group's hotels and trade restrictions. The most significant decline in this year's score relates to skills development, which decreased because the vast majority of employees were on furlough during hard lockdown and therefore minimal training could be undertaken. We received 90.2 out of 111 available points on the tourism sector scorecard. Our black ownership is 52.1% and black women ownership is 28.3%.

Industry bodies
Tsogo Sun Hotels 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 110 tenants across Tsogo Sun Hotels' properties, tenanting is a core focus area to ensure our guests have access to the best office, retail, restaurant and entertainment-related offerings. We arranged revised terms with some of the group's tenants in response to the Covid-19 regulations. These terms continue being assessed and adjusted in line with lockdown level fluctuations.

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 R698 million during the year (2020: R1.5 billion). The group's B-BBEE score for preferential procurement, measured in the enterprise and supplier development element, is 15.2 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.

During level 5 lockdown, the group negotiated reduced or extended payment terms with major suppliers, particularly those providing fixed-cost services such as security and lift maintenance. As hotels began operating and trading restrictions eased, many of these arrangements ceased. However, management continues to negotiate early settlement discounts or delaying spend where possible and arrangements are adjusted in accordance with lockdown level fluctuations.

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. Our significant management relationship is with Tsogo Sun Gaming for which we manage 17 hotels in various casino precincts. The relationships are mutually beneficial with financial returns, access to additional properties for Tsogo Sun Hotels and enhanced returns to the owners through our management skill and distribution.

The group sought and received rental concessions from landlords during lockdown and subsequent low demand periods. While terms varied, concessions mainly involved discounts in rent due for the financial year. From 1 April 2021, many affected leases reverted to their agreed payment terms. The reduced lease payments are not expected to affect lease payments after 30 June 2021. There is no substantive change to other terms and conditions of the leases.

Refer to note 31 of the consolidated annual financial statements.

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 tsogosun.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 in-house Organisational Resilience Management Standard 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 subsidiary.

Environmental impact overview
Total emissions and water consumption reduced by 52% and 62% respectively since the previous year due to the deactivation of the group's entire portfolio in response to the Covid-19 pandemic and lockdown at the end of March 2020.

This reduction was despite the inclusion of three Sandton Consortium hotels (Sandton Sun, Sandton InterContinental Towers and Garden Court Sandton City) for the full 12 months, and six Hospitality-owned properties previously managed by external parties.

We saw an increase in electricity consumption and water use due to the phased reopening of hotels as lockdown levels eased in the latter part of the year. However, several hotels remained closed for the full year.

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

Emissions measurement

Total emissions (tCO_2e)	2021	2020	% change on portfolio
Scope 1	**1 353**	3 955	(66)
Petrol and diesel (owned company vehicles)	**93**	230	(60)
Diesel consumed (owned businesses)	**574**	1 546	(63)
Liquefied petroleum gas (LPG) and natural gas usage (owned businesses)	**686**	2 179	(69)
Scope 2	**41 509**	83 187	(50)
Energy consumed (owned businesses)	**41 509**	83 187	(50)
Scope 3	**31 332**	69 019	(55)
Energy consumed (tenants)	**18 116**	37 883	(52)
Energy consumed (managed properties)	**7 490**	14 229	(47)
Laundry services (outsourced)	**5 717**	16 273	(65)
Business travel	**9**	634	(99)
Total emissions (tCO_2e)	**74 194**	156 161	(52)

Of our scope 1 and 2 emissions, 97% is from electricity consumption. Therefore, demand-side management of electricity consumption remains a focus area in reducing emissions. Of our scope 3 emissions, 98% is from tenants' electricity consumption.

We primarily use LPG gas for cooking and natural gas in limited cases for general heating and water heating. We use diesel for back-up electricity generation.

Electricity
Scope 2 emissions at owned properties were 50% down on the prior year at 41 509 tCO_2e due to the impact of Covid-19 and the deactivation of the group's hotels. 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 maximised efficiencies and further reduced our electricity consumption. Installing and using energy-efficient equipment continues where practical.

LPG and natural gas
Scope 1 emissions from LPG and natural gas consumption decreased by 69% to 686 tCO_2e due to the impact of Covid-19.

Petrol and diesel – vehicles
Scope 1 emissions from petrol and diesel consumption of company-owned vehicles decreased by 60% to 93 tCO_2e.

Diesel – stationary
Scope 1 emissions from diesel consumption decreased by 63% to 574 tCO_2e due to the impact of Covid-19, countered by increased load shedding and supply interruptions during the year.

Scope 3 emissions
The 52% decrease in scope 3 emissions from tenants at group properties is mainly due to the impact of Covid-19 combined with ongoing savings initiatives. The reduction in scope 3 emissions from group-managed properties was 47%. Scope 3 emissions from outsourced laundry services (used at most hotels) were 65% down on the prior year's consumption.

Water
Although supply interruptions due to poor municipal infrastructure continue increasing and medium-term water shortages are probable, the group does not have material company-specific water risks. Most of the group's properties are in urban areas and use potable water from local municipalities (82% of consumption). Two resort properties use surface water for irrigation and two resort properties fully rely on river water.

Water consumption at owned properties decreased during the year by 62% to 525 000 kl due to the impact of the Covid-19 lockdown and deactivation of hotels. The ongoing conservation and reduction measures at all properties further contributed to the reduction when some hotels were reopened during the year.

Waste management

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

Covid-19 negatively impacted the trial project underway at several hotels. The project consists of a system using a combination of enzymes and probiotics resulting in the diversion of a significant amount of food waste to composting.

To reduce single-use plastic, the procurement policy was amended to:

- increase package sizing at larger hotels thereby reducing the quantum of packaging;
- replace straws and stirrers with biostraws and wooden stirrers;
- use biodegradable take-away cups and 100% recyclable guest supplies; and
- use glass instead of plastic where possible.

A continued focus will be to engage tenants at properties to participate in the group's waste reduction and 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 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 Tsogo 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. The results of a social needs analysis undertaken in December 2020 revealed that the primary needs in impoverished communities during Covid-19 were food, water, shelter, availability of personal protective equipment, access to medical care, smart devices and data. These insights will inform the selection of charitable organisations the group supports in the future.

Enterprise and supplier development

The group's enterprise and supplier development programme, Tsogo Sun Entrepreneurs, is well positioned to continue actively addressing the need for small business development and will continue serving its beneficiaries in useful and innovative ways in the future. The basis for delivery of support will shift to remote business development using 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 their skills and those of potential new employees in our communities.

Environment

The group intends to refine its framework and enhance its environmental reporting to align with the Task Force on Climate-related Financial Disclosures (TCFD) in the coming year.

The focus will continue to be on ensuring the energy and water consumption management programmes remain in place to reduce consumption year on year, excluding the impact of increased capacity or additional operations. Through environmental education, the group will continue encouraging communities, employees and customers 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 on understanding 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.

Our strategy in action *continued*

Sustainability strategy in action *continued*

Tsogo Sun Citizenship

CARING ACROSS COMMUNITIES

Tsogo Sun Hotels supports its local communities in education, health and welfare through in-kind contributions. During the year, the group supported 104 charitable organisations and community-based initiatives.

TSOGO SUN ENVIRONMENT

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

TSOGO SUN ENTREPRENEURS

The Tsogo Sun Entrepreneurs programme provides mentorship, coaching and other practical benefits and tools to business owners to help small enterprises become sustainable.

TSOGO SUN VOLUNTEERS

Through the Tsogo Sun Volunteers programme, employees participate in diverse community projects that range from assisting at welfare shelters to organising 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. As a consequence of the Covid-19 pandemic's impact on the group, resulting in Ebitda losses for the year, the leverage ratio has become irrelevant and the group now manages the business by minimizing cash burn and maintaining adequate facility headroom.

Key performance indicators	2021	2020
Net debt:Ebitda	**(17.4) times**	2.4 times
Unutilised net facilities (including available cash on hand)	**R1 860 million**	R1 662 million
Weighted average expiry of debt facilities	**2.2 years**	2.9 years
Net debt hedged through fixed interest rate swaps	**52%**	49%

2021 performance

Net interest-bearing debt

Interest-bearing debt net of cash at 31 March 2021 totalled R3.1 billion, which is R183 million below the 31 March 2020 balance of R3.3 billion. It comprises free cash outflow of R446 million to fund operations, finance costs, taxation and maintenance capex during the Covid-19 lockdown period, offset by the proceeds from the sale of Maia of R467 million and a currency translation gain of R175 million which was recognised on the US Dollar-denominated loans.

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 that between 25% and 75% of its net borrowings (net borrowings = gross borrowings net of cash and cash equivalents) are to be in fixed rate instruments over a 12-month rolling period. 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 2021, 52% of combined group net debt was hedged through fixed interest rate swaps, allowing the group to benefit from the reduction in interest rates over the year on the unhedged portion. As a consequence, the weighted average effective interest rate for the year declined from 8.1% in 2020 to 7.0% in 2021.

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 Dollar-denominated debt and the proceeds from the sale of Maia has assisted in achieving this. Offshore cash at year end was held approximately 33% in US Dollar, 38% in Nigerian Naira and 8% in Mozambican Metical with 15% in other local currency deposits.

Funding capacity and covenants

The group's liquidity and access to facilities are of paramount importance and as previously reported, the group has received covenant waivers from all its lenders for the minimum covenant requirements (leverage and interest cover ratios) as at 30 September 2020 and 31 March 2021 respectively. Revised covenants were introduced at Tsogo Sun Hotels level which establishes a maximum rolling 12-month negative Ebitda (Earnings before interest, income tax, depreciation, amortisation, IFRS 16 rent adjustments, long-term incentives and exceptional items) level. This Ebitda threshold excluded the Covid-19 interventions undertaken by the group and was capped at a maximum Ebitda loss of R1.0 billion. In addition, a minimum liquidity level of R500 million is required which includes available facilities and cash on hand. An event of default will occur if both the Ebitda and liquidity covenants are breached in one of the measurement periods or the Ebitda covenant is breached for two consecutive measurement periods. These covenants were introduced and measured quarterly at December 2020 and March 2021 and the group comfortably met the minimum Ebitda and liquidity thresholds on both occasions. At Hospitality level, lenders have introduced a minimum liquidity covenant of R125 million including available facilities and cash on hand. Similarly, Hospitality has met these minimum liquidity requirements.

Looking ahead

The lenders to both Tsogo Sun Hotels and Hospitality have been very supportive of the group during this challenging period and have approved the covenant waivers for September 2021 on the basis that the rolling Ebitda threshold be reduced to R533 million (June 2021 measurement period), R453 million (September 2021 measurement period) and R412 million (December 2021 measurement period) and that revised covenants continue to be measured on a quarterly basis at a Tsogo Sun Hotels level. In Hospitality, the requirement is to continue to have a minimum available liquidity of R125 million, until such time that the normal covenant requirements are met. The terms of the revised waiver relating to an event of default remain the same as described above. Covenant levels for later periods will be reassessed during the preparation of the group's FY23 budgets.

As at 31 March 2021, the group has net cash and cash equivalents of R407 million. The group has R3.5 billion of interest-bearing debt (excluding capitalised lease liabilities) and access to R1.5 billion in undrawn facilities to meet its obligations as they become due. In preparing the cash flow forecasts utilised to assess going concern, the continuing impact of the Covid-19 pandemic on the group's operations and liquidity was considered. Based on the assumption that there is some recovery in the corporate, conferencing and international segments in the summer of 2021/2022, once the vaccine rollout has stabilised and the third wave of Covid-19 infections has passed, management believes that the company should meet these revised covenant levels. The group comfortably met the minimum Ebitda and liquidity thresholds for the June 2021 covenant measurement period. As at 30 June 2021, Tsogo Sun Hotels' rolling 12-month Ebitda loss was R303 million with available facilities including cash on hand of R1.3 billion. Similarly, Hospitality's available facilities including cash amounted to R441 million as at 30 June 2021.

Based on the information currently available, management has assessed the impact of the adjusted level 4 restrictions on cash flow forecasts and incorporated a reduction in revenue, Ebitdar and cash generation during July 2021 and August 2021 to align with trading levels achieved in the prior comparative periods when similar restrictions were in place. Based on these assumptions, the latest restrictions are not expected to result in breach of these revised covenants, however, management will continue to engage with its lenders.

MAINTAINED 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	2021	2020
Rewards programme membership contribution to revenue	**42%**	36%
Guest satisfaction	**87%**	88%
Hotel property brand audits – material deviations from brand standards	**None**	None
Hygiene audits – significant issues noted	**None**	None
Maintenance capital spend	**R46 million**	R366 million

2021 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. Over the past five years, 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 our Covid-19 action plan, the group suspended all capex with only emergency capex and repairs and maintenance to be considered to preserve cash.

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 who have worked with the business for 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 reduces redundancy. Due to continuous and responsible IT investment over the past few years, there are no legacy system issues. Our systems remain current and are fully supported by relevant vendors and/or in-house by our employees.

We limited investment into new IT solutions during the year with the onset of Covid-19 in favour of reducing costs while ensuring that we maintained our current solutions appropriately. We were encouraged by the commercial support we received from our primary suppliers who assisted us with relief during the year.

The core property management systems for our hotel front office and reservations environment remain stable and productive.

The group's digital platform (including but not limited to tsogosun.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 suspended implementing further cloud-based PABXs to contain costs during lockdown. This will continue to be a focus when trading conditions improve in the future.

The group continues to support all cloud-based solutions as our preferred strategy. The migration to the cloud-based payroll solution, Payspace, was successfully concluded in the year and the system has operated effectively since May 2020.

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 engaged Michalsons to educate our employees on legislation.

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.

Tsogo Sun brand portfolio management

As a leading hospitality company in southern Africa, the unique selling points of creating great experiences, providing quality products and delivering trusted service with flair are synonymous across the Tsogo Sun Hotels family of brands.

The clear categorisation of the brand portfolio in our luxury, full service and economy segments enables ease of decision making in operations, particularly when introducing new brands or acquiring new hotels. During the year, Marriott vacated five Hospitality properties, namely Arabella Hotel, Golf & Spa, Hazyview Sun, The Edward, Mount Grace Hotel & Spa and Southern Sun The Marine. All five hotels were successfully rebranded within Tsogo Sun Hotels during the year and all are now internally managed by the group.

A key part of our focus during the year was to continue clearly communicating brand messages across the group's channels and integrating ecommerce digital and traditional marketing for a more seamless customer experience. While this work continues, to date it has assisted the business with better internal alignment and provided the consumer with brand clarity. The investment in the sunburst continues to pay off and the symbol unites our brands.

Customer satisfaction

Our customers' satisfaction is a priority and we pay close 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 engagement and online reviews to measure visibility and to directly engage with customers. We use post-stay surveys to learn more about our customers' experiences and the feedback provided enables the hotels to better serve their guests. The overall guest satisfaction score measured through post-stay guest surveys averaged 87% (2020: 88%). The overall guest satisfaction score measured through online third-party review sites was 85% (2020: 86%).

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

Website: average visits per month	2021	2020
tsogosun.com	**217 000**	1 200 000

Social media platforms: engagement	2021	2020
Facebook (likes)	**937 259**	1 052 495
Twitter (followers)	**52 269**	52 342
Instagram (followers)	**73 183**	82 400

tsogosun.com received an average of 217 000 visits each month during the year, down from 1.2 million in the previous year. This decline in traffic was partly due to Tsogo Sun Gaming and its 13 casinos moving to a separate website following the listing of Tsogo Sun Hotels in the previous year, and partly due to the group's hotels being temporarily closed during lockdown. Total social media platform following amounted to 1 million (2020: 1.2 million) and decreased since the prior year for the same reasons.

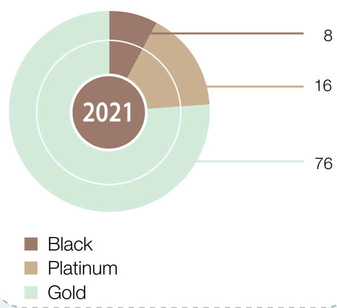
Customer rewards programme

The Tsogo Sun Hotels Rewards programme with SunRands currency encourages relationships of mutual value with customers by giving SunRands benefits to members. The programme provides the group with information about trends across our customer base. This enables us to improve our offerings and respond appropriately to Rewards members' needs and expectations. The Rewards programme is cardless; members use their membership number and PIN to qualify for Rewards benefits. This limits Covid-19 exposure and aligns with ecommerce objectives.

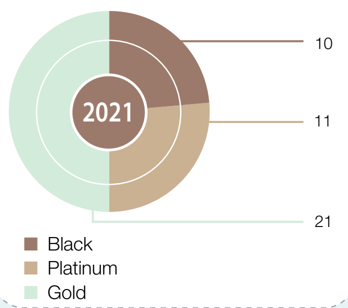
Rewards programme segmental analysis

We had 59 640 active Rewards programme members, a 42% revenue contribution (2020: 36%). The increase in contribution is because guests comprised mainly domestic travellers as there were minimal international tourists visiting South Africa due to lockdown restrictions.

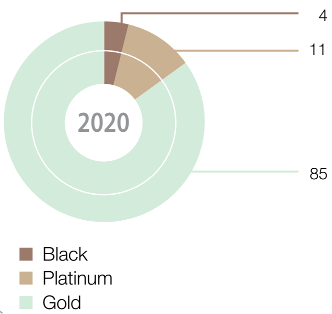
Percentage of active users



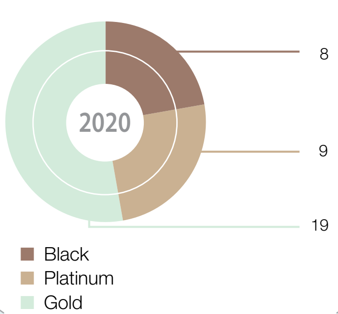
Percentage contribution (%)



Percentage of active users



Percentage contribution (%)



Guest and employee safety

Tsogo Sun Hotels 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 Organisational Resilience Management Standard 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.

While Tsogo Sun Hotels has always maintained the highest standards of cleanliness and hygiene, the group intensified these practices due to Covid-19, and the related health and safety regulations have been in place since March 2020.

The group enforces strict Covid-19 health and safety protocols at all hotels to provide a safe environment for customers and employees. Special operating procedures and specific protective measures for guest and employee safety are strictly adhered to, with stringent Covid-19 protocols enforced and comprehensive training provided to employees in line with guidelines and hygiene policies of the World Health Organisation, the National Department of Health and the National Institute for Communicable Diseases.

Covid-19 safety protocols include (among other measures):

- wearing masks and enforcing social distancing;
- medical screening questionnaires;
- temperature screening (over 37.5°C undergo evaluation);
- hand sanitising at all entrances and exits;
- providing employees with personal protective equipment;
- maintaining intensified hygiene and cleanliness regimens; and
- strict food handling procedures.

Looking ahead

Customer rewards programmes

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

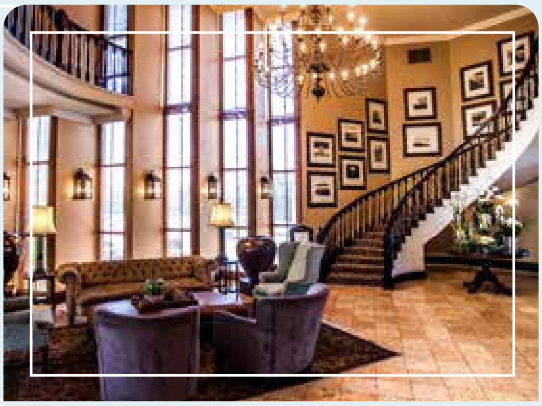
IT

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

- enhanced 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;
- continuing with the strategy of PABX in the cloud and on-net telephone service to reduce telephony costs; and
- reviewing new network technologies to improve functionality, security and commercials.

REGULATORY COMPLIANCE

We have a strict culture of compliance to all aspects of our business, including areas as diverse as hospitality hygiene, liquor licences, fire and life safety regulations, corruption, insider trading and competition law. Despite the significant cost involved, 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. The advent of Covid-19 further complicated this landscape with numerous directives and practice notes released by the JSE, guiding issuers on enhanced financial and qualitative disclosures relating to the impact of Covid-19 to protect investors and other stakeholders. The group complies with these guidance notes where relevant.

The main regulatory impact on our business as a result of Covid-19 is due to the health and safety regulations introduced by government. With our culture of high customer health and safety standards, the group was well placed to comply with these regulations and worked closely with government and the TBCSA to develop health and safety protocols for the tourism industry. As we already have a high level of compliance, implementing these protocols did not require material capex spend.

Key performance indicators	2021	2020	2019
Fines imposed for other regulatory breaches	**Nil**	Nil	Nil
Fines imposed for breaches of law	**Nil**	Nil	Nil

2021 performance

The South African trading environment is highly regulated and compliance with regulations is critical to our licence to trade. The broader trading environment is becoming increasingly complex and is governed by legislation and policies, most of it 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. The audit and risk committee is updated with all material changes to legislation and regulations twice a year and the board is updated quarterly.

Tsogo Sun Hotels 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 Tsogo 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 ensure all aspects of the employee's experience, including but not limited to, remuneration and incentivisation, are properly structured.

Key performance indicators	2021	2020	2019
Management and control score	**13.3/19**	12.8/19	12.2/19
Verified training spend as a percentage of leviable amount	**2.2%**	5.3%	5.1%
Employee resignations	**8.3%**	8.7%	8.9%

2021 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 5 844 direct jobs and 8 616 combined direct and indirect jobs (including 2 772 contractors employed by third-party providers comprising security, cleaning and landscaping services) at our operations in South Africa.

The severe impact of Covid-19 and the national state of disaster directly affected the group's human capital and its ability to sustain jobs and provide stability for employees.

As part of the group's Covid-19 action plan to reduce costs and preserve cash, a reduction of payroll burden was necessary during the year. The group understands that this is an extremely stressful time for employees and is committed to engaging with them openly and honestly. The group continuously communicated with all management and employees, sharing the severe impact that Covid-19 and the national state of disaster had, and continues to have, on the business.

The UIF Temporary Employer/Employee Relief Scheme (TERS) greatly assisted in alleviating the cash flow burden on both the group and our employees while hotels were closed or operating at low occupancy levels. The group processed R186 million in grants and paid R180 million to employees and operational support staff for the period ended 31 March 2021, with the balance having been returned to the Department of Labour. However, with this assistance coming to an end and given the expected extended period of depressed trading, especially in the face of a third wave of infections, the temporary layoff structure originally implemented in March 2020 remains in place with further distinction made between employees at operating and closed hotels since then.

Due to the financial strain experienced by the group and our employees, the group's headcount has permanently reduced by 1 361 positions either, through retrenchment, resignation, dismissal or retirement. Employee resignations reduced to 8.3% (2020: 8.7%), which remains at an acceptable level for the hospitality industry.

Employee development
The group's accreditation as a training provider enabled 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 R14.9 million, equal to 2.7% of the leviable amount (2020: R103 million, equal to 7.5% of leviable amount). R12.7 million, equal to 2.3% of the leviable amount, was allocated to SDS on black people (2020: R90 million, equal to 6.6% of the leviable amount). R12 million, equal to 2.2% of the leviable amount, was allocated to B-BBEE SDS measured on the National Black Economically Active Population (NBEAP) (2020: R72 million, equal to 5.3% of the leviable amount). The skills development B-BBEE score was 9.79 out of 20. During the year, the group employed 193 people on learnerships and provided 87 unemployed people with learnership opportunities.

Skills development interventions during the year were directly impacted by lockdown and were delivered remotely as hotels were temporarily closed and employees were on layoff. We provided access to the Ithute online learning platform and weekly webinars saw a total attendance of 2 000. In total, 123 managers commenced with a four-month formal programme across the six main functional areas of the business for which they will be certificated on successful completion.

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. We placed 100 students for work integrated learning at certain hotels and virtually to enable them to complete their qualifications and graduate.

Employee engagement
The group's employee engagement programme, called livingTSOGO, reflects the values, culture and behaviours common to the business. Employees participate in the components designed to bring the values to life, including livingTSOGO World, which incorporates the group's induction programme, and livingTSOGO Moments, a peer voting system that provides recognition and rewards employees for living the values.

Covid-19 has been the predominant subject of employee engagement due to its devastating impact on lives and livelihoods since March 2020. livingTSOGO was shared as a reminder at every webinar offered to employees who are encouraged to express the group's core behaviours to be consistent, be present and have respect.

The monthly employee voting system was suspended at the beginning of lockdown and will be reinstated when ordinary trading resumes. Training webinars and courses (including manager-led sessions) were a source of engagement with employees and included topics to build coping skills and enhance resilience in this challenging time.

Employee wellness
Tsogo Sun Hotels seeks to find ways to help our employees manage their health. This past year, the focus was on providing information and support in response to the Covid-19 pandemic. The Tsogo Sun Group Medical Scheme had 4 414 employee members and 217 pensioner members at the end of the financial year. The scheme continued to regularly communicate with members and their beneficiaries to ensure that they receive helpful information with the appropriate level of cover for their health needs. The group's Covid-19 human resources policy informs behaviour to safeguard our people's health in the workplace.

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 Organisational Resilience Management Standard audit process, and deviations from the agreed standards, as well as incidents and events, are reported and resolved.

To safeguard employees' health and safety, the group provides Covid-19 education, sanitising material and personal protective equipment, as well as compulsory screening of employees reporting for duty and limiting the number of them on duty at the same time.

No employee fatalities due to health and safety incidents occurred at any of our properties during the year. Fewer employees were on duty at the group's hotels due to lockdown regulations, resulting in the average lost-time injury frequency rate decreasing to 0.35 (2020: 1.53). This equates to the number of injuries that renders an employee unfit for duty for one shift or longer per 200 000 hours worked.

Unions
Tsogo Sun Hotels recognises the right to freedom of association of employees and we recognise that collective bargaining forms an integral part of labour relations. Of the 5 844 employees in the South African operations, 4 294 employees are eligible to join a union and 806 (18.7%) 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, as most employees are on layoff agreements entered into either with various unions or individual employees.

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 Tsogo Sun Hotels' ethos. Our employment equity is set out in the table below and includes South Africa only. It excludes the approximately 2 772 contractors employed by third-party service providers and 1 157 employees outside of South Africa.

Employment equity headcount

	South African male				South African female				Foreign nationals		
Employees	African	Indian	Coloured	White	African	Indian	Coloured	White	Male	Female	**Total**
Permanent											
Executives and management	142	51	34	117	157	60	43	122	15	4	**745**
Supervisory and skilled	707	74	85	35	799	101	136	72	16	9	**2 034**
General	179	2	19	2	80	2	12	4	3	–	**303**
Operational support										–	
Executives and management	–	–	–	2	1	–	–	–	1	–	**4**
Supervisory and skilled	449	11	17	3	601	8	22	4	7	6	**1 128**
General	618	2	24	6	918	2	33	3	15	9	**1 630**
Total 2021	**2 095**	**140**	**179**	**165**	**2 556**	**173**	**246**	**205**	**57**	**28**	**5 844**
Total 2020	2 301	175	181	202	2 857	215	291	280	67	27	6 596

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 54.9% of the workforce (2020: 55.5%) and the representation of black employees throughout the group is 92.7% (2020: 91.7%). 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 25.78% at senior management level (2020: 28%), 53.75% at middle management level (2020: 53%) and 77.64% at junior management level (2020: 76%).

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. During lockdown, learning was offered digitally and this focus will continue as online learning allows for cross-training and exposure across all occupational levels. Employees can access modules via the 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.

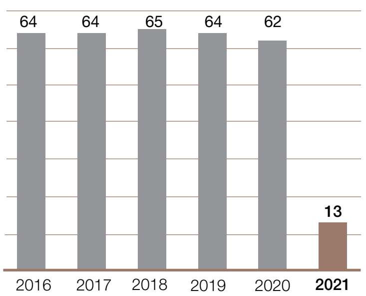
Growth strategy in action

We know that businesses are valued as the present value of the future cash flows that can be generated by its 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.

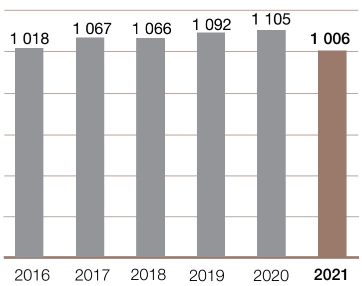
Growth in cash flow over time is generated through the optimal operation of the group's capitals (organic growth), and building its tangible and intangible asset base through the development and acquisition of new businesses (inorganic growth). It is only with sustainable and growing cash flows that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

	Key pillars	Material risks
Free cash outflow of **R446 million** to fund operations while Covid-19 lockdown restrictions were in place	ORGANIC GROWTH 	• Macroeconomic environment • Crime, safety, security and health • Portfolio management and product relevance • Capacity • Local authority capability
Investment expenditure of **R16 million** kept to a minimum to preserve cash	INORGANIC GROWTH 	• Missed opportunities

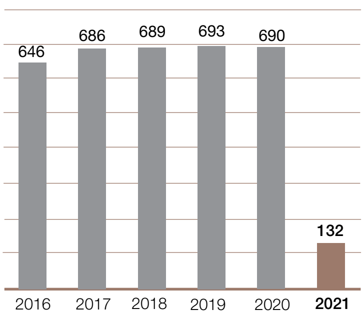
South African occupancy (%)*



South African average rate (R)*

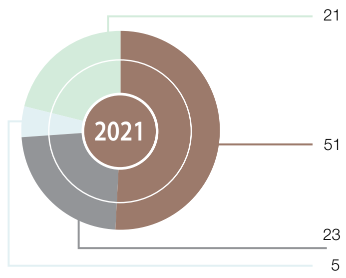


South African Revpar (R)*



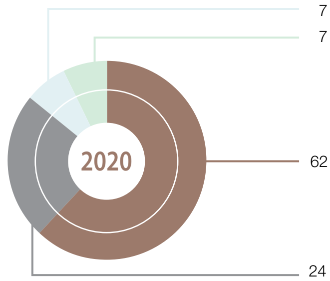
** South African system-wide portfolio including managed properties.*

Hotel revenue by nature (%)



■ Rooms ■ Food and beverage ■ Rental income ■ Other

Hotel revenue by nature (%)



■ Rooms ■ Food and beverage ■ Rental income ■ Other

Organic growth

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

Segmental operating performance

	Revenue[1]		Ebitdar[2]		Ebitdar margin	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm	**2021 %**	2020 %
Manco	**68**	266	**(27)**	154	**(40)**	58
Rental income – HPF[6]	**27**	310	**27**	310	**100**	100
Trading income – HPF[4]	**38**	–	**(24)**	–	**(63)**	–
Internally managed[5]	**904**	3 501	**(131)**	787	**(14)**	22
Coastal	**429**	1 885	**(92)**	463	**(21)**	25
Inland	**334**	1 344	**(56)**	262	**(17)**	20
Other	**141**	272	**17**	62	**12**	23
Offshore	**135**	569	**(22)**	101	**(16)**	18
Internal management fees[3]	**(34)**	(183)	**–**	–	**–**	–
Total	**1 138**	4 463	**(177)**	1 352	**(16)**	30

(1) *All revenue and income from hotel operations is derived from external customers. No one customer contributes more than 10% to the group's total revenue.*
(2) *Refer reconciliation of operating profit to Ebitdar in note 5 of the consolidated annual financial statements.*
(3) *Included in Manco.*
(4) *This segment reflects the trading performance of the Westin and Radisson Blu Gautrain hotels since the acquisition of their related operating/tenant companies on 1 October 2020 and 1 November 2020, respectively. These hotels were included in the Rental income – HPF segment in FY20 (2020: Total rental income from these hotels was R126 million). Refer to note 41 of the consolidated annual financial statements.*
(5) *Trading relating to the Arabella Hotel, Golf & Spa, Mount Grace Hotel & Spa, the Hazyview Sun, The Edward and Southern Sun The Marine are included in the Internally managed segment as a consequence of these properties transferring from investment properties to owner-occupied property, plant and equipment during the year. These hotels were included in the Rental income – HPF segment in FY20 (2020: Total rental income from these hotels was R45 million).*
(6) *The CODM reviews rental income net of rates, taxes and cost recoveries for segmental reporting purposes. Rates, taxes and cost recoveries of R25 million (2020: R12 million) have been reallocated from Manco to Rental income – HPF. Refer to note 7 of the consolidated annual financial statements.*

Growth strategy in action *continued*

Key performance indicators

	2021	2020	2019
Organic income (reduction)	**(R3 304 million)**	(R134 million)	(R43 million)
Organic Ebitdar (reduction)	**(R1 436 million)**	(R181 million)	(R112 million)
Free cash (outflow)/inflow	**(R446 million)**	R484 million	R414 million
Maintenance capex	**R46 million**	R366 million	R384 million
Adjusted HEPS per share (reduction)	**(77.6 cents)**	(11.7 cents)	(5.6 cents)

Operational review

Trading for the group's South African hotels for the year recorded system-wide (including owned and managed hotels but excluding externally managed hotels) revenue per available room (Revpar) 81% down on the prior year at R132 (2020: R690) due to a 9% decrease in average room rates to R1 006 (2020: R1 105) and a 49.2 percentage points (pp) decline in occupancies from the prior period to 13.2% (2020: 62.4%). Occupancy for the year is expressed as a percentage of total rooms available irrespective of whether the hotel traded or not.

The management activities of the South African hotels, net of group corporate office costs (including Hospitality's central costs), incurred Ebitdar losses of R27 million (2020 profit: R154 million) for the year. This performance results from a R199 million decrease in internal and external management fee income due to the impact of Covid-19 and the release of loyalty programme forfeitures in the prior period of R36 million offset by central office cost savings largely related to payroll.

Rental income (net of costs) from investment properties of R27 million (2020: R310 million) declined by R283 million from the prior year. Excluding the performance of the seven hotels which transferred to owner-occupied property, plant and equipment during the year, rental income for the remaining six investment properties declined by R135 million to R3 million (2020: R138 million). This is largely due to the portfolio's weighting towards the Cape Town and Gauteng markets and reliance on the international, corporate and government segments as well as conferencing, all of which suffered under the Covid-19 restrictions during the first half of the year and continue to experience muted trading following the second wave of infections.

Following Hospitality's acquisition of controlling interests in associates which operate the Westin and Radisson Blu Gautrain hotels, a new segment has been introduced (Trading income – HPF) which reflects the trading performance of these hotels. Post-acquisition, this segment generated revenue of R38 million (2020: Rnil) and Ebitdar losses of R24 million (2020: Rnil).

Overall, revenue for the internally managed South African hotel portfolio owned and leased by the group closed the year at R904 million (2020: R3.5 billion). All regions were severely affected by the impact of Covid-19 with the inland region recording the largest decline at R1.0 billion (excluding the performance of the Sandton Consortium hotels, revenue for the inland region declined by R879 million), followed by the Western Cape region at R882 million and finally, the KwaZulu-Natal region declining by R574 million on the prior year. The Other segment fared slightly better with revenue declining by R131 million from the prior year and posting an Ebitdar profit of R17 million. The SUN1 portfolio achieved some success in securing Covid-19 isolation business due to their smaller size and affordable price point which allowed corporates to secure entire hotels for isolation and screening purposes. Resort hotels also traded relatively better due to their more leisure-focused offering, benefiting from domestic clientele unable to travel overseas. The internally managed segment recorded Ebitdar losses of R131 million (2020 profit: R787 million) for the year ended 31 March 2021. This performance includes Ebitdar relating to the Sandton Consortium hotels (included in group trading since 1 November 2019) of Rnil (2020: R45 million) following the concessions applicable to these leases until trading normalises as well as total Ebitdar losses of R23 million (2020: Rnil) relating to the Arabella Hotel, Golf & Spa, the Mount Grace Hotel & Spa, the Hazyview Sun, The Edward and Southern Sun The Marine.

Total income for the offshore division of hotels of R135 million (2020: R569 million) for the year largely relates to the Southern Sun Maputo, Mozambique which was the only owned hotel in the offshore portfolio that traded throughout the lockdown period. Southern Sun Ikoyi, Nigeria and Southern Sun Ridgeway, Zambia commenced trading in September 2020, however, trading has been stifled in both regions. In Nigeria, the violent protests in Lagos negatively impacted trading, post the initial opening but the hotel does benefit from a loyal domestic market and Nigerian's unable to holiday internationally chose Southern Sun Ikoyi as their leisure destination. Zambia is reliant on corporate travel from South Africa and given the restrictions on international travel over the year, trading at the Southern Sun Ridgeway remained muted. In response, expenses have been tightly controlled and the hotel's breakeven occupancy has reduced to 20%. The balance of the owned offshore portfolio including StayEasy Maputo, Southern Sun Dar es Salaam, Tanzania and Paradise Sun, Seychelles remain closed and management continues to monitor demand levels for signs of reactivation. The offshore division incurred Ebitdar losses of R22 million (2020 profit: R101 million).

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 2021	31 March 2020	31 March 2019
Occupancy	**12.2%**	59.3%	60.6%
Average room rate	**R1 019**	R1 090	R1 064
Revpar	**R124**	R647	R645
Rooms available	**4 769 000**	4 314 000	4 239 000
Rooms sold	**582 000**	2 560 000	2 568 000
Rooms revenue	**R593 million**	R2 791 million	R2 732 million

Maintenance capital expenditure

The group spent R46 million (2020: R366 million) on maintenance capex, largely on repairs to ensure that the hotels are able to continue operating optimally.

Looking ahead

The recovery in occupancies to pre-Covid-19 levels is only likely to occur once international inbound and corporate travel resumes. It is clear that in order to achieve this, the majority of South African adults need to be vaccinated so that travellers feel safe and the country is removed from the "red-lists" of its biggest tourism source markets, including the USA, the UK and Germany. While there had been promising developments in the vaccination drive with government reducing the age for vaccine eligibility to 35, the recent violent protests in KwaZulu-Natal and Gauteng will have a negative impact on sentiment, and mean that recovery in the hospitality industry will be further delayed. As the local environment stabilises and vaccination levels increase allowing lockdown regulations to ease, closed hotels will begin to operate again. With excess supply in the market and lack of demand, average room rates will be under pressure. The group is focused on ensuring that it is the lowest cost operator in the market.

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

	31 March 2021 Rm	31 March 2020 Rm	31 March 2019 Rm
Southern Sun Pretoria	**–**	200	–
Riverside Conference Centre	**16**	11	–
StayEasy Maputo	**–**	–	52
hi Hotels	**–**	–	10
Investment activity expenditure	**16**	211	62

Looking ahead

In this constrained growth environment and with the group utilising available cash and debt facilities to fund operations while the economy recovers from the impact of Covid-19, inorganic growth is not our focus for the medium term.

Corporate governance overview

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

Group governance framework

BOARD

5* | 2 | 2

Tsogo Sun Hotels' unitary board maintains control of the group. The board leads ethically and effectively, and is responsible for performance, compliance and strategic direction.

Audit and risk committee	Remuneration and nomination committee	Social and ethics committee	CEO
4	3, 1	5	
Financial integrity, risk and compliance	Board composition, diversity and succession, fair remuneration and performance measurement	Ethical conduct, anti-corruption, empowerment and transformation, social and environmental impact and labour and employment	Responsible for implementing board strategy and policy and managing the business

Assist the board in discharging its duties and monitor compliance

Executive committee

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

Executive risk committee

Responsible for identifying and managing risks and opportunities

* *Tsogo Sun Hotels considers the independence of directors holistically, 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.*

- Independent non-executive director
- Non-executive director
- Executive director

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 under the investors section.

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. Tsogo Sun Hotels 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, four whistleblowing incidents were reported to ethics hotlines. These included no serious incidents of governance failure and were dealt with appropriately by the human resources department.

The social and ethics committee plays an important role in implementing anti-corruption and anti-fraud initiatives, as set out on page 69.

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.

Tsogo Sun Hotels' application of King IV can be viewed on our website under investors.

Board of directors

Composition

Tsogo Sun Hotels' unitary board met five times during the year.

Board membership and analyses of its composition can be found on page 72.

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. The lead independent director leads the Chairman's performance appraisal. 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.

Tsogo Sun Hotels' 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 Tsogo Sun Hotels 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 73, 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, Tsogo Sun Hotels 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

Tsogo Sun Hotels' 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) under normalised circumstances based on pre-agreed financial criteria and the director's personal performance.

For further information, please refer to the remuneration policy on page 74.

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 established an effective framework and processes for compliance with laws, codes, rules and standards. No material contraventions were reported during the year.

Board effectiveness

The group 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.

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.

During the year, in addition to the regular responsibilities of the board and its committees, the board gave consideration to the governance framework in the context of the continued impact of Covid-19 on the business. As part of this process, existing policies were reviewed, and no material amendments were required. The board is satisfied that the governance structure continues to serve the group well during these times. Following its acquisition by Tsogo Sun Hotels, HPF adopted Tsogo Sun Hotels' group governance framework.

Board and committee meeting attendance

1 April 2020 to 31 March 2021	Board	Audit and risk committee	Social and ethics committee	Remuneration and nomination committee
Executive				
MN von Aulock (CEO)	5/5	3/3*	2/2*	2/2*
L McDonald (CFO)	5/5	3/3*	2/2*	2/2*
Independent non-executive				
MH Ahmed (lead independent)	5/5	3/3	2/2	2/2
SC Gina	5/5	3/3	2/2	
LM Molefi	5/5	3/3	2/2	1/2
JG Ngcobo	4/5	3/3	2/2	2/2
CC September	5/5		2/2	
Non-executive				
JA Copelyn	5/5		1/2*	2/2
JR Nicolella	5/5	3/3*		

* *By invitation.*

Audit and risk committee

Members: Mohamed Haroun Ahmed (Chairman)^, Sipho Chris Gina^, Lynette Moretlo Molefi^ and Jabulani Geffrey Ngcobo^

^ *Independent non-executive.*

This report should be read in conjunction with the statutory report of the audit and risk committee on page 86 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 86 of the consolidated annual financial statements for the year ended 31 March 2021;
- 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 audit and risk committee members 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 reconstituted audit and risk committee for reappointment at the AGM to be held on 18 October 2021.

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

Non-audit services approved throughout the year included mainly tax advisory services and independent reporting accountant fees for the HPF acquisition. 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, Financial Director of HPF 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 86 of the consolidated annual financial statements for the year ended 31 March 2021.

Key focus areas addressed during the 2021 financial year	Key focus areas to be addressed during the 2022 financial year
• Monitored the implementation of new IFRS and the impact of future standards • Considered the implications of the JSE's most recent report on the proactive monitoring of financial statements and implemented recommendations where appropriate • Continued monitoring the control environment considering the group's flatter organisational structure, and the challenging operating environment with a focus on the fraud, cyber-crime and data protection environments • Considered the appropriateness of the group's risk management policy and adjusting the group's risk tolerance and risk appetite levels considering the impact of Covid-19 on the organisation • Monitored the group's going-concern status and achievement and/or waiver of covenant requirements • Monitored the first phase of the implementation of policies and processes for compliance with General Data Protection Regulation (GDPR) (EU) 2016/679 and Protection of Personal Information Act 4 of 2013 (POPIA) • Monitored insurance renewal terms and claims emanating from Covid-19	• Continue monitoring 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 implement recommendations where appropriate • Continue monitoring the control environment considering the group's flatter organisational structure • Monitor the next phase of the implementation of processes for compliance with GDPR (EU) 2016/679 and POPIA • Monitor the group's going-concern status and achievement/waiver of covenant requirements

Social and ethics committee

Members: Sipho Chris Gina (Chairman)^, Lynette Moretlo Molefi^, Jabulani Geffrey Ngcobo^, Mohamed Haroun Ahmed^ and Cornelia Carol September^

^ *Independent non-executive.*

The CEO and CFO 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
- Anti-bribery and anti-corruption
- Responsible tourism
- Preferential procurement, socio-economic 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 in its mandate as required and reports to shareholders at the group's AGM.

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 2021 financial year	Key focus areas to be addressed during the 2022 financial year
• Attended to all matters in its mandate as prescribed by the Companies Act and related management activities • Monitored customer and employee health and safety to address ongoing improvements in response to Covid-19 • Monitored employee engagement levels and responded appropriately • Adopted a formal stakeholder engagement policy	• Continue monitoring customer and employee health and safety to address ongoing improvements in response to Covid-19 • Continue monitoring employee engagement levels and responding appropriately • Review reporting in terms of the TCFD policy

Remuneration and nomination committee

Members: Mohamed Haroun Ahmed (Chairman)^, John Anthony Copelyn*, Lynette Moretlo Molefi^ and Jabulani Geffrey Ngcobo^

*^ Independent non-executive. * Non-executive.*

An independent non-executive director chairs the remuneration and nomination committee. The committee oversees the setting and implementation of the remuneration policy for the group. It ensures the policy and remuneration implementation report is tabled to shareholders every year at the group's AGM for separate non-binding advisory votes.

The committee recommends the remuneration and incentivisation of the group's directors to the board, evaluates executive directors' performance and sets their annual key performance indicators.

The committee ensures the board has the appropriate composition and balance of skills for it to execute its duties effectively. It ensures directors' appointment is transparent and made on merit through a formal process that includes identifying and evaluating potential candidates for appointment to the board. The committee considers and applies the group's approved policy of gender, age, ethnicity and cultural diversity in the nomination and appointment of 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.

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

The remuneration policy and remuneration implementation report can be found on page 74.

Key focus areas addressed during the 2021 financial year	Key focus areas to be addressed during the 2022 financial year
• Conducted an internal evaluation of the board and its committees • Reviewed the remuneration (including STIs and long-term incentives (LTIs)) of employees in the context of the furlough implemented to address the impact of Covid-19 and respond accordingly	• Review the remuneration (including STIs and LTIs) of employees in the context of the furlough implemented to address the impact of Covid-19 and respond accordingly

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.

Tsogo Sun Hotels' material risks and opportunities are set out on page 38.

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 Tsogo Sun Hotels' 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 human resources, payroll, treasury and internal financial 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.

With the onset of Covid-19 and the focus on cost reductions, new investments into IT solutions were limited. The central IT department's focus areas in the group were:
- ensuring the availability and stability of our current systems and solutions;
- completing the successful implementation of our cloud-based payroll solution, Payspace;
- engaged with law firm, Michalsons to educate our employees on GDPR and POPIA legislation and utilising their internet-based platform for the implementation of compliance solutions;
- the strengthening of firewalls with internal and external protection layers; and
- engaging a Tier 1, third-party solution provider, who manages the Cyber Security Operations Centre, with focus on management, detection and response services.

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 2021*^

Executive directors

Marcel Nikolaus von Aulock (47)
CEO

BCom BAcc

Appointed:
10 May 2019

Laurelle McDonald (39)
CFO

CA(SA)

Appointed:
30 September 2011

Non-executive directors

John Anthony Copelyn (71)
Chairman and non-executive director

BA (Hons), BProc

Appointed:
10 May 2019

James Robert (Rob) Nicolella (52)
Non-executive director

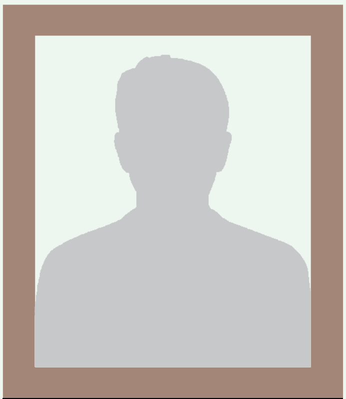
CA(SA), PLD

Appointed:
10 May 2019

^ Summarised CVs can be found on page 31 of the notice of AGM and on Tsogo Sun Hotels' website at **www.tsogosun.com/investors**.

** No changes in board composition occurred during the year.*

Independent non-executive directors



Mohamed Haroun Ahmed (56)
Lead independent non-executive director

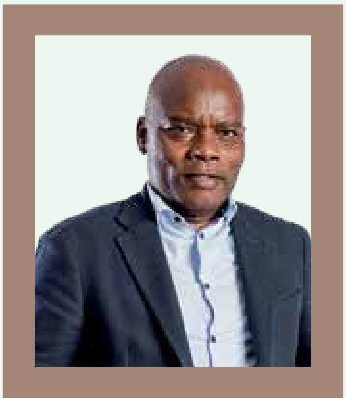
BCom Accounting

Appointed:
10 May 2019

Lynette Moretlo Molefi (52)
Independent non-executive director

BSc, MB ChB

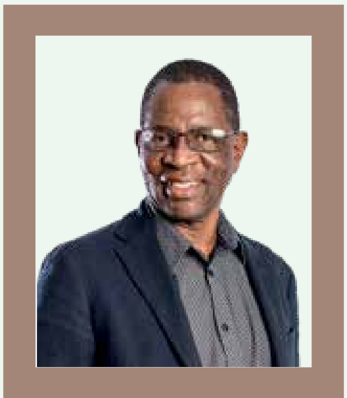
Appointed:
10 May 2019



Sipho Chris Gina (62)
Independent non-executive director

Dip (Labour Law)

Appointed:
10 May 2019



Jabulani Geffrey Ngcobo (70)
Independent non-executive director

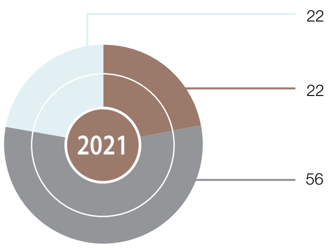
Appointed:
10 May 2019

Cornelia Carol September (62)
Independent non-executive director

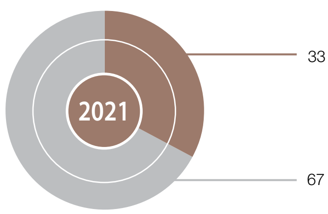
PGDip (Economics Policy)
Masters in Technology Management

Appointed:
15 August 2019

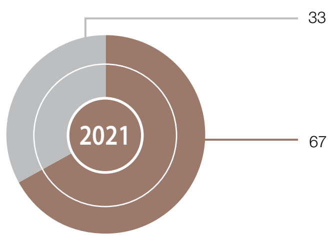
Board membership (%)*



Gender diversity (%)*



Racial diversity (%)*



** No changes in board composition occurred during the year.*

Remuneration policy and remuneration implementation report

Remuneration philosophy

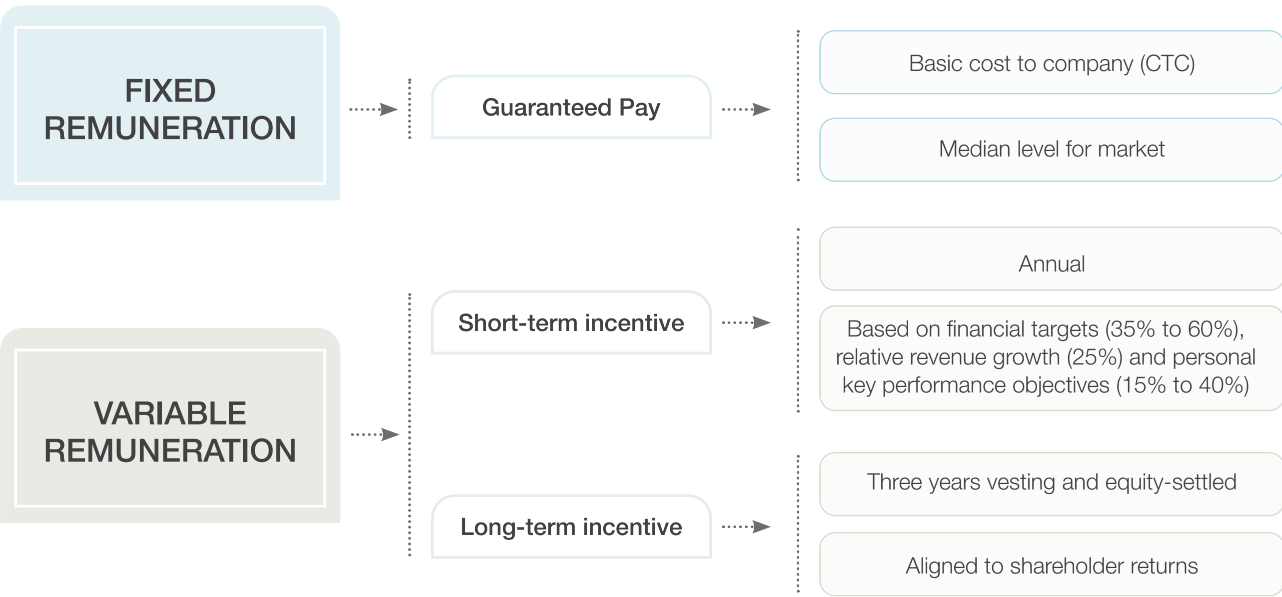
The key goals of Tsogo Sun Hotels' remuneration philosophy are to remunerate fairly, responsibly and competitively in order to:

- 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 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.

Remuneration policy

The remuneration committee approves the fixed and variable mix of the group's remuneration structure, which differs based on employee level. The components of the group's remuneration structure, applicable under normalised circumstances, are set in this remuneration report. However, due to the impact of Covid-19, these have been adjusted and approved by the board, on the recommendation of the remuneration and nomination committee, as part of the Covid-19 action plan to reduce costs and to preserve cash. The adjustments pertain mainly to the award and payment of short-term incentives (STIs) in 2020 and 2021 and the reduction in salaries due to the furlough implemented in March 2020, the details of which are set out in the remuneration implementation report.

Fair, responsible and transparent remuneration



All permanent 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.

Tsogo Sun Hotels seeks to remunerate employees responsibly, fairly and transparently and seeks to 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.

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

Short-term incentives (STIs)

Executive directors and management participate in STIs, which are based on the achievement of financial targets (Ebitdar and adjusted earnings), relative revenue growth and personal key performance objectives in proportions ranging respectively from 60:25:15 at the most senior level to 35:25:40 at the lowest management participant level.

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 his or her immediate manager; and
- executive directors and management are also incentivised to achieve improved returns for shareholders by reaching or exceeding approved targets for Ebitdar, adjusted earnings and relative revenue growth.

Relative revenue growth is determined by comparing actual revenue growth year on year (as measured by Revpar) in Tsogo Sun Hotels with appropriate comparator performance.

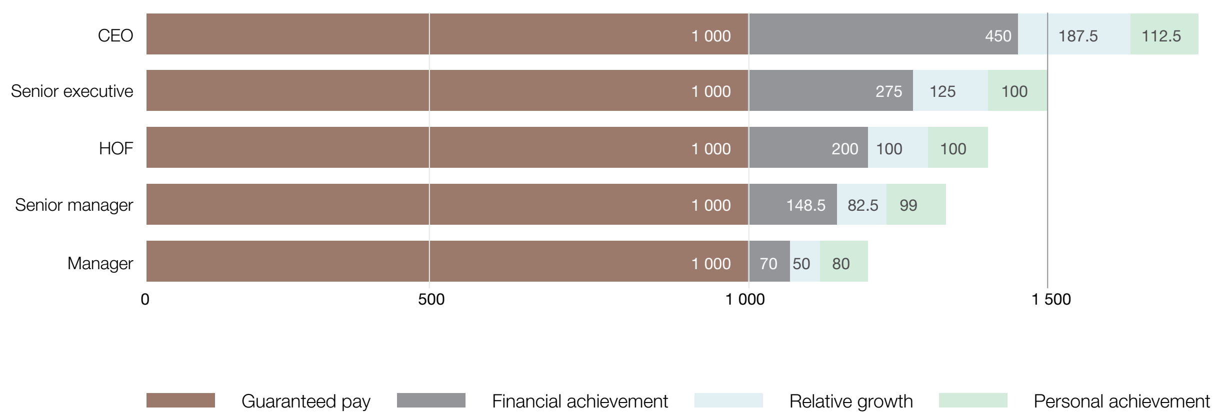
At an executive management level, financial achievement is weighted 50% Ebitdar and 50% adjusted earnings, against the targets approved by the remuneration and nomination committee, which are based on the relevant board-approved budget. The budget and accompanying targets are adjusted up or down for material structural changes during the year to ensure they remain fair. 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.

The financial "threshold" target is 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 and with 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. This means that in order for STI participants to meet the financial performance targets, the group's actual performance must be within 90% of targeted Ebitdar and adjusted earnings and at 115% of targeted Ebitdar and adjusted earnings.

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.

The on-target STI entitlement varies per employee level from 75% of the annual total package for the CEO, 50% for the CFO, 40% for heads of function (HOFs), 33% for senior managers and 20% for management level employees. The maximum bonus entitlement varies per level from 130% of the total package for the CEO, 90% for the CFO, 75% for HOFs, 60% for senior managers and 35% for management-level employees. The chart below is an illustrative example of the STI achievement by management level for on-target performance assuming an annual total package of R1 million:

STI achievement by management level (R'000)



Long-term incentives (LTIs)

Selected key senior employees of the group participate in the Tsogo Sun Hotels' Share Appreciation Rights Plan (SAR 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:

- For new awards:
  - To offer employees the opportunity to receive shares in Tsogo Sun Hotels (TGO shares) through the award of share appreciation rights (SARs), settled in TGO shares. The SAR plan is primarily used as an incentive to participants to deliver on our business strategy over the long term.
  - 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.
- For replacement awards:
  - Due to the unbundling, employees of Tsogo Sun Hotels were given the option to elect to exchange their rights held under the Tsogo Sun Group Long Term Incentive Plan (Tsogo Sun LTIP) for replacement awards under the SAR plan.
  - The exchange and replacement, effective 12 June 2019, was regulated under the rules of the Tsogo Sun LTIP and the specific details confirmed in a replacement award letter provided to each participant.
  - To ensure ease of administration and sound governance following the unbundling, the group assumes the obligation to settle the replacement awards and the rules of the SAR plan will therefore be used to facilitate this settlement. In addition, the ongoing administration of the replacement awards will be performed by the board, on the recommendation of the remuneration and nomination committee, in terms of the rules of the SAR plan.

Key features of the SAR plan

Share appreciation rights:

- are allocated annually (award date) to eligible employees as recommended by the remuneration and nomination committee and approved by the board;
- vest on the third anniversary of their award date and will lapse and accordingly not be capable of surrender for settlement in TGO shares, upon the sixth anniversary of their award date;
- confers the right upon the participating employee to receive TGO shares equal to the appreciation of the awarded SARs over the vesting period, being a period of three years from the award date and is 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 (seven-day VWAP) of the TGO shares on the date on which notice is given to surrender the SARs (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; and
- 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.

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, whilst considering the overall affordability thereof to the group.

LTIs serve to align the focus of management with that of shareholders in that participants receive the capital growth on their share between date of issue and date of vesting, 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.

On settlement, the value accruing to participants will be the full appreciation of Tsogo Sun Hotels' share price over the award price plus dividends declared and paid, post the award date (net of corporate tax), which value will be settled in TGO shares.

LTI allocations (prior year replacement awards and new awards, if applicable) are listed in the remuneration implementation report.

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.

Remuneration implementation report

Executive directors' service contracts at 31 March 2021

Both the CEO and CFO are full-time salaried employees of Tsogo Sun Hotels. 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 MOI and, as such, no service contracts have been entered into with the company. Tsogo Sun Hotels' 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.

Executive directors' and prescribed officer's emoluments

	2021				2020			
	MN von Aulock R'000	L McDonald R'000	R Nadasen[2] R'000	Total Rm	MN von Aulock[1] R'000	L McDonald R'000	R Nadasen R'000	Total R'000
Salaries	2 216	1 613	504	4 333	7 358	2 428	2 588	12 374
Benefits	146	118	287	551	594	436	523	1 553
Current year STI accrued	–	–	–	–	1 712	504	546	2 762
Fair value of equity-settled SARs awarded[1]	819	819	–	1 638	9 180	3 426	3 507	16 113
IFRS 2 charge on vested equity-settled SARs transferred to share-based payment reserve	–	–	–	–	–	(1 631)	(1 723)	(3 354)
Total single figure remuneration	3 181	2 550	791	6 522	18 844	5 163	5 441	29 448
Current year vesting of equity-settled SARs	4 270	682	–	4 952	–	–	–	–
Fair value of unvested equity-settled SARs[1]	(761)	(761)	–	(1 522)	(5 741)	(1 086)	(926)	(7 753)
Settlement of cash-based LTI	–	–	–	–	–	–	216	216
Remuneration including vested SARs	6 690	2 471	791	9 952	13 103	4 077	4 731	21 911
Current year STI not settled	–	–	–	–	(1 712)	(504)	(546)	(2 762)
Prior year STI settled	–	–	–	–	2 678	1 000	986	4 664
Current year IFRS 2 charge on equity-settled SARs	(4 328)	(740)	-	(5 068)	(3 439)	(709)	(858)	(5 006)
Total cash equivalent value of remuneration	2 362	1 731	791	4 884	10 630	3 864	4 313	18 807

(1) *Reflects the fair value of new SARs (unvested) awarded on 13 January 2021 as well as replacement SARs (vested and unvested) awarded on the conversion date in the prior year, being 12 June 2019. Refer to note 35 of the consolidated annual financial statements for detail on new and replacement awards granted in terms of the SAR plan.*

(2) *Ravi Nadasen resigned on 31 July 2020 and the table reflects his remuneration up to this date. Due to the reconfiguration of the business and the creation of a flatter organisational structure, this exact role was not replaced.*

Remuneration policy and remuneration implementation report *continued*

Reduction in payroll burden

The furlough implemented to reduce payroll costs in response to Covid-19 was accepted by all employees including the CEO, Mr von Aulock, whose rate of pay reduced to nil between 1 April 2020 to 30 September 2020 and increased to 40% of normal pay from 1 October 2020 to 31 January 2021 and to 75% of normal pay from 1 February 2021 to date, respectively. The CFO, heads of function and managers' pay levels were initially set at 60% of normal pay in April 2020, reduced to 40% of normal pay from May 2020 to January 2021 and increased to 75% of normal pay from February 2021 to date. These salary rates will be continuously assessed against trading levels and cash generation and adjusted accordingly depending on affordability. While furlough has been in place, there have been no salary rate increases for employees in the 2020 or 2021 financial years.

Achievement of STIs in FY20	Financial weighted score %	Relative growth weighted score %	Personal weighted score %	Total score %	Bonus accrued R'000
MN von Aulock	–	4.7	10.0	14.7	1 712
L McDonald	–	4.7	13.3	18.0	504

STIs are paid in May each year; however, 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, but payment thereof deferred until such time that it would be appropriate and responsible for payment to be made.

Due to the protracted impact of the Covid-19 pandemic, no STIs were awarded for the 2021 financial year.

LTI allocations in FY21 (audited)	Number of SARs awarded	Award price	Strike price[(1)]	Fair value of SARs on award date[(1)]	Vesting date	Expiry date
MN von Aulock	1 142 857	R1.49	R1.50	819	13 January 2024	13 January 2027
L McDonald	1 142 857	R1.49	R1.50	819	13 January 2024	13 January 2027

(1) *Calculated using a Black Scholes model at award date. Please refer to note 35 of the consolidated annual financial statements for details on the valuation assumptions applied.*

LTI awards are normally granted in May of every year at the seven-day VWAP to 31 March, however, the 1 April 2020 awards were deferred to provide shareholders and the market with sufficient time to consider the impact that Covid-19 had on the business for the interim reporting period to 30 September 2020 and announced on 19 November 2020. The intention being to ensure that the award price was based on shareholders and the market having considered all relevant financial information. Accordingly, the LTI awards were awarded on 13 January 2021, at the seven-day VWAP to 12 January 2021.

Conversion to the SAR plan and replacement awards granted

As a consequence of the listing of the group on 12 June 2019, employees of Tsogo Sun Hotels who participated in the Tsogo Sun LTIP were given the option to: (a) accelerate the vesting of all their notional shares (both vested and unvested) held under the Tsogo Sun LTIP and receive settlement in cash; or (b) to elect to convert their notional shares held under the Tsogo Sun LTIP to replacement awards administered in terms of the SAR plan.

The conversion calculation provided for participants to receive SARs that equate to the same fair value of the notional shares (both vested and unvested) previously held under the Tsogo Sun LTIP on the conversion date, being 12 June 2019. The conversion ensured that employees of the company are incentivised based on the company's share price performance moving forward, and also served to align their interests more closely with those of shareholders.

Details of replacement awards granted to executive directors and prescribed officers are set out below (audited):

Replacement award date	Replacement SARs awarded and still outstanding 2020	Replacement award price on conversion date	Strike price[1]	Replacement SARs vested and still outstanding 2020	Fair value of SARs on replacement award date[1] R'000	Vesting date	Expiry date
MN von Aulock							
1 October 2018[2]	10 893 353	4.13	4.03	–	9 180	30 September 2021	30 September 2024
L McDonald							
1 April 2016	–	4.01	4.01	747 218	716	31 March 2019	31 March 2022
1 April 2017	–	5.14	5.14	584 037	156	31 March 2020	31 March 2023
1 April 2018	–	4.62	4.57	324 907	231	31 March 2021	31 March 2024
1 April 2019	1 603 856	4.24	3.99	–	1 409	31 March 2022	31 March 2025

(1) *Calculated using a Black Scholes model at conversion date. Please refer to note 35 of the consolidated annual financial statements for details on the valuation assumptions applied.*
(2) *No top-up award was allocated to Mr von Aulock during the 2020 financial year as requested by Mr von Aulock.*

LTIs are equity-settled and will therefore have a dilutionary impact to shareholders on settlement. Based on the seven-day VWAP as at 31 March 2021 of R2.17 and the average TGO share price for the 12 months to 31 March 2021 of R1.77, all vested SARs capable of being exercised are out-of-the-money and, accordingly, the scheme has no dilutionary impact on shareholders for the year ended 31 March 2021.

Refer to note 35 of the consolidated annual financial statements for further information.

Remuneration policy and remuneration implementation report *continued*

Non-executive directors' fees

Non-executive directors	2021 Directors' fees paid by the company R'000	2021 Directors' fees paid by Hospitality R'000	2021 Total R'000	2020 Directors' fees paid by the company R'000	2020 Directors' fees paid by Hospitality R'000	2020 Total R'000
JA Copelyn*	**216**	**–**	**216**	418	77	495
M Ahmed#	**266**	**239**	**505**	453	492	945
J Awbrey^	**–**	**136**	**136**	–	–	–
SC Gina#	**203**	**132**	**335**	355	234	589
ML Molefi#	**205**	**181**	**386**	361	318	679
T Mosololi^	**–**	**136**	**136**	–	–	–
JG Ngcobo#	**209**	**184**	**393**	361	318	679
JR Nicolella#	**140**	**129**	**269**	275	226	501
CC September#	**146**	**129**	**275**	206	170	376
D Smith^	**–**	**136**	**136**	–	–	–
	1 385	**1 402**	**2 787**	2 429	1 835	4 264

Fees are exclusive of VAT.

* *JA Copelyn resigned from the board of Hospitality effective 31 May 2019.*

^ *Following the company's acquisition of 100% interest in Hospitality these independent directors resigned from the board of Hospitality effective 11 March 2021.*

As a wholly owned subsidiary of Tsogo Sun Hotels and Hospitality's adoption of the group's governance structure, all non-executive directors resigned from the board of Hospitality effective 31 March 2021.

Voting results at the 2020 AGM

At the AGM held on 20 October 2020, the non-binding advisory endorsement of the company's remuneration policy received less than 75% support from shareholders with 70.3% of votes in favour. The company requested shareholders to engage with the chairmen of the board and remuneration and nomination committee at a meeting held via Microsoft Teams on 10 November 2020.

Following this engagement with shareholders, the remuneration and nomination committee has attempted to expand in the remuneration report on the vesting of SARs and why the group believes that management's participation in the plan aligns their focus with that of shareholders. Although no STIs were awarded during the year, the setting of performance criteria and calculation of STIs have also been expanded on in the remuneration report.

In the event that the remuneration policy or remuneration implementation report, or both, are 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.

Non-executive directors' fees for approval by shareholders

The non-executive directors' fees for the 2021 financial year were approved by shareholders at the 2020 AGM and remained unchanged from those approved by shareholders at the AGM held on 17 October 2019.

At the AGM scheduled on 18 October 2021, the remuneration and nomination committee will not propose an increase in non-executive directors' from those approved by shareholders at the AGM held on 17 October 2019.

Furthermore, non-executive directors' fees were reduced by between 60% and 25% from April 2020 to date and may be adjusted upwards or downwards (subject to the maximum amount approved by shareholders), based on an assessment of what the company is likely to be able to afford during the time that the business is impacted by the Covid-19 pandemic.

The board has approved the recommendation made by the remuneration and nomination committee and shareholders are referred to page 34 of the notice of the AGM for the proposed non-executive directors' fees for the 2022 financial year.

Consolidated annual financial statements

for the year ended 31 March 2021

Contents

Notes contents

Statement of responsibility by the board of directors

The company's directors are required by the Companies Act of South Africa, Act 71 of 2008 (Companies Act) to maintain adequate accounting records and to prepare financial statements for each financial year which 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 over 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 2022. 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 90. 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 also considered and satisfied itself of the appropriateness of the competence, qualifications and expertise of the Company Secretary, Southern Sun Secretarial Services Proprietary Limited (as represented by Rosa van Onselen). The board of directors confirms that Rosa van Onselen is not a director of the company, reports directly to the Chief Executive Officer (CEO) and therefore is considered to maintain an arm's length relationship with the board of directors.

Chief Executive Officer and Chief Financial Officer responsibility statement

The directors, whose names are stated below, hereby confirm that:

(a) the annual financial statements set out on pages 96 to 170, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

(b) 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 have been provided to effectively prepare the financial statements of the issuer; and

(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 within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

Marcel von Aulock
Chief Executive Officer

Laurelle McDonald
Chief Financial Officer

Directors' approval of the consolidated annual financial statements

for the year ended 31 March

The preparation of the consolidated annual financial statements set out on page 96 to page 170 have 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 30 July 2021 and are signed on its behalf by:

Marcel von Aulock
Chief Executive Officer

Laurelle McDonald
Chief Financial Officer

Declaration by the Company Secretary

for the year ended 31 March

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 2021 Tsogo Sun Hotels 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
30 July 2021

Report of the audit and risk committee

for the year ended 31 March

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 external auditors, PricewaterhouseCoopers Inc., and is satisfied that the 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 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. The committee accordingly nominates PricewaterhouseCoopers Inc. for re-election as independent auditors at the company's annual general meeting. Mr P Calicchio is the individual registered auditor and member of the foregoing firm who undertakes the audit. PricewaterhouseCoopers Inc. has been the external auditors of the group for 52 years, with the rotation of the individual registered auditor during 2018 for the 2019 financial year;
- 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 2021 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 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 2020 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 2021;
- 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 Tsogo Sun Hotels Limited for the year ended 31 March 2021 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
Chairperson: Audit and risk committee
30 July 2021

Directors' report

for the year ended 31 March

1. Nature of business

The company is a South African incorporated public company domiciled in the Republic of South Africa engaged principally in the hotels 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. The group loss after tax for the year under review amounted to R982 million (2020: R1.2 billion).

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 below and in note 45 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 2021.

During May 2021, Tsogo Sun Gaming Limited (Tsogo Sun Gaming) signed a loss agreement with its insurer Tsogosure Insurance Company Limited to settle the combined business interruption insurance claim of Tsogo Sun Gaming and Tsogo Sun Hotels which is limited to R150 million in aggregate. Tsogo Sun Hotels' share of this claim is expected to be in the region of R27 million while Hospitality Property Fund Limited (Hospitality or HPF) continues to engage with the loss adjustors on its standalone business interruption claim which is also limited to R150 million. Any proceeds received in terms of the business interruption claims will contribute to the group's liquidity.

On 4 June 2021, the group received approval from the Mozambican Central Bank for the refinancing of its Mozambican US Dollar-denominated facilities equating to R385 million which, once implemented, will result in the extension of these facilities for a further five years. Refer to notes 40.1 and 46.1.

The directors have considered the impact of the level 4 lockdown regulations and civil unrest on the financial statements and no adjustment is required. Refer to the going concern note for the consideration on the debt covenants.

The adjusted level 4 lockdown was considered to be an adjusting event although announced subsequent to year end. There was no material impact on the assets and liabilities at reporting date as muted trading conditions were already forecast for July and August 2021.

The recent civil unrest in parts of KwaZulu-Natal and Gauteng is considered to be a non-adjusting event. Although the tangible assets of the group located in KwaZulu-Natal and Gauteng have not been directly impacted, the events could possibly impact tourism in the affected areas. It is difficult to estimate what the impact would be although currently it is not expected to be material.

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 the other measures the group has taken or plans to take as detailed above, management believes that the group has sufficient resources to continue operations as a going concern in a responsible and sustainable manner.

As at 31 March 2021, the group has net cash and cash equivalents of R407 million (March 2020: R722 million). The group has R3.5 billion (March 2020: R4.0 billion) of interest-bearing debt (excluding capitalised lease liabilities) and access to R1.5 billion in undrawn facilities to meet its obligations as they become due.

In preparing the cash flow forecasts utilised to assess going concern, the impact of the Covid-19 pandemic on the group's operations and liquidity was considered. Refer to the Basis of preparation of cash flow forecasts section in note 17 for further details.

Given the uncertainty around trading levels, management incorporated a 10% revenue contingency into the forecasts. This contingency cannot be attributed to any division but has been incorporated at group level in order to stress test the group's going-concern assumption. Even after incorporating this contingency, the group is able to meet its debt obligations.

The directors have assessed the cash flow forecasts together with the other actions taken or proposed by management and is of the view that the group has sufficient liquidity to meet its obligations and to counteract the expected losses that may result from the Covid-19 impact on the group's operations in the next financial year. Refer to note 51 for further details.

5. Other significant transactions

5.1 Sale of MAIA

On 13 July 2020, the group announced the sale of its 50% interest in the Maia Luxury Resort and Spa for aggregate proceeds of US$27.8 million or R467 million. The group's intention since the listing has been to reduce the US Dollar-denominated interest-bearing debt. Covid-19 has limited the group's ability to apply cash resources towards the settlement of this debt. The proceeds from the sale of this hotel assists in achieving this objective.

5.2 Acquisition of the remaining shares in Hospitality

As announced on SENS on 11 March 2021, the group successfully acquired 100% of Hospitality's (HPB) ordinary shares in issue in exchange for the issue of 417 million Tsogo Sun Hotels' (TGO) shares at an exchange ratio of 1.77 TGO shares for every 1 HPB share held. Hospitality has subsequently ceased trading on the JSE, no longer operates as a Real Estate Investment Trust (REIT) and has adopted Tsogo Sun Hotels' governance framework.

This transaction was structured as a share-for share transaction to preserve cash resources in order to withstand the impact of Covid-19 and similarly, its completion has eliminated the pressure for Hospitality to declare pre-tax cash distributions in order to retain its REIT status and will allow the group to focus on rebuilding the balance sheet by reducing debt in the short to medium term.

5.3 Investment property in Hospitality

Five of Hospitality's properties were vacated by Marriott during the year, being the Arabella Hotel, Golf & Spa, Hazyview Sun, The Edward, Mount Grace Hotel & Spa and Southern Sun The Marine. The Mount Grace Hotel & Spa successfully reopened its doors on 9 September 2020 under a management agreement with Tsogo Sun Hotels, and similarly, Hazyview Sun, together with the iconic The Edward hotel in Durban, reopened their doors under Tsogo Sun Hotels' management during December 2020. On 31 January 2021, the lease agreement over the Marine hotel expired and the hotel was re-branded as a Southern Sun and is now internally managed. As a result, these five properties are no longer accounted for as investment properties but have been transferred to and is now accounted for as property, plant and equipment.

On 1 October 2020, Hospitality entered into a sale-of-shares agreement with the previous controlling shareholders of Vexicure Proprietary Limited (Vexicure) for no consideration. Hospitality previously held 5% of the issued shares of Vexicure and has increased its shareholding to 85%. Vexicure is the tenant company for the Westin hotel in Cape Town.

On 1 November 2020, Hospitality also entered into a sale-of-shares agreement with the previous controlling shareholders of Ash Brook Investments 72 Proprietary Limited (Ash Brook) for no consideration. Hospitality previously held 15% of the issued shares of Ash Brook and has increased its shareholding to 100%. Ash Brook is the tenant company for the Radisson Blu Gautrain hotel in Sandton.

5.4 Maintenance capex spend

The group spent R62 million on maintenance and expansion capex for the year ended 31 March 2021. The group has committed capital spend of R41 million, the majority of which has been placed on hold.

6. Share capital

Tsogo Sun Hotels Limited has authorised share capital of 2 000 000 000 ordinary no par value shares and the issued share capital of the company is 1 477 905 694 (2020: 1 060 895 712) ordinary no par value shares. The increase in issued shares related to the share-for-share transaction where Tsogo Sun Hotels acquired the balance of the issued shares in Hospitality not already owned by the group.

7. Dividends

Given the anticipated extended period of reduced revenue as a consequence of the impact that the Covid-19 pandemic has had on the business, the directors considered it prudent to retain cash resources in order to ensure that the group is able to navigate this difficult period until trading normalises. Accordingly, the directors have not declared a final cash dividend for the year ended 31 March 2021.

8. Associates, joint ventures and subsidiaries

Refer to notes 20 and 21 of the consolidated annual financial statements for details of associates and joint ventures respectively, note 49 of the consolidated annual financial statements for details of subsidiary companies with material non-controlling interests and note 50 to the consolidated annual financial statements for details of subsidiaries.

9. 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

10. 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 42 and 42.3 of the consolidated annual financial statements for details of the group's key management compensation.

11. Company Secretary

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

Business address
Palazzo Towers West
Montecasino Boulevard, Fourways, 2055

Postal address
Private Bag X200
Bryanston, 2021

12. External auditors

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90 of the Companies Act of South Africa until the forthcoming annual general meeting.

13. 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% (2020: 49.4%) of the company's issued share capital (excluding treasury shares). HCI directly owned 7.2% (2020: 10.1%) and is the majority shareholder of TIHC Investments (RF) Proprietary Limited (TIHC) and TIHC directly owned 28.1% (2020: 39.3%) of Tsogo Sun Hotels. HCI also controls the HCI Foundation which directly owns 5.1% (2020: nil) of the company. As a consequence of the increase in the company's issued share capital following its acquisition of 100% interest in Hospitality, HCI's interest has been diluted and the company is no longer a subsidiary of HCI. These percentage shareholdings exclude treasury shares. Refer to the shareholder analysis on page 171.

Independent auditor's report

To the Shareholders of Tsogo Sun Hotels 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 Tsogo Sun Hotels Limited (the Company) and its subsidiaries (together the Group) as at 31 March 2021, 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

Tsogo Sun Hotels Limited's consolidated financial statements set out on pages 96 to 170 comprise:

- the consolidated balance sheet as at 31 March 2021;
- 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.

Certain required disclosures have been presented elsewhere on page 78 and page 79 in the Tsogo Sun Hotels 2021 Integrated Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

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.

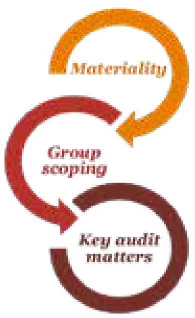
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

<table>
<tr><td rowspan="3">
</td>
<td>Overall group materiality
• Overall group materiality: R43.75 million, which represents 5% of the average consolidated loss before income tax from continuing operations of the past three years adjusted for items that are not considered to be part of the normal operations of the Group.</td></tr>
<tr><td>Group audit scope
• The Group has a portfolio of over 100 hotels operating in Africa and the Middle East. The Group further 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.
• Remaining components are not considered to be significant to the Group and analytical review procedures have been performed on these components.</td></tr>
<tr><td>Key audit matters
• Valuation of investment properties at year end of R1.56 billion; and
• Impairment of property, plant and equipment of R237 million.</td></tr>
</table>

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.

Independent auditor's report *continued*

for the year ended 31 March

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	R43.75 million.
How we determined it	5% of the average consolidated loss before income tax from continuing operations of the past three years adjusted for items that are not considered to be part of the normal operations of the Group.
Rationale for the materiality benchmark applied	We chose consolidated loss before income tax from continuing operations as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. The average consolidated loss before income tax of the past three years was used due to the performance of the Group being volatile over the past three years. Consolidated losses before income tax were adjusted to exclude the profit on sale of a joint venture recognised in the 2021 financial year as this was not considered to be reflective of the normal operations of the Group. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

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 further 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 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. We maintained regular communication with local 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 judgment, 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 at year end of R1.56 billion The majority of the Group’s investment properties comprise hotel properties. At 31 March 2021, the carrying value of the Group’s total investment property portfolio was R1.56 billion representing a R2.59 billion decrease compared to the prior year (refer to note 17 *‘Investment properties’* to the consolidated financial statements). This overall decrease of R2.59 billion comprises a decrease of R2.49 billion due to a transfer of investment properties to owner-occupied property, plant and equipment and a fair value loss of R0.1 billion recognised on the remaining properties. The Group’s accounting policy is to measure investment properties at fair value based on annual 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 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 growth rates, discount rates and cash flows. The impact of Covid-19 and the associated impact on the hospitality industry has resulted in changes to the inputs and assumptions into the valuation techniques applied and the inputs into the valuation models. We considered the year end valuation of investment properties as a matter of most significance to our current year audit due to 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 • magnitude of the investment properties balance at year-end recorded in the consolidated balance sheet, as well as the changes in fair value relating to the investment properties recorded in the consolidated income statement.	We obtained an understanding of the approaches 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 assessed the transfer of investment property to owner occupied property at the transfer date by performing the following procedures: • assessed the fair value of the properties transferred; and • evaluated the effective date of transfer. We noted no aspects requiring further consideration. 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 growth rates and 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 to the Group’s accounting records noting no material exceptions.

Key audit matter	How our audit addressed the key audit matter
Impairment of Property, plant and equipment of R237 million 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 2021, the carrying value of the Group's PPE amounted to R9.1 billion after recognition of a total impairment loss related to land and buildings of R237 million. Of the total impairment loss recognised, R144 million related to hotel properties in the Group's offshore operations and R93 million related to hotel properties in the Group's South African operations. 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 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 expected changes in the trading environment due to the Covid-19 pandemic and recovery thereafter, 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 IAS 36. For PPE items that had indicators of impairment 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 and two of the valuation. The cash flows were expected to be significantly affected by the restrictions and depressed trading environment as a result of 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 three 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 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
Impairment of Property, plant and equipment of R237 million continued Based on management's impairment assessments, as a result of the downward medium-term trading expectations due to the current economic environment and negative impact of the global Covid-19 pandemic, the carrying values of the hotel properties were impaired during the year. The impairment 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 significant judgements made by management in determining the net cash flows, terminal growth rates and discount rates; and • the magnitude of the impairment loss recorded in the consolidated income statement for the year ended 31 March 2021.	We recalculated each of the recoverable amounts determined by management, as well as the impairment loss recognised 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 documents titled "Tsogo Sun Hotels 2021 Integrated Annual Report", and "Tsogo Sun Hotels Limited annual financial statements for the year ended 31 March 2021" 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 Tsogo Sun Hotels Limited for 52 years.

PricewaterhouseCoopers Inc.

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

30 July 2021

Consolidated income statement

for the year ended 31 March

	Notes	2021 Rm	2020 Rm
Rooms revenue	7	**593**	2 791
Food and beverage revenue	7	**269**	1 063
Property rental income	7	**52**	331
Other revenue	7	**249**	290
Income		**1 163**	4 475
Property and equipment rentals	8	**9**	(97)
Amortisation and depreciation	9	**(407)**	(348)
Employee costs	10	**(520)**	(1 321)
Other operating expenses	11	**(890)**	(1 871)
Impairment of property, plant and equipment	15	**(237)**	(716)
Profit on sale of joint venture	21	**355**	–
Impairment of goodwill	18, 41	**(30)**	–
Fair value adjustment of investment properties	17	**(99)**	(888)
Operating loss		**(656)**	(766)
Finance income	12	**33**	40
Finance costs	13	**(379)**	(400)
Share of loss of associates and joint ventures	20, 21	**(128)**	(3)
Loss before income tax		**(1 130)**	(1 129)
Income tax credit/(expense)	14	**148**	(96)
Loss for the year		**(982)**	(1 225)
Loss attributable to:			
Equity holders of the company		**(896)**	(896)
Non-controlling interests		**(86)**	(329)
		(982)	(1 225)
Basic and diluted loss attributable to the ordinary equity holders of the company per share (cents)			
Number of shares in issue (million)		**1 478**	1 061
Weighted number of shares in issue (million)		**1 233**	1 061
Basic and diluted loss per share (cents)		**(72.7)**	(84.5)

Consolidated statement of comprehensive income

for the year ended 31 March

	Notes	2021 Rm	2020 Rm
Loss for the year		**(982)**	(1 225)
Other comprehensive (loss)/income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss:		**(286)**	221
Cash flow hedges	33	**(19)**	(50)
Currency translation adjustments		**(273)**	256
Income tax relating to items that may subsequently be reclassified to profit or loss		**6**	15
Items that may not be reclassified subsequently to profit or loss:		**(1)**	2
Remeasurements of post-employment defined benefit liability	32	**(1)**	3
Income tax relating to items that may not subsequently be reclassified to profit or loss		**–**	(1)
Total comprehensive loss for the year		**(1 269)**	(1 002)
Total comprehensive loss attributable to:			
Equity holders of the company		**(1 170)**	(660)
Non-controlling interests		**(99)**	(342)
		(1 269)	(1 002)

Consolidated balance sheet

as at 31 March

	Notes	2021 Rm	2020 Rm
ASSETS			
Non-current assets			
Property, plant and equipment	15	**9 106**	7 554
Right-of-use assets	16	**1 045**	799
Investment properties	17	**1 561**	4 149
Goodwill	18	**354**	354
Other intangible assets	19	**54**	56
Investments in associates	20	**305**	446
Investments in joint ventures	21	**–**	124
Post-employment benefit liability	32	**3**	4
Non-current receivables	23	**14**	14
Other financial assets	22	**3**	2
Deferred income tax assets	24	**297**	84
Total non-current assets		**12 742**	13 586
Current assets			
Inventories	25	**62**	58
Trade and other receivables	26	**365**	454
Other current assets	42	**12**	3
Current income tax assets		**5**	–
Cash and cash equivalents	27	**918**	1 281
Total current assets		**1 362**	1 796
Total assets		**14 104**	15 382
EQUITY			
Capital and reserves attributable to equity holders of the company			
Ordinary share capital and premium	28	**5 333**	4 642
Other reserves	29	**1 805**	599
Retained earnings		**205**	1 102
Total shareholders' equity		**7 343**	6 343
Non-controlling interests		**97**	2 352
Total equity		**7 440**	8 695
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings	30	**2 991**	3 974
Lease liabilities	31	**1 346**	1 024
Derivative financial instruments	33	**59**	50
Deferred income tax liabilities	24	**256**	175
Deferred revenue	34	**37**	37
Provisions	36	**58**	58
Total non-current liabilities		**4 747**	5 318
Current liabilities			
Interest-bearing borrowings	30	**996**	559
Lease liabilities	31	**14**	13
Trade and other payables	37	**774**	622
Deferred revenue	34	**74**	75
Current portion derivative financial instruments	33	**10**	–
Current income tax liabilities		**49**	100
Total current liabilities		**1 917**	1 369
Total liabilities		**6 664**	6 687
Total equity and liabilities		**14 104**	15 382

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	Retained earnings Rm	Total attributable to the parent Rm	Non-controlling interests Rm	Total equity Rm
Balance at 1 April 2019		4 642	289	2 059	6 990	2 939	9 929
Change in accounting policy – adoption of IFRS 16 *Leases*		–	–	(63)	(63)	–	(63)
Restated balance at 1 April 2019		4 642	289	1 996	6 927	2 939	9 866
Total comprehensive loss		–	234	(894)	(660)	(342)	(1 002)
Loss for the year		–	–	(896)	(896)	(329)	(1 225)
Cash flow hedges, net of tax		–	(21)	–	(21)	(14)	(35)
Currency translation adjustment		–	255	–	255	1	256
Remeasurements of post-employment defined benefit liability net of tax	32	–	–	2	2	–	2
Shareholders' redemption provision		–	24	–	24	–	24
Share-based payments conversion		–	35	–	35	–	35
Share-based payments charge	35	–	17	–	17	–	17
Ordinary dividends		–	–	–	–	(245)	(245)
Balance at 31 March 2020		**4 642**	**599**	**1 102**	**6 343**	**2 352**	**8 695**
Total comprehensive loss		**–**	**(273)**	**(897)**	**(1 170)**	**(99)**	**(1 269)**
Loss for the year		**–**	**–**	**(896)**	**(896)**	**(86)**	**(982)**
Cash flow hedges, net of tax		**–**	**(1)**	**–**	**(1)**	**(12)**	**(13)**
Currency translation adjustment		**–**	**(272)**	**–**	**(272)**	**(1)**	**(273)**
Remeasurements of post-employment defined benefit liability net of tax	32	**–**	**–**	**(1)**	**(1)**	**–**	**(1)**
Acquisition of NCI in HPF		**691**	**1 465**	**–**	**2 156**	**(2 156)**	**–**
Share-based payments charge	35	**–**	**14**	**–**	**14**	**–**	**14**
Balance at 31 March 2021		**5 333**	**1 805**	**205**	**7 343**	**97**	**7 440**

(1) *Refer to note 29 for details of other reserves.*

Consolidated cash flow statement

for the year ended 31 March

	Notes	2021 Rm	2020 Rm
Cash flows from operating activities			
Cash (utilised in)/generated from operations	38	(6)	1 321
Finance income		33	40
Finance costs		(379)	(394)
Income tax paid	39	(42)	(121)
Dividends paid to non-controlling interests		–	(245)
Dividends received		–	22
Net cash (utilised in)/generated from operating activities		(394)	623
Cash flows from investment activities			
Purchase of property, plant and equipment		(56)	(329)
Proceeds from disposals of property, plant and equipment		3	–
Additions to investment properties	17	(1)	(160)
Proceeds from disposal of investment property		–	3
Purchase of intangible assets	19	(6)	(6)
Acquisition of business – intellectual property		–	(8)
Proceeds from disposals of joint venture	21	467	–
Additions to investment in associates	20	–	(8)
Acquisition of subsidiary		24	–
Other loans granted		(9)	(29)
Net cash generated from/(utilised in) investment activities		422	(537)
Cash flows from financing activities			
Borrowings raised	40.1	241	2 179
Borrowings repaid	40.1	(566)	(1 651)
Principal elements of lease payments	40.2	–	(128)
Other current liabilities repaid		(5)	(7)
Net cash (utilised in)/generated from financing activities		(330)	393
Net (decrease)/increase in cash and cash equivalents		(302)	479
Cash and cash equivalents at beginning of the year, net of bank overdrafts		722	212
Foreign currency translation		(13)	31
Cash and cash equivalents at the end of the year, net of bank overdrafts	27	407	722

The accounting policies and notes on page 101 to page 170 form an integral part of these 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 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 which were effective for the group from 1 April 2020:

- IFRS 3 *Business Combinations*;
- IAS 1 *Presentation of Financial Statements*;
- IAS 8 *Accounting Policies. Changes in Accounting Estimates and Errors*;
- IFRS 9 *Financial Instruments*; and
- IFRS 16 *Leases* (Covid-19-related rent concessions amendments). (This standard was published and effective for annual periods beginning on or after 1 June 2020 and as permitted, the group chose to early adopt the standard.)

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 2020, 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.

(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 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.

1. Summary of significant accounting policies continued

(d) Basis of consolidation and business combinations continued

(i) Subsidiaries continued

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 and joint ventures

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. A joint venture is an entity over which the group contractually shares control with one or more partners.

Investments in associates and joint ventures 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.

The net investment in an associate or joint venture 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).

1. Summary of significant accounting policies continued

(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. Translation differences on non-monetary items such as equity investments classified as fair value through other comprehensive income are included in other comprehensive income.

(iii) Foreign subsidiaries, associates and joint ventures – translation

Significant once-off items in the income and cash flow statements of foreign subsidiaries, associates and joint ventures 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.

(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.

1. Summary of significant accounting policies continued

(f) Property, plant and equipment continued

(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*
Vehicles	5 years
Operating equipment	2 – 3 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 three 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.

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 uses its 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. 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.

1. **Summary of significant accounting policies** continued

(g) **Leases** continued

(i) **The group is a lessee** continued

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 (ie 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 at 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 increase scope, the group accounts for the modifications as a separate new lease. This accounting treatment equally applies to leases 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.

(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 on 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.

1. Summary of significant accounting policies continued

(h) Investment property continued

Fair value measurement continued

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 that do not have an expiry date, are not amortised as they are considered to have an indefinite life and are tested annually for impairment on the same basis as goodwill. 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.

(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.

1. Summary of significant accounting policies continued

(j) Investments and other financial assets continued

(ii) Recognition and derecognition continued

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.

(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).

1. Summary of significant accounting policies continued

(k) Derivative instruments and hedge accounting continued

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 are 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 are recognised in profit or loss within other operating expenses.

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 other operating expenses.

(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 (ie as prices) or indirectly (ie derived from prices); or

Level 3 – inputs for the asset or liability that are not based on observable market data (ie 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, other than borrowing costs capitalised (refer note f(iv)), 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 fees, banqueting and venue hire, parking revenue and hotel sundry revenues. Revenue from contracts with customers is recognised when control of the goods or services are 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 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) Share-based payments – cash-settled schemes

Goods or services, including employee services received in exchange for cash-settled, share-based payments, are recognised at the fair value of the liability incurred and are expensed when consumed. The liability is remeasured at each balance sheet date to its fair value, with all changes recognised immediately in profit or loss.

The fair value of the long-term incentive plan liability is determined at each balance sheet date by reference to the company's share price. This is adjusted for management's best estimates of the appreciation units expected to vest.

1. Summary of significant accounting policies continued

(v) Employee benefits continued

(vii) 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 *Trade and other payables* in the balance sheet.

(viii) 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.

(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 9.8% (2020: 9.8%) to 10.3% (2020: 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.

Determining the low-value leases

In determining the low-value leases, management assessed the value of the underlying individual assets at the original date of acquisition and whether they would individually have a material impact on the balance sheet. Low-value assets comprise IT equipment and small items of office furniture.

(b) Investment property

Classification of investment properties

Investment property represented 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 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.

2. Critical accounting estimates and judgements continued

(b) Investment property continued

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) Fair value of financial instruments that are not traded in an active market

The fair value of financial instruments that are not traded in an active market (for example, unlisted investments) is determined by using valuation techniques. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

3. New International Financial Reporting Standards and amendments

(a) International Financial Reporting Standards and amendments effective for the first time for March 2021 year ends

The following standards and amendments to existing standards have been published that are mandatory for the group's accounting period ending March 2021.

Amendment to IFRS 3 *Business Combinations – Definition of a Business*

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions.

To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.

The group has been impacted by the change in definition of a business and it was concluded that the acquisition of Ash Brook and Vexicure met the definition of a business. Refer to note 41.

Amendment to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors on the Definition of Material*

These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRS: use a consistent definition of materiality through IFRS and the Conceptual Framework for Financial Reporting; clarify the explanation of the definition of material; and incorporate some of the guidance in IAS 1 about immaterial information.

The group has updated their definition of materiality when assessing transactions to be in line with the amendment.

3. New International Financial Reporting Standards and amendments continued

(a) International Financial Reporting Standards and amendments effective for the first time for March 2021 year ends continued

Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosure – Interest rate benchmark reform* (phase 1)

Interest rate benchmark reform resulted in amendments to IFRS 9 *Financial Instruments*. IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures Requirements for Hedge Accounting* to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest rate benchmarks such as interbank offered rates (IBOR) on hedge accounting. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

There is no impact on the group from the IBOR phase 1 amendment.

(b) 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 2021. None of which are expected to have a material effect on the consolidated position or performance of the group.

IFRS 16 *Leases Covid-19-related Rent Concessions* amendment

The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to Covid-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying 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 a variable lease payment.

IFRS 16 amended must be applied for financial years commencing on or after 1 June 2020, however, the group has elected early adoption of the amendment. Refer to note 31.

Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases* – interest rate benchmark (IBOR) reform (phase 2)

The phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.

IBOR (phase 2) amendments must be applied for financial years commencing on or after 1 January 2021. The group is assessing the impact of IBOR (phase 2) reform.

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

The group is still assessing the impact of the amendment to the classification of liabilities as current or non-current.

3. New International Financial Reporting Standards and amendments continued

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

Amendment to IFRS 3 *Business Combinations*

The IASB has updated IFRS 3 *Business combinations*, to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination.

In addition, the IASB added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, or IFRIC 21 *Levies*, rather than the 2018 Conceptual Framework.

The IASB has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The group is still assessing the impact and will apply the amendment from 1 April 2022.

Amendments to IAS 16 *Property, Plant and Equipment* on proceeds before intended use

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received in selling items produced while the entity is preparing the asset for its intended use.

IAS 16 amended must be applied for financial years commencing on or after 1 January 2022. The group will apply the new amendment from 1 April 2022, however, it is not expected to have a material impact.

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

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

Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract. IAS 37 amended must be applied for financial years commencing on or after 1 January 2022.

The group will apply the amendment from 1 April 2022, however, it is not expected to have a material impact.

Annual improvements cycle 2018 – 2020

These amendments shall be applied for annual periods beginning on or after 1 January 2022 and include minor changes to:

- IFRS 1 *First Time Adoption of IFRS* has been amended for a subsidiary that becomes a first-time adopter after its parent. The group will apply the amendment from 1 April 2022, however, it is not expected to have a material impact
- IFRS 9 *Financial Instruments* has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of “the 10% test” for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. The group will apply the amendment from 1 April 2022, however, it is not expected to have a material impact.
- IFRS 16 *Leases*, amendment to the illustrative example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives. The group will apply the amendment from 1 April 2022, however, it is not expected to have a material impact.

4. Reconciliation of loss attributable to equity holders of the company to headline (loss)/earnings and adjusted (loss)/headline earnings

	2021 Rm	2020 Rm
Loss attributable to equity holders of the company	(896)	(896)
Loss on disposal of property, plant and equipment	1	2
Impairment of property, plant and equipment	237	716
Fair value adjustment of investment properties	99	888
Impairment relating to IHPL (associate)	10	–
Impairment relating to RBH (associate)	5	17
Share of associates' headline earnings adjustment	100	41
Gain on disposal of investment in joint venture	(355)	–
Impairment of goodwill	30	–
Total tax effect of adjustments	(18)	(52)
Total non-controlling interest effects of adjustments	4	(500)
Headline (loss)/earnings	**(783)**	**216**
Transaction costs	6	3
Fair value adjustment on RDI investment	–	1
Restructuring costs	36	40
Pre-opening expenses	3	–
Impairment of inventory	8	2
Derecognition of Southern Sun Maputo deferred tax	–	30
Share of associates' exceptional items	3	1
Tax impact of Hospitality ceasing to be a REIT[(2)]	105	–
Total tax effects of other exceptional items	(11)	(11)
Total non-controlling interest effects of exceptional items	–	(4)
Adjusted headline (loss)/earnings[(1)]	**(633)**	**278**
Number of shares in issue (millions)	1 478	1 061
Weighted number of shares in issue	1 233	1 061
Basic and diluted headline (loss)/earnings per share (cents)	(63.5)	20.4
Basic and diluted adjusted headline (loss)/earnings per share (cents)	(51.4)	26.2

(1) *Adjusted headline (loss)/earnings are defined as (losses)/earnings 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.*

(2) *Management considers Hospitality ceasing to be a REIT and the resulting recognition of deferred tax balances to be a once-off event not related to the ongoing operations of the group. The tax effects of Hospitality ceasing to be a REIT has accordingly been treated as an exceptional item in the current year's adjusted headline loss measure.*

5. Reconciliation of operating loss to Ebitdar

	2021 Rm	2020 Rm
Ebitdar pre-exceptional items is made up as follows:		
Operating loss	(656)	(766)
Amortisation and depreciation	407	348
Property rentals	(22)	84
Long-term incentive expense	14	17
	(257)	(317)
Add/(less): Exceptional losses/(gains)		
Loss on property, plant and equipment	1	2
Impairment of property, plant and equipment	237	716
Fair value adjustment of investment properties	99	888
Fair value adjustment on RDI investment	–	1
Gain on disposal of investment in joint venture	(355)	–
Impairment of goodwill	30	–
Impairment of inventory	8	2
Impairment relating to IHPL (associate)	10	17
Impairment relating to RBH (associate)	5	–
Pre-opening expenses	3	–
Restructuring costs	36	40
Transaction costs	6	3
Ebitdar	**(177)**	**1 352**

6. Segmental analysis

In terms of IFRS 8 *Operating Segments*, the CODM has been identified as the group's CEO and the senior management team. Management has determined the operating segments based on the reports reviewed by the CODM. There has been no change to the basis of segmentation or to the basis of measurement of segment profit or loss from the consolidated annual financial statements apart from the introduction of the Trading income – HPF segment which is explained below.

The CODM considers the business from both a business type and geographical basis. The following are the five segments identified and monitored by the CODM:

- **Manco** consists of the group's management company division which manages the hotels in South Africa.
- **Rental income – HPF** consists of the rentals received by HPF from the five hotel properties leased to external third-party operators.
- **Trading income – HPF** reflects the trading performance of the Westin and Radisson Blu Gautrain hotels since 1 October 2020 and 1 November 2020, respectively.
- **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.

The group's CODM assesses the performance of the operating segments based on earnings before interest, income tax, depreciation, amortisation, property rentals, long-term incentives and exceptional items (Ebitdar). The measure excludes the effects of long-term incentives and the effects of non-recurring expenditure. The measure also excludes all headline earnings adjustments, impairments and fair value adjustments on non-current and current assets and liabilities. 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.

	Revenue[1]		Ebitdar[2]		Ebitdar margin	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 %	2020 %
Manco	68	266	(27)	154	(40)	58
Rental income – HPF[6]	27	310	27	310	100	100
Trading income – HPF[4]	38	–	(24)	–	(63)	–
Internally managed[5]	904	3 501	(131)	787	(14)	22
Coastal	429	1 885	(92)	463	(21)	25
Inland	334	1 344	(56)	262	(17)	20
Other	141	272	17	62	12	23
Offshore	135	569	(22)	101	(16)	18
Internal management fees[3]	(34)	(183)	–	–	–	–
Total	1 138	4 463	(177)	1 352	(16)	30

(1) *All revenue and income from hotel operations is derived from external customers. No one customer contributes more than 10% to the group's total revenue.*
(2) *Refer reconciliation of operating profit to Ebitdar on page 117.*
(3) *Included in Manco.*
(4) *This segment reflects the trading performance of the Westin and Radisson Blu Gautrain hotels since the acquisition of their related operating/tenant companies on 1 October 2020 and 1 November 2020, respectively. These hotels were included in the Rental income – HPF segment in FY20 (2020: Total rental income from these hotels was R126 million). Refer to note 41.*
(5) *Trading relating to the Arabella Hotel, Golf & Spa, Mount Grace Hotel & Spa, the Hazyview Sun, The Edward and Southern Sun The Marine are included in the Internally managed segment as a consequence of these properties transferring from investment properties to owner-occupied property, plant and equipment during the year. These hotels were included in the Rental income – HPF segment in FY20 (2020: Total rental income from these hotels was R45 million).*
(6) *The CODM reviews rental income net of rates, taxes and cost recoveries for segmental reporting purposes. Rates, taxes and cost recoveries of R25 million (2020: R12 million) have been reallocated from Manco to Rental income – HPF. Refer to note 7.*

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 on page 118. 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		Revenue from external customers	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm
Internally managed	**508**	2 429	**234**	901	**203**	168	**945**	3 498
Coastal	**302**	1 337	**122**	478	**43**	70	**467**	1 885
Inland	**146**	903	**84**	372	**104**	69	**334**	1 344
Other income	**60**	189	**28**	51	**56**	29	**144**	269
Manco	**–**	–	**–**	–	**33**	83	**33**	83
Offshore	**85**	362	**35**	162	**13**	39	**133**	563
Total	**593**	2 791	**269**	1 063	**249**	290	**1 111**	4 144

	2021 Rm	2020 Rm
Reconciliation to segmental analysis in note 6:		
Revenue from contracts with customers per above	**1 111**	4 144
Property rental income	**52**	331
Rates, taxes and cost recoveries offset against rental income for segmental analysis purposes	**(25)**	(12)
Total income per segmental analysis	**1 138**	4 463

	2021 Rm	2020 Rm
Other revenue is made up as follows:		
Management fees revenue	**35**	102
Parking revenue	**5**	16
Venue hire revenue	**6**	50
Packaged food	**5**	30
Non-arrival charges	**4**	13
Other sundry revenue	**69**	79
Contractual Covid-19-related revenue[1]	**125**	–
Other revenue	**249**	290

[1] *Contractual Covid-19-related revenue relates to hotels used as quarantine and isolation facilities as well as hotels that participated in the Premier Soccer League bio-bubble.*

		2021 Rm	2020 Rm
8.	**Property and equipment rentals**		
	Under IFRS 16 *Leases*		
	Short-term leases	**13**	25
	Properties	**1**	11
	Plant, vehicles and equipment	**12**	14
	Variable lease payments not included in lease liabilities	**(22)**	72
	Properties	**(22)**	72
		(9)	97

		2021 Rm	2020 Rm
9.	**Amortisation and depreciation**		
	Amortisation of intangible assets (note 19)	**9**	10
	Depreciation of property, plant and equipment (note 15)	**320**	279
	Depreciation of right-of-use assets (note 16)	**78**	59
	Total amortisation and depreciation	**407**	348

		2021 Rm	2020 Rm
10.	**Employee costs**		
	Employee costs (including executive directors' remuneration):		
	Salaries and wages	**495**	1 218
	Termination benefits	**–**	8
	Pension – defined contribution plans	**8**	78
	Other post-employment benefits – medical aid (note 32)	**3**	–
	IFRS 2 *Share-based Payment* – equity-settled (note 35)	**14**	17
		520	1 321

		2021 Rm	2020 Rm
11.	**Other operating expenses**		
	Auditors' remuneration	**17**	21
	Audit fees – current year	**16**	18
	Tax services	**1**	3
	Advertising, marketing and promotional costs	**57**	252
	External consultants	**17**	32
	Food and beverage costs and operating equipment usage	**110**	388
	Impairment charge for bad and doubtful debts, net of reversals (note 26)	**1**	19
	Information technology-related costs	**43**	87
	Net foreign exchange (loss)/gains	**(2)**	4
	Property costs – rates, water and electricity	**288**	360
	Repairs and maintenance expenditure on property, plant and equipment	**47**	138
	Rooms departmental expenses	**135**	397
	Guest supplies	**12**	46
	Guest entertainment	**12**	33
	Laundry	**16**	56
	Housekeeping	**16**	76
	Cleaning	**5**	21
	Other	**74**	165
	Security and surveillance costs	**44**	58
	Other operating expenses	**52**	39
	(Profit)/loss on disposal of property, plant and equipment	**(1)**	2
	Impairment relating to associates	**15**	17
	Insurance	**13**	12
	Commission	**1**	6
	Pre-opening expenses	**3**	–
	Restructuring costs	**36**	32
	Transaction costs	**5**	3
	Inventory write-off	**8**	2
	Fair value adjustment through profit and loss	**1**	2
		890	1 871

		2021 Rm	2020 Rm
12.	**Finance income**		
	Interest received from banks	**30**	36
	Finance income – other	**3**	4
		33	40

		2021 Rm	2020 Rm
13.	**Finance costs**		
	Finance costs in respect of interest-bearing debt	**237**	279
	Finance costs in respect of lease liabilities (note 31)	**128**	101
	Finance costs – other	**14**	20
		379	400

		2021 Rm	2020 Rm
14.	**Income tax**		
	Current tax – current year charge	**17**	125
	Current tax – (over)/under provision prior year	**(29)**	1
	Deferred tax – current year (credit) (note 24)	**(274)**	(35)
	Deferred tax – impact of HPF ceasing to be a REIT (note 24)	**137**	–
	Deferred tax – under provision prior year (note 24)	**–**	1
	Withholding taxes	**1**	4
	Total income tax (credit)/expense	**(148)**	96
	Other comprehensive income		
	Tax credit relating to components of other comprehensive income on items that may be reclassified subsequently to profit or loss:	**(5)**	(15)
	Cash flow hedges	**(5)**	(15)
	Tax charge relating to components of other comprehensive income on items that may not be reclassified subsequently to profit or loss:	**–**	1
	Remeasurements of post-employment defined benefit liability	**–**	1
		(5)	(14)

	2021 Rm	2021 %	2020 Rm	2020 %
Income tax rate reconciliation				
Loss before income tax and share of profit of associates and joint venture	**(1 002)**		(1 126)	
Income tax thereon at 28% (2020: 28%)	**(280)**	**28.0**	(315)	28.0
Exempt income/credits:				
Profits attributable to the HPF non-controlling interests	**(12)**	**1.2**	(37)	3.3
Gain on disposal of investment in joint venture	**(78)**	**7.8**	–	–
Expenses/debits not deductible for tax purposes:				
Amortisation and depreciation	**30**	**(3.0)**	25	(2.2)
Transaction costs	**3**	**(0.3)**	1	(0.1)
Fair value loss on investment property revaluations	**–**	**–**	221	(19.7)
Foreign tax rate differential	**4**	**(0.4)**	(31)	2.7
Impairment on property, plant and equipment	**75**	**(7.5)**	162	(14.4)
Other non-deductible items	**1**	**(0.1)**	7	(0.6)
Deferred tax asset not recognised on assessed losses	**–**	**–**	58	(5.1)
Withholding taxes	**1**	**(0.1)**	3	(0.3)
Tax impact of Hospitality ceasing to be a REIT	**137**	**(13.7)**	–	–
Prior year (credits)/charges (net)	**(29)**	**2.9**	2	(0.1)
	(148)	**14.8**	96	(8.5)

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 2021						
Opening net carrying amount	5 854	400	–	1 056	244	7 554
Additions	29	–	4	28	1	62
Disposals and operating equipment usage	(1)	–	–	–	(11)	(12)
Depreciation charge	(151)	(31)	–	(138)	–	(320)
Impairments	(237)	–	–	–	–	(237)
Transfers from investment property[(1)]	2 337	–	–	152	–	2 489
Other transfers	1	–	(1)	–	–	–
Currency translation	(347)	–	(3)	(70)	(10)	(430)
Closing net carrying amount	7 485	369	–	1 028	224	9 106
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
Year ended 31 March 2020						
Opening net carrying amount	6 042	426	–	1 023	193	7 684
Additions	126	–	84	91	61	362
Disposals and operating equipment usage	–	–	–	(2)	(21)	(23)
Depreciation charge	(117)	(26)	–	(136)	–	(279)
Impairments	(716)	–	–	–	–	(716)
Transfers from right-of-use assets	41	–	–	–	–	41
Other transfers	84	–	(84)	–	–	–
Currency translation	394	–	–	80	11	485
Closing net carrying amount	5 854	400	–	1 056	244	7 554
At 31 March 2020						
Cost	7 319	666	–	2 718	244	10 947
Accumulated depreciation	(1 465)	(266)	–	(1 662)	–	(3 393)
Net carrying amount	5 854	400	–	1 056	244	7 554
At 1 April 2019						
Cost	6 674	666	–	2 549	193	10 082
Accumulated depreciation	(632)	(240)	–	(1 526)	–	(2 398)
Net carrying amount	6 042	426	–	1 023	193	7 684

(1) *The transfers from investment property to property, plant and equipment represent the transfer of the Westin Cape Town, Radisson Blu Gautrain Hotel, Mount Grace Country House and Spa, Southern Sun Marine, Hazyview Sun and Arabella Hotel.*

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 R7 million (2020: R14 million increase).

As a result of the restrictions put in place to combat the second wave of Covid-19 infections, management performed an impairment assessment on property, plant and equipment. The impairment test was performed by reviewing the cash flow forecasts for the period FY22 to FY26. The cash flow forecasts for the South African and offshore properties were prepared on the basis set out in note 17 *Basis of preparation of cash flow forecasts*. As a result of the delayed recovery, the group impaired property, plant and equipment by R237 million (2020: R716 million). The recoverable amount has been determined by the higher of value in use and the fair value less costs to sell using a discounted cash flow model (DCF). The weighted average cost of capital (WACC) utilised in the valuation ranges between 13.5% and 14.0% (2020: 14.0%) for the South African hotels and ranges between 9.7% and 17.5% (2020: 9% to 13.5%) for the offshore properties. The terminal growth rate applied for the offshore properties is 1.7% (2020: 1.4% to 2.1%) and 4.5% (2020: 5.0%) for the South African properties.

15. Property, plant and equipment continued

The carrying values of land, buildings, plant and equipment of the following hotel properties were impaired by the following amounts during the year:

	2021 Rm	2020 Rm
Garden Court Eastgate	13	115
Garden Court Hatfield	–	86
Southern Sun Hyde Park	22	–
StayEasy Eastgate	–	63
Southern Sun Rosebank	5	35
Holiday Inn Sandton	27	40
Internally managed – Inland	**67**	339
The Edward	11	–
Garden Court uMhlanga	1	–
Southern Sun The Marine	2	–
Internally managed – Coastal	**14**	–
The Westin – Trading income HPF	**12**	–
Southern Sun Ikoyi	35	172
Southern Sun Dar es Salaam	3	84
Southern Sun Maputo	–	89
Southern Sun Ridgeway[1]	106	32
Offshore	**144**	377
Total	**237**	716

[1] *The impairment of Southern Sun Ridgeway in the current year is mainly related to the increase in the WACC rate from 12.1% in FY20 to 17.5% in FY21 driven by the increase in the in-country risk premium.*

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:

	2021		2020	
	Increase Rm	Decrease Rm	Increase Rm	Decrease Rm
5% change in the net cash flows	154	(154)	120	(120)
25bps change in the terminal growth rate	33	(36)	50	(48)
50bps change in the discount rate	(129)	137	(133)	148

Where the group is the lessor

The group rents out retail space within hotel properties.

Property rentals (included in other income) earned during the year was R1 million (2020: R10 million).

	2021 Rm	2020 Rm
Rental income from property, plant and equipment operating leases under IFRS 16	1	10
Fixed	1	10
Rental income (included in Revenue note 7)	**1**	10

16. Right-of-use assets

Lease rental contracts include hotel property leases typically for fixed periods of 15 years to 99 years, but may have extension options. The recoverable amount of right-of-use assets are determined based 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.

The following right-of-use assets were recognised as a result of the implementation of IFRS 16:

	Buildings Rm	Total Rm
Year ended 31 March 2021		
Opening balance	**799**	**799**
Depreciation	**(78)**	**(78)**
Additions	**278**	**278**
Modification	**46**	**46**
Closing net carrying amount	**1 045**	**1 045**
At 31 March 2021		
Cost	**1 182**	**1 182**
Accumulated depreciation	**(137)**	**(137)**
Net carrying amount	**1 045**	**1 045**
Year ended 31 March 2020		
Recognition on adoption of IFRS 16 (1 April 2019)	690	690
Depreciation	(59)	(59)
Transferred to property, plant and equipment	(41)	(41)
Additions	209	209
Closing net carrying amount	799	799
At 31 March 2020		
Cost	858	858
Accumulated depreciation	(59)	(59)
Net carrying amount	799	799

17. Investment properties

	2021 Rm	2020 Rm
Opening net carrying amount	**4 149**	4 881
Acquisition and development of investment properties	**1**	160
Disposals	**(1)**	(4)
Transfer of owner-occupied property[1]	**(2 489)**	–
Fair value adjustments recognised in profit or loss	**(99)**	(888)
Closing net carrying amount	**1 561**	4 149

[1] *The transfers from investment property to property, plant and equipment represent the transfer of the Westin Cape Town, Radisson Blu Gautrain Hotel, Mount Grace Country House and Spa, Southern Sun Marine, Hazyview Sun and Arabella Hotel.*

The group rents out hotels properties.

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 takes into account a risk premium associated with the local economy as well as that specific to the local property market and the hotel industry. At 31 March 2021, 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 property being valued. The valuation is currently performed on an annual basis on the entire portfolio of investment properties by an independent valuator.

17. **Investment properties** continued

Basis of preparation of cash flow forecasts

The Covid-19 pandemic has had a significant impact on the hospitality sector, with continued restrictions in travelling and conferencing. The recovery period in the sector is dependent on the vaccine rollout in South Africa, and feeder countries, which raises uncertainty in travel and the future expected trading in each hotel. A conservative view with a slow recovery has been forecast, and each property individually considered. 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 FY22 and FY23 assuming a slow recovery from September 2021, once the vaccine rollout has stabilised and the third wave has passed and the corporate, conferencing and international segments have recovered somewhat, to reach pre-Covid occupancy levels by FY24. Occupancies for the group's owned hotel portfolio including offshore are assumed to increase from the 12.2% currently to 32.3% in FY22, increasing to 60.4% in FY24, which is closer to the group's long-term occupancy levels. Average room rates (ARRs) are assumed to increase by a compound annual revenue growth rate (CAGR) of 4.4% between FY22 and FY24. Based on a review of the FY24 revenue and Ebitdar levels of each hotel, management is comfortable that the individual hotel trading assumptions are reasonable.

From FY24 onwards, ARRs were increased by CPI +1% while occupancies for the majority of hotels were capped at 65%, unless they have historically traded better. Operating expenses including payroll were escalated by CPI with the exception of utilities, which escalates by 10% per annum. No expansion capex has been forecast and maintenance capex has been reviewed by unit and reduced as much as possible. More focus will be placed on repairs and maintenance to ensure that the properties are kept in good condition.

Other valuation inputs

The risk free rate applied decreased by 1.0 percentage point to 9.5% at 31 March 2021 when compared to the prior year (31 March 2020: 10.5%). Although the risk-free rate decreased, the independent valuer has taken a further 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 decreased by 3%.

As at 31 March 2021 the significant unobservable inputs were as follows:
- A weighted average rental growth rate of 28.0%* (2020: 5.2%);
- A terminal capitalisation rate of 9.0% – 12.0% (2020: 9.0% – 13.5%); and
- A risk-adjusted discount rate of 12.0% – 14.5% (2020: 12.0% – 14.5%).

* *The weighted average rental growth calculated at 28.0% is as a result of the initial recovery in Ebitdar in year one to three from the low and in some instances negative Ebitdar base due to the impact of the Covid-19 pandemic. From year four, most of the Ebitdar growth rates are in line with the long-term growth rate of 6%.*

Sensitivities

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

	2021		2020	
	Increase Rm	Decrease Rm	Increase Rm	Decrease Rm
5% change in the net cash flows	**77**	**(76)**	203	(202)
25bps change in the terminal capitalisation rate	**(20)**	**20**	(55)	58
50bps change in the discount rate	**(51)**	**54**	(135)	143

The investment properties are 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. In the long term, fixed rentals should always exceed variable rental income received.

17. Investment properties continued

Amounts recognised in profit or loss for investment properties:

	2021 Rm	2020 Rm
Rental income from investment property operating leases under IFRS 16:	51	321
Fixed	51	207
Variable	–	114
Rental income (included in Revenue note 7)	51	321
Direct operating expenses from property that generated rental income (note 7)	25	12

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:

	2021 Rm	2020 Rm
Not later than one year	12	159
Between one and two years	11	124
Between two and three years	7	114
Between three and four years	7	96
Between four and five years	7	92
Later than five years	5	969
	49	1 554

	2021 Rm	2020 Rm
18. Goodwill		
At 1 April	354	354
Goodwill on acquisition of Vexicure and Ash Brook (note 41)	30	–
Impairment of goodwill (note 41)	(30)	–
At 31 March	354	354

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 operating segment level. A summary of the goodwill allocation is as follows:

	2021 Rm	2020 Rm
Internally managed	347	347
SUN1 Proprietary Limited (included in Other segment)	254	254
Cullinan Hotels Proprietary Limited (included in Coastal segment)	11	11
Southern Sun Hotel Interests Proprietary Limited (included in Coastal, Inland and Other segments)	82	82
Offshore	7	7
At 31 March	354	354

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).

18. **Goodwill** continued

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 WACC of the respective CGUs. WACC is 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:

	2021			2020		
	Ebitdar margin %	Long-term growth rate %	Discount rate pre-tax %	Ebitdar margin %	Long-term growth rate %	Discount rate pre-tax %
Internally managed[(1)]	**19.4 – 36.6**	**4.5**	**13.4**	26.2 – 35.0	5.0	14.0

(1) *Internally managed assumptions were applied to SUN1 Proprietary Limited, Cullinan Hotels Proprietary Limited and Southern Sun Hotel Interests Proprietary Limited. The Ebitdar margins are as follows: SUN1 Proprietary Limited 36.6% (2020: 35.0%), Cullinan Hotels Proprietary Limited 23.7% (2020: 26.2%) and Southern Sun Hotel Interests Proprietary Limited 19.4% (2020: 29.9%).*

The group's impairment reviews are sensitive to changes in the key assumptions described above. Based on the group's sensitivity analysis a reasonable possible 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 goodwill allocated to each CGU shown above.

The following changes to the assumptions will lead to a recognition of an impairment in the goodwill:

	SUN1 Proprietary Limited %	Cullinan Hotels Proprietary Limited %	Southern Sun Hotel Interests Proprietary Limited %
Increase in the discount rate	**5.5**	**>100.0**	**28.2**
Decrease in the growth rate	**9.6**	**>100.0**	**>100.0**
Decrease in Ebitdar margin	**12.4**	**22.5**	**16.8**

	Computer software Rm	Other Rm	Total Rm
19. Other intangible assets			
Year ended 31 March 2021			
Opening net carrying amount	**16**	**40**	**56**
Additions	**6**	**–**	**6**
Transfers	**1**	**–**	**1**
Amortisation charge	**(6)**	**(3)**	**(9)**
Closing net carrying amount	**17**	**37**	**54**
At 31 March 2021			
Cost	**65**	**55**	**120**
Accumulated amortisation	**(48)**	**(18)**	**(66)**
Net carrying amount	**17**	**37**	**54**
Year ended 31 March 2020			
Opening net carrying amount	17	33	50
Additions	6	–	6
Acquisition of business	–	11	11
Disposals	(1)	–	(1)
Amortisation charge	(6)	(4)	(10)
Closing net carrying amount	16	40	56
At 31 March 2020			
Cost	58	54	112
Accumulated amortisation	(42)	(14)	(56)
Net carrying amount	16	40	56
At 1 April 2019			
Cost	53	43	96
Accumulated amortisation	(36)	(10)	(46)
Net carrying amount	17	33	50

Other intangible assets include management contracts with a book value of R17 million (2020: R17 million) and trademarks with a book value of R20 million (2020: R23 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. Impairment testing was performed on other intangible assets and no impairments were required.

20. Investments in associates

The group has the following interests in its material associates:

Unlisted

- 25.9% (2020: 25.9%) in International Hotel Properties Limited (IHPL), incorporated in the British Virgin Islands. IHPL 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 August year end; however, trading results for the 12 months ended 31 March are included in the consolidated financial results.
- 26.4% (2020: 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.

20. Investments in associates continued

Unlisted continued

	2021 Rm	2020 Rm
At 1 April	**446**	488
Acquisition of investment in associates	**–**	8
Impairment of associate	**(15)**	(17)
Associate now classified as subsidiary due to change in control	**(1)**	–
Share of loss after tax and other interests of associates	**(125)**	(7)
Dividends received	**–**	(26)
At 31 March	**305**	446
Made up as follows:		
Unlisted	**305**	446
At 31 March	**305**	446

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		International Hotel Properties	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Summarised balance sheets				
Total non-current assets	**37**	41	**2 488**	3 059
Total current assets	**132**	161	**55**	126
Total assets	**169**	202	**2 543**	3 185
Total non-current liabilities	**–**	–	**548**	1 344
Total current liabilities	**289**	227	**1 111**	423
Total liabilities	**289**	227	**1 659**	1 767
Net assets	**(120)**	(25)	**884**	1 418
Summarised statement of comprehensive (loss)/income				
Revenue	**992**	1 405	**15**	159
(Loss)/profit from operations	**(45)**	36	**(456)**	(66)
(Loss)/profit for the year and total comprehensive income	**(45)**	36	**(456)**	(66)

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		International Hotel Properties	
	2021 Rm	2020 Rm	**2021 Rm**	2020 Rm
Opening net assets attributable to owners	**(25)**	39	**1 418**	1 268
(Loss)/profit for the year	**(45)**	36	**(456)**	(66)
Foreign currency translation reserve	**(50)**	(15)	**(78)**	216
Total comprehensive income	**(120)**	60	**884**	1 418
Dividends paid	**–**	(85)	**–**	–
Closing net assets attributable to owners	**(120)**	(25)	**884**	1 418
Interest in associate (%)	**26.4**	26.4	**25.9**	25.9
Interest in associate	**(32)**	(7)	**229**	367
Intangible assets	**71**	89	**–**	–
Goodwill	**30**	30	**41**	41
Impairment[(1)]	**(5)**	(17)	**(10)**	–
Translation	**48**	34	**(67)**	(91)
Carrying value of investments in associates	**112**	129	**193**	317

[(1)] *The UK experienced an economic slowdown mainly due to multiple waves of Covid-19 infections that resulted in the medium-term outlook for trading being negative and indicated that the investments may be impaired. By discounting the future cash flows expected to be generated by these investments at a WACC of 7.0% (2020: 7.8%), the resulting recoverable amount of the investments indicated an aggregate impairment of R15 million (2020: R17 million) which was recognised in Other operating expenses in note 11.*

The group has no further contingent liabilities or commitments in relation to the associates.

21. Investments in joint ventures

The group has the following interests in joint ventures:

Unlisted

50% interest in United Resorts and Hotels Limited, a hotel company established in Seychelles.

	2021 Rm	2020 Rm
At 1 April	**124**	120
Share of (loss)/profit after tax and other interests of joint ventures	**(3)**	4
Foreign exchange difference	**(10)**	–
Disposal of joint venture	**(111)**	–
At 31 March	**–**	124

On 13 July 2020, the group announced the sale of its 50% interest in the Maia Luxury Resort and Spa for aggregate proceeds of US$27.8 million or approximately R467 million. The group's intention since the listing has been to reduce the US Dollar-denominated interest-bearing debt. Covid-19 has limited the group's ability to apply cash resources towards the settlement of this debt. The proceeds from the sale of this hotel assists in achieving this objective.

The group's joint venture has no contingent liabilities of capital commitments.

21. Investments in joint ventures continued

The following total assets and liabilities of United Resorts and Hotels Limited are not included in the group's consolidated annual financial statements as the group accounts for its investment in the joint venture on an equity basis:

Summarised financial information

	2021 Rm	2020 Rm
Summarised balance sheets		
Assets		
Non-current assets	–	511
Inventory	–	5
Trade and other receivables	–	20
Cash and cash equivalents	–	71
Total assets	–	607
Liabilities		
Current financial liabilities (excluding trade payables)	–	(42)
Other current liabilities	–	(6)
Total liabilities	–	(48)
Net assets	–	559
Summarised statement of comprehensive income/(loss)		
Income	–	149
Depreciation and amortisation	–	4
Profit before income tax	–	18
Income tax charge	–	(10)
Profit for the year	–	8
Other comprehensive income	–	–
Profit for the year and total comprehensive income	–	8
Reconciliation of summarised financial information		
A reconciliation of the summarised financial information to the carrying amount of the group's interest in United Resorts and Hotels Limited is as follows:		
Opening net assets attributable to owners	–	591
Profit for the year	–	8
Foreign currency translation reserve	–	(41)
Closing net assets attributable to owners	–	558
Interest in joint venture (%)	–	50.0
Interest in joint venture	–	279
Translation	–	(155)
Carrying value of investments in joint venture	–	124

22. Financial assets at fair value through profit or loss

Financial assets designated at fair value through profit and loss comprise investments in equity instruments which are held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. The investment is held for trading and therefore the group considers this classification relevant.

	2021 Rm	2020 Rm
Investment in RDI REIT	**3**	2
	3	2

The fair value of the listed equity instruments was determined using the quoted price available for the instruments. At 31 March 2021 the investment has been remeasured to R3 million, a R1 million increase. The fair value adjustment was recognised in profit or loss and is disclosed in note 11.

	2021 Rm	2020 Rm
23. Non-current receivables		
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 currencies		
SA Rand	**14**	14
US Dollar	**–**	–
	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.

24. Deferred income tax

	2021 Rm	2020 Rm
The gross movement on the deferred tax account are as follows:		
Net deferred liability at 1 April	**91**	160
Income statement credit (note 14)	**(137)**	(34)
Acquisition of business	**(3)**	3
Currency translation	**8**	(15)
IFRS 16 implementation	**–**	(23)
Net deferred tax (asset)/liability at 31 March	**(41)**	91

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 2019	475	(15)	(190)	(6)	(52)	212
Income statement expense/(credit)	20	(73)	(36)	1	63	(25)
Acquisition of business	–	3	–	–	–	3
Transfer	1	–	(1)	–	–	–
Currency translation	(15)	–	–	–	–	(15)
Balance at 31 March 2020	481	(85)	(227)	(5)	11	175
Income statement expense/(credit)	318	(22)	(5)	–	(215)	76
Acquisition of business	–	(3)	–	–	–	(3)
Transfer	–	–	–	–	–	–
Currency translation	8	–	–	–	–	8
Deferred tax liability at 31 March 2021	**807**	**(110)**	**(232)**	**(5)**	**(204)**	**256**
Deferred tax assets						
Balance at 1 April 2019	11	(23)	(17)	(6)	(40)	(75)
Income statement (expense)/credit	–	(8)	(2)	3	(2)	(9)
Balance at 31 March 2020	11	(31)	(19)	(3)	(42)	(84)
Income statement (expense)/credit	(83)	(27)	26	1	(130)	(213)
Deferred tax asset at 31 March 2021	**(72)**	**(58)**	**7**	**(2)**	**(172)**	**(297)**
Total net deferred tax liability/(asset)	**735**	**(168)**	**(225)**	**(7)**	**(376)**	**(41)**

[1] *Includes investment property and prepaid expenditure.*

Deferred tax assets of R297 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 impact of Covid-19 and management's assessment of the gradual recovery in trading as the vaccination rollout in South Africa stabilises. For further details on the basis of preparation of these cash flow forecasts, refer to note 17. The net deferred tax expense recognised from prior periods relating to Hospitality ceasing to be a REIT was R137 million. After taking into account the current year movements, the net deferred tax expense impact amounted to R89 million.

		2021 Rm	2020 Rm
25.	**Inventories**		
	Food and beverage	21	25
	Operating equipment	2	4
	Consumable stores	39	29
		62	58
	Inventory costs recognised in Other operating expenses (note 11):		
	Inventory written off[1]	8	2
	Cost of food and beverage and consumable stores	110	388
	Cost of operating equipment	9	28

[1] *Food and beverage of R8 million (2020: R2 million) was written off during the year and the carrying value of food and beverage after the write-off at year end was R21 million (2020: R25 million). The write-off of food and beverage is mainly as a result of the impact of Covid-19 and the resultant closure of the hotels.*

		2021 Rm	2020 Rm
26.	**Trade and other receivables**		
	Financial instruments		
	Financial assets measured at amortised cost		
	Trade receivables – net	110	260
	Trade receivables – gross	154	309
	Trade receivables – loss allowance	(44)	(49)
	Deposits	73	54
	IHPL loan	32	24
	Tenant loan	56	24
	Other receivables	25	13
		296	375
	Non-financial instruments		
	Prepayments	47	71
	VAT receivable	22	8
		69	79
	Total trade and other receivables	365	454

26. Trade and other receivables continued

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.

Credit risk

Trade 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 are regularly monitored by reviewing the ageing analysis of these debtors on an ongoing basis. At 31 March 2021, 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.

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 2021 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
- Covid-19.

Large TMCs operating against the backdrop of the above factors along with a burgeoning cost base, driven by increasing salary costs 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.

Hospitality debtors have a carrying value of R27 million and are considered to be lower risk as they are related to rental income which is all 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 R19 million (2020: R0.1 million) relating to Hospitality debtors. Customers comprise lessees paying rent to occupy hotel buildings.

26. Trade and other receivables continued

Credit risk continued

On this basis the loss allowance as at 31 March 2021 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 (%)	**15.0**	**17.8**	**30.0**	**58.1**	
Gross carrying amount	**30**	**9**	**3**	**31**	**73**
Loss allowance	**4**	**2**	**1**	**18**	**25**
Other remaining South African debtors[1] (excluding large TMCs and specifically identified debtors):					
Expected loss rate (%)	**5.0**	**8.0**	**15.0**	**25.0**	
Gross carrying amount	**20**	**7**	**2**	**8**	**37**
Loss allowance	**1**	**1**	**–**	**2**	**4**

On this basis the loss allowance as at 31 March 2020 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 (%)	9.6	14.6	29.6	49.6	
Gross carrying amount	60	64	8	5	137
Loss allowance	6	9	2	3	20
Other remaining South African debtors[1] (excluding large TMCs and specifically identified debtors):					
Expected loss rate (%)	1.9	8.2	15.0	25.0	
Gross carrying amount	62	22	3	2	89
Loss allowance	1	2	1	–	4

[1] *Includes small TMCs, sporting bodies, government departments and corporate accounts.*

26. Trade and other receivables continued

Credit risk continued

Specific South African debtors

Specific debtors that 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).

	2021 Rm	2020 Rm
Gross carrying amount	10	8
Loss allowance in respect of specific trade debtors	10	8

The loss allowance has been established as follows:
- specific debtors provided for completely amounted to R10 million (2020: R8 million). During the year specific debtors (stage 3) amounting to R2 million (2020: R1 million) were impaired as non-collectable.

	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 2021:					
Expected loss rate (%)	3.6	4.7	7.7	75.0	
Gross carrying amount	28	1	1	4	34
Loss allowance	1	–	–	3	4
Offshore debtors 31 March 2020:					
Expected loss rate (%)	8.9	13.0	22.3	91.9	
Gross carrying amount	29	2	2	15	48
Loss allowance	3	–	–	14	17

The closing loss allowance for trade receivables as at 31 March reconciled to the opening loss allowance is as follows:

	2021 Rm	2020 Rm
At 1 April	49	29
Provision for receivables impairment	9	20
Impaired as non-collectable	5	1
Unused amounts reversed	(16)	(3)
Currency translation	(3)	2
At 31 March	44	49

During the year, stage 2 debtors amounting to R3 million (2020: Rnil million) were written off as non-collectable and unused provisions of R16 million (2020: R3 million) were reversed. The balance of the movement relates to stage 3-specific debtors detailed above.

26. Trade and other receivables continued

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:

	2021 Rm	2020 Rm
SA Rand	**305**	376
Nigerian Naira	**1**	8
Great Britain Pound	**32**	24
US Dollar	**9**	12
Mozambican Metical	**10**	11
Tanzanian Shilling	**3**	1
Kenyan Shilling	**–**	2
Seychelles Rupee	**–**	6
Zambian Kwacha	**4**	12
United Arab Emirates Dirham	**1**	2
	365	454

27. Cash and cash equivalents

	2021 Rm	2020 Rm
Cash and cash equivalents measured at amortised cost		
Current accounts	**847**	1 017
Call and fixed deposit accounts	**70**	261
Cash	**1**	3
Gross cash and cash equivalents[1]	**918**	1 281
Less: Bank overdrafts included in borrowings (note 30)[1]	**(511)**	(559)
Net cash and cash equivalents per cash flow statement	**407**	722
Gross cash and cash equivalents are denominated in the following currencies:		
SA Rand	**877**	1 129
Nigerian Naira	**16**	17
Great British Pound	**–**	1
US Dollar	**14**	114
Mozambican Metical	**4**	9
Tanzanian Shilling	**1**	–
Seychelles Rupee	**–**	1
Zambian Kwacha	**1**	1
United Arab Emirates Dirham	**2**	2
Euro	**3**	7
	918	1 281

[1] *There is a master netting arrangement in place, however, the gross positive cash balances of R918 million (2020: R1 281 million) and bank overdrafts of R511 million (2020: R559 million) do not qualify to be offset on the balance sheet.*

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 not significant.

28. Ordinary share capital and premium

	Number of ordinary shares '000	Net number of shares '000	Ordinary share capital Rm	Total Rm
At 1 April 2019	1 060 896	1 060 896	4 642	4 642
At 31 March 2020	1 060 896	1 060 896	4 642	4 642
Issue of shares	417 010	417 010	691	691
At 31 March 2021	**1 477 906**	**1 477 906**	**5 333**	**5 333**

The total authorised number of ordinary shares is 2 000 000 000 (2020: 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 35) 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 TGO shares subject only to the limitations contained in the Companies Act, the memorandum of incorporation (MOI) and the Listings Requirements.

29. Other reserves

	Share capital reserve Rm	Transactions 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 2019	(76)	1 298	–	(12)	–	(921)	289
Cash flow hedges	–	–	(21)	–	–	–	(21)
Cash flow hedges fair value adjustments	–	–	(30)	–	–	–	(30)
Deferred tax on cash flow hedges fair value adjustments	–	–	9	–	–	–	9
Currency translation adjustments	–	–	–	255	–	–	255
Shareholder's redemption provision	24	–	–	–	–	–	24
Share-based payments conversion	–	–	–	–	35	–	35
Share-based payments charge	–	–	–	–	17	–	17
Balance at 31 March 2020	**(52)**	**1 298**	**(21)**	**243**	**52**	**(921)**	**599**
Cash flow hedges	**–**	**–**	**(1)**	**–**	**–**	**–**	**(1)**
Cash flow hedges fair value adjustments	**–**	**–**	**(6)**	**–**	**–**	**–**	**(6)**
Deferred tax on cash flow hedges fair value adjustments	**–**	**–**	**5**	**–**	**–**	**–**	**5**
Currency translation adjustments	**–**	**–**	**–**	**(272)**	**–**	**–**	**(272)**
Acquisition of NCI in HPF	**–**	**1 465**	**–**	**–**	**–**	**–**	**1 465**
Share-based payments charge	**–**	**–**	**–**	**–**	**14**	**–**	**14**
Balance at 31 March 2021	**(52)**	**2 763**	**(22)**	**(29)**	**66**	**(921)**	**1 805**

		2021 Rm	2020 Rm
30.	**Interest-bearing borrowings**		
	Borrowings are made up as follows:		
	Financial liabilities measured at amortised cost		
	Bank borrowings	**1 780**	2 280
	Corporate bonds (Domestic Medium-term Note Programme)	**1 700**	1 700
	Bank overdrafts	**511**	559
		3 991	4 539
	Less: Facility raising fees	**(4)**	(6)
		3 987	4 533
	Analysed as:		
	Non-current portion	**2 991**	3 974
	Current portion	**996**	559
		3 987	4 533
	Secured	**3 991**	4 539
	Unsecured	**–**	–
		3 991	4 539
	The following represents the carrying amount of the security for these borrowings:		
	Property, plant and equipment (note 15)	**3 741**	1 300
	Investment properties (note 17)[1]	**1 561**	4 149
	Pledge of cash in bank accounts (note 27)	**407**	722
	Trade receivables (note 26)	**110**	260
		5 819	6 431
	The carrying amounts of the group's borrowings are denominated in the following currencies:		
	SA Rand	**3 237**	3 103
	US Dollar	**724**	1 398
	Mozambican Metical	**26**	32
		3 987	4 533
	The group has the following committed direct facilities excluding bank overdrafts (from banks and corporate bonds):		
	Expiring within one year	**1 096**	340
	Expiring beyond one year	**3 837**	4 581
		4 933	4 921
	Undrawn facility of committed direct bank borrowings	**1 453**	941
	Weighted average effective interest rates (including cash held in call accounts)	**8.0%**	9.1%

[1] *Investment properties represent the value of the properties in HPF over which mortgage bonds have been registered in favour of the debt funding providers to HPF included in borrowings. On consolidation, these properties leased and managed by Southern Sun Hotel Interests Proprietary Limited are however accounted for as part of the carrying amount of the property, plant and equipment (both companies being subsidiary companies of the group). During the year, investment properties which are pledged to lenders as security over HPF's borrowings, with a carrying value of R2 489 million were transferred from investment properties to property, plant and equipment.*

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 5.10% and 6.68% (2020: 6.85% and 7.59%). The fair value of long and medium-term loans using variable rates by USD currency lenders were calculated using ranges between 2.55% and 3.15% (2020: 3.66% and 4.26%) and 12.90% (2020: 19.05%) for those relating to the MZN currency loan. All borrowings bear interest at floating rates.

30. Interest-bearing borrowings continued

The carrying amounts and fair values of the bank borrowings and corporate bonds are as follows:

	Carrying amount		Fair value	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Bank borrowings	**1 780**	2 277	**1 789**	2 306
Corporate bonds (Domestic Medium-term Note Programme)	**1 700**	1 697	**1 647**	1 716
	3 480	3 974	**3 436**	4 022

31. Lease liabilities and commitments

	Buildings	
	2021 Rm	2020 Rm
Opening balance	**1 037**	–
Recognised on adoption of IFRS 16 (1 April 2019)	**–**	957
Finance costs	**128**	101
Modification of lease contract	**46**	(102)
Additions	**278**	209
Lease payments	**(89)**	(128)
Rent concessions	**(39)**	–
Other	**(1)**	–
Closing net carrying amount	**1 360**	1 037
Lease liabilities		
Lease liabilities recognised in the balance sheet are analysed as:		
Non-current portion	**1 346**	1 024
Current portion	**14**	13
	1 360	1 037
Total cash flows in respect of leases:		
Principal portion of the lease liabilities (included in cash flows from financing activities)	**–**	26
Interest portion of the lease liabilities (included in finance costs cash flows)	**89**	101
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)	**(9)**	97
Total cash outflow for leases	**80**	224

31. Lease liabilities and commitments continued

The group leases various hotel properties including the Garden Court Marine Parade, Garden Court Nelson Mandela Boulevard, Southern Sun OR Tambo, Cape Town City Bowl Complex, Southern Sun Cape Sun, Sandton Sun, InterContinental Sandton Towers and Garden Court Sandton City. These rental contracts are typically made for fixed periods of 20 years to 30 years, but may have extension options as described below.

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. The application was applied retrospectively with effect from 1 April 2020. This had the effect of reducing rental expenses and lease liabilities by R39 million.

The rent concessions received by the group, which contribute to the R39 million impact on the rental expense are in relation to GC Marine Parade, Cape Town City Bowl Complex and the Sandton Consortium hotels.

All the group's rent concessions are as a result of the Covid-19 pandemic and the lease payments are substantially the same as the consideration for the lease immediately preceding the change. The reduced lease payments are not expected to affect lease payments after 30 June 2021 and there is no substantive change to other terms and conditions of the lease.

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 occurs.

A 10% increase in Ebitdar across all hotels in the group with such variable lease contracts would increase total lease payments by approximately Rnil (2020: R1.5 million). The same increase in revenue would increase total lease payment by approximately R0.3 million (2020: R0.7 million).

Variable lease payments are included in other operating expenses (refer to note 11).

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.

31. Lease liabilities and commitments continued

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.

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:

	2021 Rm	2020 Rm
Not later than one year	–	3
Later than one year and not later than five years	–	–
Later than five years	–	–
	–	3

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.

32. Post-employment benefits

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.

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.

Medical aid

The group operates a closed fund defined benefit plan for a portion of the 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	Total Rm
Year ended 31 March 2021			
At 1 April 2020	29	(33)	(4)
Other post-employment benefits – medical aid	(1)	1	–
Expected return on plan assets	–	(2)	(2)
Expected benefit payments from plan assets	(3)	3	–
Interest expense/(income)	2	–	2
Remeasurement through SOCI	–	1	1
Gain from change in financial assumptions	1	–	1
Gains from experience adjustments	(1)	–	(1)
Return on plan assets	–	1	1
At 31 March 2021	28	(31)	(3)

32. **Post-employment benefits** continued

	Present value of obligation Rm	Fair value of plan assets Rm	Total Rm
Year ended 31 March 2020			
At 1 April 2019	31	(32)	(1)
Other post-employment benefits – medical aid	–	–	–
Expected return on plan assets	–	(3)	(3)
Expected benefit payments from plan assets	(3)	3	–
Interest expense/(income)	3	–	3
Remeasurement through SOCI	(2)	(1)	(3)
Gain from change in financial assumptions	(2)	–	(2)
Gains from experience adjustments	–	–	–
Return on plan assets	–	(1)	(1)
At 31 March 2020	29	(33)	(4)

The present value of the obligation is R28 million (2020: R29 million) and the fair value of the plan assets is R31 million (2020: R33 million).

The principal actuarial assumptions used for the valuation were:

	2021 %	2020 %
Discount rate	**10.0**	9.9
Healthcare cost inflation	**7.6**	7.3
Expected return on plan assets	**10.0**	9.9
Remuneration inflation	**7.1**	6.8

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 2021 and 2020.

The expected long-term rate of return on medical aid assets of 10.0% (2020: 9.9%) 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 10.0% (2020: 9.9%) 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 2021 (2020: Rnil).

At 31 March the effects of a 1% movement in the assumed medical cost trend rate would be as follows:

	2021 Rm	2020 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.*

33. Derivative financial instruments

Derivative financial instruments measured at fair value are made up as follows:

	2021 Rm	2020 Rm
Interest rate swaps – cash flow hedges:		
HPF	**69**	50
Net liabilities	**69**	50
Less: Current portion liability (net)	**10**	–
Non-current portion liability (net)	**59**	50
Non-current portion made up as follows:		
Asset	**–**	–
Liability	**69**	50
Net liability	**69**	50

There is a master netting arrangement in place, 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 46.1(a)(ii)). For the impact of hedge accounting on the statement of changes in equity (SOCIE) refer to note 29. 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 6.7% to 7.4% as at 31 March 2021 referenced against the three-month JIBAR of 3.7% (2020: Fixed interest rate swaps ranged from 6.7% to 7.4% as at 31 March 2020 referenced against the three-month JIBAR of 5.6%).

The fair value of the group's derivatives used for hedge accounting is a liability of R69 million (31 March 2020: R50 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. As at 31 March 2021, the group's interest rate hedges have been assessed as effective.

The notional amounts of the outstanding effective interest rate swap contracts at 31 March were:

	2021 Rm	2020 Rm
HPF		
With a fixed rate of 7.2% maturing 30 June 2022	**500**	500
With a fixed rate of 7.4% maturing 31 March 2022	**300**	300
With a fixed rate of 7.2% maturing 31 March 2023	**300**	300
With a fixed rate of 6.7% maturing 30 September 2024	**500**	500
	1 600	1 600

34. 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 spends 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. Deferred revenue is made up as follows:

Non-financial instruments

Deferred revenue – rooms and food and beverage revenue

	2021 Rm	2020 Rm
At 1 April	**112**	104
Created during the year	**28**	140
Forfeitures during the year	**–**	(36)
Utilised during the year	**(29)**	(96)
At 31 March	**111**	112
Less: Current portion	**(74)**	(75)
Non-current portion	**37**	37

34. Deferred revenue continued

Non-financial instruments continued

Deferred revenue – rooms and food and beverage revenue continued

The expected timing of the recognition of the deferred revenue is within three years (2020: three years).

	2022 Rm	2023 Rm	Total Rm
Revenue expected to be recognised in respect of deferred revenue as of 31 March 2021	74	37	111

	2021 Rm	2020 Rm
Revenue recognised that was included in the contract liability balance at the beginning of the period	29	92

35. Long-term incentive plans

The Tsogo Sun Hotels Share Appreciation Rights is a bonus scheme whereby participants receive TGO 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 TGO 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 in full 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:

	2021	2020
Spot price (R)	1.50	4.00
Dividend yield (%)	0.0 – 4.7	4.7
Share price volatility(%)	24.2 – 27.2	24.2 – 27.2
Risk-free rate (%)	7.6 – 9.2	8.4 – 9.2

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 R14 million (2020: R17 million) relating to the share appreciation rights for the 2021 financial year.

Set out below are summaries of options granted under the plan:

	2021 Number of options	2020 Number of options
As at 1 April	81 635 779	–
Converted as at 12 June 2019	–	95 208 319
Granted during the year	26 971 426	298 708
Exercised during the year	–	–
Expired during the year	(10 548 254)	(11 306 911)
Forfeited during the year	(10 412 603)	(2 564 337)
As at 31 March	87 646 348	81 635 779
Vested and exercisable at 31 March	49 144 875	42 285 707

35. Long-term incentive plans continued

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 2015	1 October 2021	4.16	240 306
1 April 2016	1 April 2022	4.01	12 702 781
1 October 2016	1 October 2022	5.64	354 788
1 April 2017	1 April 2023	5.14	12 703 087
1 October 2017	1 October 2023	3.91	255 912
1 April 2018	1 April 2024	4.62	11 750 802
1 October 2018	1 October 2024	4.13	11 377 505
1 April 2019	1 April 2025	4.24	10 991 033
1 October 2019	1 October 2025	4.02	298 708
13 January 2021	1 April 2027	1.49	26 971 426
			87 646 348

36. Provisions

	2021 Rm	2020 Rm
Provisions are made up as follows:		
At 1 April		
Long-service awards	64	58
Short-term incentives	69	67
	133	125
Released during the year		
Long-service awards	–	–
Short-term incentives	(17)	–
	(17)	–
Created during the year		
Long-service awards	4	12
Short-term incentives	1	63
	5	75
Utilised during the year		
Long-service awards	(6)	(6)
Short-term incentives	–	(61)
	(6)	(67)
At 31 March		
Long-service awards	62	64
Short-term incentives	53	69
Total provisions	115	133
Less: Current portion (note 37)	(57)	(75)
Non-current portion	58	58

36. **Provisions** continued

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.

	2021 Rm	2020 Rm
Movement in unfunded obligation:		
Benefit obligation at 1 April	64	58
Interest cost	6	5
Service cost	6	5
Actuarial (gain)/loss	(8)	2
Transfers	–	–
Benefits paid	(6)	(6)
Obligation at 31 March	62	64
The amounts recognised in the income statement are as follows:		
Interest cost	6	5
Current service cost	6	5
Actuarial (gain)/loss	(8)	2
	4	12
The principal actuarial assumptions used for accounting purposes are:		
Discount rate (%)	8.7	8.7
Inflation rate (%)	4.7	4.2
Salary increase rate (%)	5.2	4.7
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	62	64
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 is expected to be fully utilised within the next 12 months.

	2021 Rm	2020 Rm
37. Trade and other payables		
Financial instruments		
Trade and other payables	**652**	423
Trade payables	**190**	132
Accrued expenses	**270**	180
Advance deposits[1]	**70**	60
Unallocated deposits	**21**	31
Capital expenditure payables	**43**	3
Other payables	**58**	17
Non-financial instruments	**122**	199
VAT payable	**–**	5
Leave pay liability	**14**	60
Payroll-related payables	**51**	59
Provisions – current portion (note 36)	**57**	75
	774	622

[1] *Advance deposits consists mainly of deposits paid by corporate companies for future conference events and the related rooms and food and beverage requirements. These deposits are paid in advance for future bookings and are transferred to revenue. Performance obligations are met once the group has performed by providing accommodation or facilitated an event. The recognition of advance deposits as revenue generally occurs within a 12-month period, however, clients are allowed to utilise the advance deposits for future events or accommodation within the legal prescription period and per the companies policy. Due to the Covid-19 pandemic and related gathering regulations, most clients deferred their reservations to a later date. Advance deposits received increased by R10 million (2020: decreased by R1 million) to R70 million (2020: R60 million).*

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:

	2021 Rm	2020 Rm
SA Rand	**696**	516
Nigerian Naira	**18**	26
US Dollar	**16**	18
Mozambican Metical	**19**	25
Tanzanian Shilling	**8**	10
Kenyan Shilling	**1**	3
Seychelles Rupee	**5**	11
Zambian Kwacha	**10**	12
United Arab Emirates Dirham	**1**	1
	774	622

		2021 Rm	2020 Rm
38.	**Cash generated from operations**		
	Loss before tax from operations	**(1 130)**	(1 129)
	Adjusted for finance income and costs, share of profit of equity accounted entities, dividends received and non-cash movements:		
	Finance income	**(33)**	(40)
	Finance costs	**379**	400
	Share of profit of associates and joint ventures	**128**	3
	Amortisation and depreciation	**407**	348
	Impairment charge for bad and doubtful debts, net of reversals	**3**	20
	Operating equipment usage	**11**	21
	Straight-lining of operating leases	**–**	(11)
	Movement in provisions	**(12)**	94
	Long-term incentive expense	**14**	17
	Loss on disposal of property, plant and equipment	**(1)**	2
	Impairment of property, plant and equipment	**237**	716
	Profit on sale of joint venture	**(355)**	–
	Fair value adjustment on investment properties	**99**	888
	Impairment in associate	**15**	17
	Goodwill impairment	**30**	–
	Inventory write-off	**8**	2
	Translation impact on the income statement	**(2)**	2
	Other non-cash moves and adjustments	**1**	5
	Cash (utilised in)/generated from operations before working capital movements	**(201)**	1 355
	Working capital movements		
	Increase in inventories	**(5)**	(13)
	Increase in trade and other receivables	**165**	6
	Decrease in payables and provisions	**35**	(27)
	Cash (utilised in)/generated from operations	**(6)**	1 321

		2021 Rm	2020 Rm
39.	**Income tax paid**		
	Net tax liability at 1 April	**(100)**	(98)
	Current tax provided	**12**	(126)
	Withholding tax	**(1)**	(4)
	Currency translation	**3**	7
	Net tax liability at 31 March	**44**	100
		(42)	(121)

40. Changes in liabilities arising from financing activities

40.1 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 R511 million (2020: R559 million), are as follows:

	Long term Rm	Short term Rm	Total Rm
Year ended 31 March 2021			
Balance at 1 April 2020	**3 974**	**–**	**3 974**
Borrowings raised	**141**	**100**	**241**
Borrowings repaid	**(566)**	**–**	**(566)**
Currency translation	**(175)**	**–**	**(175)**
Reclassification to short-term borrowings	**(385)**	**385**	**–**
Other	**2**	**–**	**2**
Balance at 31 March 2021	**2 991**	**485**	**3 476**
Year ended 31 March 2020			
Balance at 1 April 2019	2 885	290	3 175
Borrowings raised	2 179	–	2 179
Borrowings repaid	(1 361)	(290)	(1 651)
Currency translation	268	–	268
Other	3	–	3
Balance at 31 March 2020	3 974	–	3 974

The group's Mozambican US Dollar-denominated facilities equating to R385 million and due in March 2022 have been reclassified to short-term borrowings. Terms have been agreed to refinance these facilities for a further five years. The approval from the Mozambican Central Bank, which was outstanding at 31 March 2021 was received on 4 June 2021 and the group is finalising the administrative process to implement the refinancing.

40.2 Changes in finance lease liabilities

Changes arising from lease liabilities for the year under review are as follows:

	Non-current portion 2021 Rm	Current portion 2021 Rm	Total 2021 Rm
Year ended 31 March 2021			
Balance at 1 April 2020	**1 024**	**13**	**1 037**
New leases raised	**278**	**–**	**278**
Transfer to current lease liability	**(14)**	**14**	**–**
Rent concessions	**(26)**	**(13)**	**(39)**
Finance costs accrued	**38**	**–**	**38**
Modification of lease contract	**46**	**–**	**46**
Balance at 31 March 2021	**1 346**	**14**	**1 360**

Total cash outflow of R89 million relating to finance costs has been included in cash flows from operating activities.

	Non-current portion 2020 Rm	Current portion 2020 Rm	Total 2020 Rm
Year ended 31 March 2020			
Balance at 1 April 2019	957	–	957
New leases raised	209	–	209
Principal elements of lease payments	(128)	–	(128)
Transfer to current lease liability	(13)	13	–
Other	(1)	–	(1)
Balance at 31 March 2020	1 024	13	1 037

41. Business combinations

Acquisition of Vexicure and Ash Brook

On 1 October 2020 and 1 November 2020, HPF increased its interests in Vexicure (the operating/tenant company at its Westin hotel) from 5% to 85% and increased its interest in Ash Brook (the operating/tenant company in its Radisson Blu Gautrain hotel) from 15% to 100%.

At acquisition date, the liabilities for these companies exceeded their assets and the negative fair value is represented by trade receivables, inventory and trade payables. Cash balances of R24 million were acquired with the companies. Both entities are currently in loss-making positions with a slow recovery anticipated and therefore the goodwill was impaired.

The fair value of net liabilities acquired is as follows:

	Ash Brook Rm	Vexicure Rm	Total Rm
Fair value of net liabilities acquired	(15)	(15)	(30)
Cash purchase consideration	–	–	–
Goodwill on acquisition	15	15	30
Goodwill impairment	(15)	(15)	(30)

42. Related parties

Transactions with non-controlling interests

The company acquired additional ordinary shares in Hospitality over the course of the year. An ordinary resolution was proposed in terms of section 60 of the Companies Act to allow the board to acquire assets in exchange for ordinary shares in Tsogo Sun Hotels. On 10 July 2020 this resolution was duly approved by the company's shareholders and the company entered into and finalised share-for-share agreements with various institutional investors to acquire, in aggregate, 60 489 777 Hospitality shares from their respective clients, constituting 10.5% of Hospitality's issued share capital. The shares were acquired in exchange for the issue and allotment of 107 066 885 Tsogo Sun Hotels ordinary shares at an exchange ratio of 1.77 Tsogo Sun Hotels shares for every 1 Hospitality share acquired.

The group also entered into and finalised share-for-share agreements with related parties being the trustees of the HCI Foundation and Elsitime Proprietary Limited, to acquire in aggregate 33 367 919 Hospitality shares constituting 5.8% of Hospitality's issued share capital. These shares were acquired in exchange for the issue and allotment of 59 061 217 Tsogo Sun Hotels' ordinary shares at the same exchange ratio of 1.77. Marcel von Aulock and Laurelle McDonald hold 75% and 25% respectively of the issued share capital of Elsitime Proprietary Limited.

On 30 September 2020 the board of directors of Hospitality and the board of directors of Tsogo Sun Hotels approved a transaction by which Tsogo Sun Hotels offered to acquire all of the ordinary shares with no par value in the issued share capital of Hospitality, other than the Hospitality shares already owned by Tsogo Sun Hotels, its subsidiaries and treasury shares. On 11 March 2021, all remaining Hospitality shares were acquired by Tsogo Sun Hotels resulting in Hospitality becoming a 100%-held subsidiary of the group. A successful application was received for the delisting of all Hospitality shares from the main board of the Johannesburg Stock Exchange, being the securities exchange operated by the JSE Limited. Due to the resultant delisting from the JSE Limited exchange, Hospitality is no longer a REIT.

As detailed below, the group has concluded certain material transactions with related parties. 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.

	2021 Rm	2020 Rm
42.1 Transactions with related parties		
Hotel management fees and royalties received from Tsogo Sun Gaming	10	50
Management fees received from Tsogo Sun Gaming for shared services	5	18
Fees received from Tsogo Sun Gaming for administration services for hotels	13	33
Management fees paid to Tsogo Sun Gaming for shared services	(1)	(14)
Tenant recoveries by Tsogo Sun Gaming	(4)	(5)
Insurance premiums paid to Tsogo Sun Gaming	(30)	–
Insurance claims received or receivable from Tsogo Sun Gaming	11	–
Interest paid to Tsogo Sun Proprietary Limited (Tsogo Sun Gaming subsidiary)	–	(1)
Dividend received from associate – RBH	–	26
	4	107

42. **Related parties** continued

	2021 Rm	2020 Rm
42.2 Amounts owing to/by related parties		
Amounts receivable from Tsogo Sun Proprietary Limited	12	3
Loan to associate – IHPL	32	24
	44	27

These loans have been disclosed as other current assets. These loans bear interest at market-related rates and are repayable on demand.

42.3 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:

42.3.1 Executive directors

Year ended 31 March 2021	Basic remune-ration R'000	Benefits R'000	Short-term incentives[2] R'000	Directors' fees from subsidiaries R'000	Long-term incentives R'000	Total paid R'000
MN von Aulock	2 216	146	–	–	–	2 362
L McDonald	1 613	118	–	–	–	1 731
Total remuneration*	3 829	264	–	–	–	4 093

* *The decrease in remuneration paid is as a result of the furlough or temporarily reduced remuneration paid to all employees in response to the Covid-19 pandemic and to assist the company in the preservation of its available cash and committed facilities.*

Year ended 31 March 2020	Basic remune-ration R'000	Benefits R'000	Short-term incentives[4] R'000	Directors' fees from subsidiaries R'000	Long-term incentives R'000	Total paid R'000
J Booysen[3]	583	49	–	–	–	632
PJ Boshoff[3]	191	35	–	–	–	226
FV Dlamini[3]	252	31	–	–	–	283
RB Huddy[3]	318	44	–	–	–	362
L McDonald	2 428	436	1 000	278	–	4 142
R Nadasen[3]	203	42	–	–	–	245
MN von Aulock[1]	6 781	546	2 678	402	–	10 407
Total remuneration	10 756	1 183	3 678	680	–	16 297

[1] *MN von Aulock appointed as executive director and CEO 10 May 2019.*
[2] *Short-term incentive paid relates to the achievement against target for 2020.*
[3] *Resigned on 10 May 2019.*
[4] *Short-term incentive paid relates to the achievement against target for 2019.*

Refer to page 78 and 79 of the remuneration policy and remuneration implementation report for the disclosures around LTI allocations in FY21 and the details of replacement awards granted to executive directors and prescribed officers.

42. Related parties continued

42.3 Key management compensation continued

42.3.2 Non-executive directors

Non-executive directors	2021 Directors' fees paid by the company R'000	2021 Directors' fees paid by Hospitality R'000	2021 Total R'000	2020 Directors' fees paid by the company R'000	2020 Directors' fees paid by Hospitality R'000	2020 Total R'000
JA Copelyn*	**216**	**–**	**216**	418	77	495
M Ahmed#	**266**	**239**	**505**	453	492	945
J Awbrey^	**–**	**136**	**136**	–	–	–
SC Gina#	**203**	**132**	**335**	355	234	589
ML Molefi#	**205**	**181**	**386**	361	318	679
T Mosololi^	**–**	**136**	**136**	–	–	–
JG Ngcobo#	**209**	**184**	**393**	361	318	679
JR Nicolella#	**140**	**129**	**269**	275	226	501
CC September#	**146**	**129**	**275**	206	170	376
D Smith^	**–**	**136**	**136**	–	–	–
	1 385	**1 402**	**2 787**	2 429	1 835	4 264

Fees are exclusive of VAT.

* *JA Copelyn resigned from the board of Hospitality effective 31 May 2019.*

^ *Following the company's acquisition of 100% interest in Hospitality these independent directors resigned from the board of Hospitality effective 11 March 2021.*

\# *As a wholly owned subsidiary of Tsogo Sun Hotels and Hospitality's adoption of the group's governance structure, all non-executive directors resigned from the board of Hospitality effective 31 March 2021.*

42.3.3 Other key management and prescribed officers

	Year ended 31 March 2021				
	Basic remune-ration R'000	Benefits R'000	Short-term incentives[1] R'000	Long-term incentives R'000	Total paid R'000
R Nadasen[5]	**504**	**287**	**–**	**–**	**791**
Total remuneration	**504**	**287**	**–**	**–**	**791**

	Year ended 31 March 2020				
	Basic remune-ration R'000	Benefits R'000	Short-term incentives[3] R'000	Long-term incentives R'000	Total paid R'000
PJ Boshoff[2] [6]	2 239	400	832	–	3 471
R Nadasen[2]	2 386	481	986	216	4 069
MN von Aulock[4]	576	49	–		625
Total remuneration	5 201	930	1 818	216	8 165

(1) *Short-term incentive paid relates to the achievement against target for 2020.*
(2) *Resigned as executive director on 10 May 2019.*
(3) *Short-term incentive paid relates to the achievement against target for 2019.*
(4) *MN von Aulock appointed as executive director and CEO 10 May 2019.*
(5) *R Nadasen resigned as COO on 31 July 2020.*
(6) *From date of resignation as executive director, PJ Boshoff is no longer considered a prescribed officer.*

42.4 Contingencies, commitments and guarantees

There are no contingencies, commitments or guarantees on the group's related parties.

		2021 Rm	2020 Rm
43.	**Future capital expenditure**		
	Authorised by directors but not yet contracted for:		
	Property, plant and equipment	**39**	77
	Investment property	**115**	115
	Intangible assets: software	**11**	10
		165	202
	Authorised by directors and contracted for:		
	Property, plant and equipment	**5**	16
	Investment property	**35**	35
	Intangible assets: software	**1**	4
		41	55

44. 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 hotels 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:

	2021 Rm	2020 Rm
Not later than one year	**1**	3
Later than one year and not later than five years	**2**	3
Later than five years	**–**	–
	3	6

45. Events occurring after the balance sheet date

During May 2021, Tsogo Sun Gaming signed a loss agreement with its insurer Tsogosure Insurance Company Limited to settle the combined business interruption insurance claim of Tsogo Sun Gaming and Tsogo Sun Hotels, which is limited to R150 million in aggregate. Tsogo Sun Hotels' share of this claim is expected to be in the region of R27 million while Hospitality continues to engage with the loss adjustors on its standalone business interruption claim, which is also limited to R150 million. Any proceeds received in terms of the business interruption claims will contribute to the group's liquidity.

On 4 June 2021, the group received approval from the Mozambican Central Bank for the refinancing of its Mozambican US Dollar-denominated facilities equating to R385 million which, once implemented, will result in the extension of these facilities for a further five years. Refer to notes 40.1 and 46.1.

The directors have considered the impact of the level 4 lockdown restrictions and civil unrest on the financial statements and no adjustment is required. Refer to the going concern note for the consideration on the debt covenants.

The adjusted level 4 lockdown was considered to be an adjusting event although announced subsequent to year end. There was no material impact on the assets and liabilities at reporting date as muted trading conditions were already forecast for July and August 2021.

The recent civil unrest in parts of KwaZulu-Natal and Gauteng is considered to be a non-adjusting event. Although the tangible assets of the group located in KwaZulu-Natal and Gauteng have not been directly impacted, the events could possibly impact tourism in the affected areas. It is difficult to estimate what the impact would be although currently it is not expected to be material.

The directors are not aware of any other matter or circumstance arising since the balance sheet date.

46. Financial risk management

46.1 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 Tsogo Sun Hotels' 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 (eg zero tolerance for regulatory risks) as well as quantitative terms, guided by the board's risk tolerance and risk appetite measures. The scope of the risk assessment includes risks that impact shareholder value or that may lead to a significant loss, or loss of opportunity. 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.

(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.

46. Financial risk management continued

46.1 Financial risk factors continued

(a) Market risk continued

(i) Currency risk continued

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	
	2021	2020	**2021**	2020
1 US Dollar is equivalent to	**16.37**	14.83	**14.82**	17.88
1 Euro is equivalent to	**19.08**	16.47	**17.38**	19.66

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 local 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 2020.

	2021 Rm	2020 Rm
Euro	**–**	*
Mozambican Metical	**1**	2
Nigerian Naira	**–**	–
US Dollar	**–**	1
Other	**1**	1

* *Amount less than R1 million.*

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 notes 33.

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.

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.

46. Financial risk management continued

46.1 Financial risk factors continued

(a) Market risk continued

(ii) Interest rate risk continued

Group policy requires that between 25% and 75% of its net borrowings (net borrowings = gross borrowings net of cash and cash equivalents) are to be in fixed rate instruments over a 12-month rolling period. As at 31 March 2021, 46% (2020: 40%) of consolidated gross borrowings and 52% (2020: 49%) of consolidated net borrowings were in fixed rates taking into account interest rate swaps. The hedge ratio is monitored on an ongoing basis taking into account the interest rate cycle.

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 6.7% to 7.4% as at 31 March 2021 referenced against the three-month JIBAR of 5.6% (2020: Fixed interest rate swaps ranged from 6.7% to 7.4% as at 31 March 2020 referenced against the three-month JIBAR of 5.6%).

At 31 March floating rate borrowings are linked/referenced to various rates the carrying amounts of which are as follows:

	2021 Rm	2020 Rm
Linked to three-month JIBAR[1]	**2 430**	2 550
Linked to three-month US$ LIBOR	**724**	1 398
Linked to SAFEX	**100**	–
Linked to South Africa prime rate	**200**	–
Linked to Central Bank prime rate in Mozambique	**26**	32
	3 480	3 980

[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. This reform is at various stages globally, a suitable alternative for South Africa is only expected to be announced in a few years' time. Accordingly, there is uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the group.

46. Financial risk management continued

46.1 Financial risk factors 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:

	Carrying amount 2021 Rm	Carrying amount 2020 Rm
Variable rate instruments		
Financial assets	–	–
Financial liabilities	3 480	3 980
	3 480	3 980

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 R35 million (2020: R40 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 2020.

(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.

The group has minimal pricing risk in relation to financial assets at fair value through profit and loss as detailed in note 22.

(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 26), 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 26 *Trade and other receivables* for further credit risk analysis in respect of trade and other receivables.

46. **Financial risk management** continued

46.1 **Financial risk factors** continued

(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.

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 2021, the group had 29% (2020: 19%) 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.

	2021 Rm	2020 Rm
Debt at 1 April[(1)]	(3 981)	(3 165)
Net decrease/(increase) in debt during the year	501	(816)
Debt at 31 March[(1)]	(3 480)	(3 981)
Credit facilities[(1)]	4 933	4 921
Headroom available	1 453	940

[(1)] *Excludes indirect facilities (letters of guarantees, forward exchange contracts and letters of credit), finance leases and bank overdrafts. Refer to the detailed facility analysis below.*

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:

	2021 facility			2020 facility		
	Total Rm	Utilisation Rm	Available Rm	Total Rm	Utilisation Rm	Available Rm
Demand facilities (overdrafts)	20	–	20	40	–	40
Overnight loan facilities maturing 12 June 2020	–	–	–	300	–	300
Revolving credit facilities maturing 30 April 2020	–	–	–	250	150	100
Term facilities maturing 31 December 2021[(1)]	214	214	–	259	259	–
Term facilities maturing 31 March 2022[(1)]	252	175	77	532	439	93
Overnight and RCF loan facility maturing 30 April 2022	860	330	530	–	–	–
Term facilities maturing 31 August 2022	500	500	–	500	500	–
Revolving credit facilities maturing 31 December 2022	500	200	300	500	200	300
Revolving credit facilities maturing 11 February 2023	326	171	155	393	286	107
Term facilities maturing 31 March 2023	600	600	–	600	600	–
Term facilities maturing 31 March 2024	300	300	–	300	300	–
Term facilities maturing 30 September 2024	800	800	–	800	800	–
Revolving credit facilities maturing 11 February 2025	371	–	371	–	–	–
Term facilities maturing 22 December 2025	190	190	–	–	–	–
Revolving credit facilities maturing 11 February 2025	–	–	–	447	447	–
	4 933	3 480	1 453	4 921	3 981	940

[(1)] *The group's Mozambican US Dollar-denominated facilities equating to R385 million and due in March 2022 have been reclassified to short-term borrowings. Terms have been agreed to refinance these facilities for a further five years. The approval from the Mozambican Central Bank, which was outstanding at 31 March 2021 was received on 4 June 2021 and the group is finalising the administrative process to implement the refinancing.*

46. Financial risk management continued

46.1 Financial risk factors 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 2021			
Bank borrowings	**468**	**1 232**	**209**
Corporate bonds	**91**	**691**	**1 178**
Lease liabilities	**145**	**629**	**1 927**
Bank overdrafts[1]	**511**	**–**	**–**
Derivative financial instruments	**10**	**59**	**–**
Trade and other payables	**652**	**–**	**–**
	1 877	**2 611**	**3 314**
At 31 March 2020			
Bank borrowings	131	967	1 524
Corporate bonds	124	124	1 931
Lease liabilities	119	515	1 442
Bank overdrafts[1]	559	–	–
Derivative financial instruments	–	–	50
Trade and other payables	423	–	–
	1 356	1 606	4 947

[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 27.*

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.

46. Financial risk management continued

46.2 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	Financial assets at FVPL 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 2021								
Financial assets								
Non-current receivables	**14**	**–**	**–**	**–**	**–**	**14**	**14**	**–**
Other financial assets	**–**	**3**	**–**	**–**	**–**	**3**	**3**	**–**
Trade and other receivables	**296**	**–**	**–**	**–**	**69**	**365**	**–**	**365**
Cash and cash equivalents	**918**	**–**	**–**	**–**	**–**	**918**	**–**	**918**
Financial liabilities								
Interest-bearing borrowings	**–**	**–**	**–**	**3 987**	**–**	**3 987**	**2 991**	**996**
Lease liabilities	**–**	**–**	**–**	**1 360**	**–**	**1 360**	**1 346**	**14**
Derivative financial instruments	**–**	**–**	**69**	**–**	**–**	**69**	**59**	**10**
Trade and other payables	**–**	**–**	**–**	**652**	**122**	**774**	**–**	**774**
At 31 March 2020								
Financial assets								
Non-current receivables	14	–	–	–	–	14	14	–
Other financial assets	–	2	–	–	–	2	2	–
Trade and other receivables	375	–	–	–	79	454	–	454
Cash and cash equivalents	1 281	–	–	–	–	1 281	–	1 281
Financial liabilities								
Interest-bearing borrowings	–	–	–	4 539	–	4 539	3 980	559
Lease liabilities	–	–	–	1 037	–	1 037	1 024	13
Derivative financial instruments	–	–	50	–	–	50	50	–
Trade and other payables	–	–	–	423	199	622	–	622

47. 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.

47. **Capital risk management** continued

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 46.1(c).

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 is required to comply with the following financial covenants:

Tsogo Sun Hotels:

- Ebitda covers net interest by at least 3.0 times; and
- Net debt:Ebitda required to be less than 2.5 times.

Due to the group not being able to meet its minimum covenant requirements as outlined above, the group has received covenant waivers from all its lenders for the minimum covenant requirements (leverage and interest cover ratios) as at 30 September 2020 and 31 March 2021 respectively. Revised covenants were introduced at Tsogo Sun Hotels level which establishes a maximum rolling 12-month negative Ebitda (Earnings before interest, income tax, depreciation, amortisation, IFRS 16 rent adjustments, long-term incentives and exceptional items) level. This Ebitda threshold excludes the Covid-19 interventions undertaken by the group (refer to note 51 *Covid-19 status and action plan*). In addition, a minimum liquidity level of R500 million is required which includes available facilities and cash on hand. An event of default will occur if both the Ebitda and liquidity covenants are breached in one of the measurement periods or the Ebitda covenant is breached for two consecutive measurement periods. These covenants were introduced and measured quarterly at December 2020 and March 2021 and the group comfortably met the minimum Ebitda and liquidity thresholds on both occasions.

Hospitality:

- Ebitda covers net interest by at least 2.0 times;
- Net debt:Ebitda required to be less than 2.5 times; and
- Loan to value ratio is required to be less than 40%.

As Hospitality was not able to meet its minimum covenant requirements for the measurement periods ended 30 September 2020 and 31 March 2021, it received waivers from its lenders accordingly. Lenders have introduced a minimum liquidity covenant of R125 million including available facilities and cash on hand. Similarly, Hospitality has met these minimum liquidity requirements. The loan-to-value ratio was, however, well maintained at 27% for the measurement period ending 31 March 2021.

Revised financial covenants

The lenders to both Tsogo Sun Hotels and Hospitality have been very supportive of the group during this challenging period and have approved the covenant waivers for September 2021 on the basis that the rolling negative Ebitda threshold for Tsogo Sun Hotels be reduced to between R533 million (June 2021 measurement period), R453 million (September 2021 measurement period) and R412 million (December 2021 measurement period) and that revised covenants continue to be measured on a quarterly basis. The terms of the revised waiver relating to liquidity thresholds and an event of default remain the same as described above.

In order to assess asset fair values, impairments and the group's ability to continue as a going concern, management prepared detailed five-year cash flow forecasts (for further detail refer to note 17 as well as note 51). Based on the Covid-19 interventions (refer note 51) already implemented and the forecasts which indicate some recovery in the corporate, conferencing and international segments in the summer of 2021/2022 once the vaccine rollout has stabilised and the third wave of Covid-19 infections has passed, management believes that the company should meet these revised covenant levels.

47. Capital risk management continued

Revised financial covenants continued

Global Credit Ratings downgraded Hospitality's long and short-term credit rating to BBB-$_{(ZA)/A3(ZA)}$ respectively. Concurrently, the ratings assigned to the Senior Secured Notes issued by Hospitality have been downgraded to A$_{(ZA)(EL)}$ from A+$_{(ZA)(EL)}$. The outlook on all the ratings has been maintained on Rating Watch Negative. The downgrade to Hospitality reflects the uncertain operating environment in which it operates, with its income severely reduced due to the economic impact of the Covid-19 pandemic.

During the year under review, the group's internal covenants strategy was to comply with the revised financial covenants agreed with the lenders while the group generated Ebitdar losses due to the impact of the Covid-19 pandemic. Prior to Covid-19, Ebitdar, being the driver of profitability and equity contributor, was the critical measurement criteria used to manage debt and capital levels.

	2021 Rm	2020 Rm
Total borrowings (note 30)	3 987	4 533
Less: Cash and cash equivalents (note 27)	(918)	(1 281)
Net debt	3 069	3 252
Ebitdar (note 5)	(177)	1 352
Net debt:Ebitdar (times)	(17.4)	2.4
Tsogo Sun Hotels' (excluding HPF) rolling 12-month Ebitda (<R1 018 million)	(416)	–
Tsogo Sun Hotels' (excluding HPF) liquidity including cash and cash equivalents (>R500 million)	1 220	–
Hospitality liquidity including cash and cash equivalents (>R125 million)	458	–

48. 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.

Financial instruments in level 1

The fair value of investment in RDI REIT is a UK-listed entity and the fair value of the investment is the quoted market price.

	2021 Rm	2020 Rm
Investment in RDI REIT	3	2

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 33), which are subject to enforceable master netting arrangements which are not offset due to offsetting requirements not being met as at 31 March:

	2021 Rm	2020 Rm
Derivative financial instruments – interest rate swaps assets	–	–
Derivative financial instruments – interest rate swaps liability	(69)	(50)

48. Fair value estimation of financial instruments and investment property continued

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:

	2021 Rm	2020 Rm
Investment properties (note 17)	**1 561**	4 149
	1 561	4 149

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.

49. 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:

		NCI's ownership as at 31 March		Share of loss for the year 31 March		Accumulated non-controlling interests as at 31 March	
	Place of business	**2021 %**	2020 %	**2021 Rm**	2020 Rm	**2021 Rm**	2020 Rm
HPF	South Africa	**–**	41	**(67)**	(320)	**–**	2 187
Ikoyi Hotels Limited	Nigeria	**24**	24	**(4)**	–	**156**	161
Southern Sun (Mozambique) Limitada	Mozambique	**13**	13	**(7)**	(7)	**(24)**	(16)
Other non-material non-controlling interests				**(8)**	(1)	**(35)**	20
				(86)	(328)	**97**	2 352

49. Subsidiaries having material non-controlling interests continued

Summarised financial information, before intergroup eliminations, for subsidiaries having material non-controlling interests is as follows:

	HPF		Ikoyi Hotels Limited		Southern Sun (Mozambique) Limitada	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Summarised balance sheets as at 31 March						
Non-current assets	9 614	9 980	822	1 003	730	902
Current assets	264	363	17	32	15	164
Total assets	9 878	10 343	839	1 035	745	1 066
Non-current liabilities	3 170	2 600	142	176	222	273
Current liabilities	117	70	24	33	16	20
Total liabilities	3 287	2 670	166	209	238	293
Net assets	6 591	7 673	673	826	507	773
Summarised income statements for the year ended 31 March						
Revenue	245	769	35	125	81	176
(Loss)/profit before income tax	(590)	(1 988)	20	(5)	(31)	(9)
Income tax credit/(expense)	(493)	–	(6)	1	5	(21)
(Loss)/profit for the year	(1 083)	(1 988)	14	(4)	(26)	(30)
Total comprehensive (loss)/income	(1 083)	(1 988)	14	(4)	(26)	(30)
Dividends paid to non-controlling interests	–	(244)	–	–	–	–
Summarised cash flows for the year ended 31 March						
Cash generated from operations	(6)	781	(1)	21	119	3
Interest received	6	11	–	–	–	–
Finance costs paid	(200)	(207)	(8)	(10)	(18)	(26)
Income tax paid	(32)	–	9	(8)	7	(7)
Dividends paid	–	(584)	–	–	–	–
Net cash generated from/(utilised in) operations	(232)	1	–	3	108	(30)
Net cash (utilised in)/generated by investment activities	–	(416)	1	(20)	2	(2)
Net cash (utilised in)/generated from financing activities	80	674	(38)	43	(82)	69
Net increase/(decrease) in cash and cash equivalents	(152)	259	(37)	26	28	37
Foreign currency translation	–	–	33	(29)	(33)	(35)
Cash and cash equivalents at beginning of the year	662	403	22	25	11	9
Cash and cash equivalents at end of the year	510	662	18	22	6	11

50. Subsidiary companies

The following information relates to the company's financial interest in its principal subsidiaries:

Subsidiary	Issued share capital 2021 Rm	Issued share capital 2020 Rm	Effective holding 2021 %	Effective holding 2020 %	Shares at cost net of impairment 2021 Rm	Shares at cost net of impairment 2020 Rm
Direct shareholding						
Tsogo Sun Investments Proprietary Limited	*	*	100	100	4 099	4 050
Southern Sun Hotel Interests Proprietary Limited	1 061	1 061	100	100	2 713	2 713
Southern Sun Offshore Proprietary Limited	*	*	100	100	1 620	1 534
Elsivert Proprietary Limited	*	*	100	100	75	75
Majormatic 194 Proprietary Limited	*	*	100	100	11	11
Indirect shareholding						
Hospitality Property Fund Limited	578	578	100	59	4 790	4 050
Southern Sun Africa	*	*	100	100	397	397
Ikoyi Hotels Limited	3	3	76	76	*	*
Southern Sun (Mozambique) Limitada	18	18	87	87	16	16
Lavado Holdings BV[(1)]	–	*	–	100	–	2
Southern Sun Middle East Investment Holdings Proprietary Limited	*	*	100	100	*	*
Reshub Proprietary Limited	*	*	100	100	*	*
					13 721	12 848

* *Amount less than R1 million.*

(1) *Lavado Holdings BV was deregistered with effect from 31 March 2020.*

The group comprises 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 Ikoyi Hotels Limited, which is incorporated in Nigeria, Southern Sun (Mozambique) Limitada, which is incorporated in Mozambique, and Southern Sun Africa, which is incorporated in Mauritius, are incorporated in South Africa.

51. Going concern

The 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.

In response to the adjusted alert level 4 lockdown restrictions announced by the President on 27 June 2021 aimed at reducing the impact of the third wave of Covid-19 infections, management has reviewed the regional hotel portfolio and will proceed to deactivate hotels reliant on group, conferencing and leisure travel (particularly in Gauteng). In addition, the rostering of staff to align with expected lower occupancy levels in open hotels will be managed closely in order to reduce cash burn over this period to a minimum. Any capital expenditure will be further delayed as far as practicably possible.

The adjusted level 4 lockdown announced subsequent to year end does not impact the going concern assumption. Muted trading conditions were already forecast for July and August 2021 and were also factored into the assessment of compliance with covenants. The group monitors the covenants on an ongoing basis and does not expect the adjusted level 4 lockdown to cause covenants to be breached.

The tangible assets of the group have not been directly impacted by the recent civil unrest in parts of KwaZulu-Natal and Gauteng. However, the nature of the events could potentially impact tourism to the affected areas. At present it is difficult to estimate what the impact would be, however, based on the cash flows incorporated into our assessment which takes into account muted trading conditions, the group does not expect an impact on the going concern assessment.

Financial capacity and covenants

In exchange for the waiver of original debt covenants for the September 2020 and March 2021 measurement periods, lenders introduced revised covenants comprising Ebitda and liquidity thresholds, measured quarterly at December 2020 and March 2021. The revised covenants established a maximum rolling 12-month negative Ebitda level and a minimum liquidity level of R500 million is required, which includes available facilities and cash on hand. An event of default will occur if both the Ebitda and liquidity covenants are breached in one of the measurement periods or the Ebitda covenant is breached for two consecutive measurement periods. The group comfortably met the minimum Ebitda and liquidity thresholds on both occasions. At Hospitality level, lenders introduced a minimum liquidity covenant of R125 million including available facilities and cash on hand. Similarly, Hospitality has met these minimum liquidity requirements.

The lenders to both Tsogo Sun Hotels and Hospitality have approved the covenant waivers for September 2021 on the basis that the rolling Ebitda threshold be reduced to R533 million (June 2021 measurement period), R453 million (September 2021 measurement period) and R412 million (December 2021 measurement period) and that revised covenants continue to be measured on a quarterly basis at a Tsogo Sun Hotels level. In Hospitality, the requirement is to continue to have a minimum available liquidity of R125 million, until such time that the normal covenant requirements are met. The terms of the revised waiver relating to an event of default remain the same as described above. Covenant levels for later periods will be reassessed during the preparation of the group's FY23 budgets. As at 31 March 2021, the group has net cash and cash equivalents of R407 million. The group has R3.5 billion of interest-bearing debt (excluding capitalised lease liabilities) and access to R1.5 billion in undrawn facilities to meet its obligations as they become due. In preparing the cash flow forecasts utilised to assess going concern, the continuing impact of the Covid-19 pandemic on the group's operations and liquidity was considered. Refer to the *Basis of preparation of cash flow forecasts* section in note 17 for further details. Based on the Covid-19 interventions (refer below) already implemented and the forecasts, which indicate some recovery in the corporate, conferencing and international segments in the summer of 2021/2022, once the vaccine rollout has stabilised and the third wave of Covid-19 infections has passed, management believes that the company should meet these revised covenant levels. The group comfortably met the minimum Ebitda and liquidity thresholds for the June 2021 covenant measurement period. As at 30 June 2021, Tsogo Sun Hotels' rolling 12-month Ebitda loss was R303 million with available facilities including cash on hand of R1.3 billion. Similarly, Hospitality's available facilities including cash amounted to R441 million as at 30 June 2021. Refer to note 47 for further details.

51. Going concern continued

Covid-19 status and action plan

The success of the group's Covid-19 response during the initial level 5 lockdown period meant that it was well placed to respond quickly to the second wave of infections and the more stringent restrictions. Drawing on its ability to deactivate and reactivate hotels in a short space of time, the group was able to capitalise on any potential business while keeping costs to a minimum. Throughout the year in the midst of the changing circumstances, the group has remained in close communication with its lenders, employees, trading partners, suppliers, tenants and landlords in order to arrive at mutually sustainable operating solutions in these extraordinarily difficult times. The group's Covid-19 action plan to reduce costs and preserve cash is set out below:

- **Reduction of payroll burden:** The group understands that this is an extremely stressful time for employees and is committed to engaging with them openly and honestly. The group continually communicated with all management and staff, sharing the severe impact that Covid-19 and the national state of disaster had, and continues to have, on the business. The UIF TERS (Temporary Employer/Employee Relief Scheme) has been of great assistance in alleviating the cash flow burden on both the company and its employees while hotels have been closed or operating at low occupancy levels. The group has processed R127 million in grants over the year, however, with this assistance coming to an end and given the expected extended period of depressed trading, especially in the face of the third wave of infections, the temporary layoff structure originally implemented in March 2020 remains in place today with further distinction made between employees at operating and closed hotels since then. As a consequence of the financial strain experienced by both the company and its employees, the group's headcount has permanently reduced by 1 361 positions either through retrenchment, resignation, dismissal or retirement.
- **Rent relief:** The group has received rental concessions from its various landlords and while terms varied, these mainly involved discounts in rent due for FY21. With effect from 1 April 2021, many of these affected leases have reverted to their agreed payment terms. Refer to note 31 for further information.
- **Suppliers:** During level 5 lockdown, the group negotiated reduced or extended payment terms with major suppliers, particularly those providing fixed-cost services such as security and lift maintenance. As hotels have begun operating and trading restrictions have eased many of these arrangements have now ceased, however, management continues to negotiate early settlement discounts or delaying spend where possible.

Stress-testing cash flow forecasts

Given the uncertainty around trading levels, management incorporated a 10% revenue contingency into the forecasts. This contingency cannot be attributed to any division but has been incorporated at group level in order to stress test the group's going-concern assumption. Even after incorporating this contingency, the group is able to meet its debt obligations.

The directors have assessed the cash flow forecasts together with the other actions taken or proposed by management as described above and in note 47, and are of the view that the group has sufficient liquidity to meet its obligations and to counteract the losses.

Analysis of ordinary shareholders

as at 31 March 2021

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	9 509	74.4	1 581 731	0.1
1 001 – 10 000	2 009	15.7	7 123 559	0.5
10 001 – 100 000	719	5.6	23 803 639	1.6
100 001 – 1 000 000	395	3.1	135 034 098	9.1
Over 1 000 000	148	1.2	1 310 362 667	88.7
Total	**12 780**	**100.0**	**1 477 905 694**	**100.0**

Distribution of shareholders	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Assurance companies	34	0.3	17 802 255	1.2
Certificated	1	0.0	2 992	0.0
Close corporations	31	0.2	2 895 307	0.2
Collective investment schemes	186	1.5	490 575 220	33.2
Control accounts	3	0.0	73	0.0
Custodians	17	0.1	1 572 027	0.1
Foundations and charitable funds	39	0.3	84 865 312	5.7
Hedge funds	10	0.1	33 948 327	2.3
Insurance companies	7	0.1	7 484 378	0.5
Investment partnerships	20	0.2	244 287	0.0
Managed funds	15	0.1	3 653 415	0.3
Medical aid funds	19	0.1	9 482 731	0.6
Organs of state	3	0.0	11 741 256	0.8
Private companies	110	0.9	473 933 392	32.1
Public companies	8	0.1	111 253 953	7.5
Public entities	2	0.0	705 505	0.1
Retail shareholders	11 820	92.5	50 225 280	3.4
Retirement benefit funds	280	2.2	134 896 973	9.1
Scrip lending	4	0.0	2 870 155	0.2
Share schemes	1	0.0	435 558	0.0
Sovereign funds	1	0.0	20 623 520	1.4
Stockbrokers and nominees	24	0.2	5 791 993	0.4
Trusts	140	1.1	12 901 184	0.9
Unclaimed scrip	5	0.0	601	0.0
Total	**12 780**	**100.0**	**1 477 905 694**	**100.0**

* *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 2021

Shareholder type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Non-public shareholders	12	0.1	636 267 312	43.1
>10% HCI and its subsidiaries	4	0.0	599 676 866	40.6
Directors and associates	8	0.1	36 590 446	2.5
Public shareholders	12 768	99.9	841 638 382	56.9
Total	**12 780**	**100.0**	**1 477 905 694**	**100.0**

Fund managers with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Allan Gray	227 049 012	15.4
Coronation Fund Managers	176 443 147	11.9
Prudential Investment Managers	81 251 323	5.5
PSG Asset Management	61 677 044	4.2
Steyn Capital Management	58 037 312	3.9
Total	**604 457 838**	**40.9**

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	28.1
Allan Gray	151 164 749	10.2
Coronation Fund Managers	110 959 425	7.5
Hosken Consolidated Investments Limited	106 784 202	7.2
HCI Foundation	75 857 146	5.1
PSG	61 674 044	4.2
Total	**921 621 593**	**62.3**

	Number of shareholdings
Total number of shareholdings	**12 780**
Total number of shares in issue	**1 477 905 694**

Share price performance

Opening price 1 April 2020	R1.56
Closing price 31 March 2021	R2.12
Closing high for period	R2.71
Closing low for period	R1.30
Number of shares in issue	1 477 905 694
Volume traded during period	260 529 057
Ratio of volume traded to shares issued	17.6%
Rand value traded during the period	R461 461 900
Price/earnings ratio as at 31 March 2021	(8.38)
Earnings yield as at 31 March 2021	(11.93)
Dividend yield as at 31 March 2021	–
Market capitalisation at 31 March 2021	R3 133 160 071

Analysis of ordinary shareholders *continued*

as at 31 March 2021

Directors' interests

	31 March 2021				31 March 2020			
	Direct beneficial	**Indirect beneficial[(1)]**	**Associates**	**Total**	Direct beneficial	Indirect beneficial[(1)]	Associates	Total
Executive directors								
MN von Aulock	**–**	**5 159 451**	**–**	**5 159 451**	–	2 916 388	–	2 916 388
L McDonald	**46 377**	**247 688**	**–**	**294 065**	46 377	–	–	46 377
Non-executive directors				**–**				
JA Copelyn	**–**	**14 855 338**	**–**	**14 855 338**	–	2 591 111	–	2 591 111
JR Nicolella	**–**	**–**	**59 479**	**59 479**	–	–	59 479	59 479
Total	**46 377**	**20 262 477**	**59 479**	**20 368 333**	**46 377**	**5 507 499**	**59 479**	**5 613 355**

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

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

(2) *As announced on SENS, the following directors increased their indirect beneficial shareholding in Tsogo Sun Hotels subsequent to year end:*

	Date	**Indirect beneficial**
Executive directors		
MN von Aulock	27 May 2021	175 117
	28 May 2021	32 339
	3 June 2021	92 619
	4 June 2021	93 877
	4 June 2021	37 500
L McDonald	4 June 2021	12 500

Glossary and key terms

Adjusted headline earnings	Earnings attributable to equity holders after adjusting for exceptional non-recurring items including, inter alia, impairments of property, plant and equipment, fair value adjustments of investment property, sale of assets, transaction and pre-opening costs. This is a measure of the group's earnings based solely on operational activities
Adjusted HEPS	Adjusted headline earnings per share
AGM	Annual general meeting
ARR	Average room rate
Ash Brook	Ash Brook Investments 72 Proprietary Limited
B-BBEE	Broad-Based Black Economic Empowerment as per the B-BBEE Act
B-BBEE Act	The South African Broad-Based Black Economic Empowerment Act, 53 of 2003, as amended
B-BBEE codes	The South African Codes of good practice on Broad-Based Black Economic Empowerment issued under the B-BBEE Act
board	The board of directors of Tsogo Sun Hotels
CAGR	Compound annual growth rate
CANSA	Cancer Association of South Africa
capex	Capital expenditure
CDP	Formerly the Carbon Disclosure Project
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash-generating unit
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
CPI	Consumer price index
Company Secretary	The Company Secretary of Tsogo Sun Hotels, namely 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
COO	Chief Operating Officer
Covid-19	An infectious disease caused by a newly discovered coronavirus, as defined by WHO
CSI	Corporate social investment
CTC	Cost to company
Cullinan	The Cullinan Hotel Proprietary Limited
CVs	Curricula vitae
DCF	Discounted cash flow
directors	The directors of Tsogo Sun Hotels from time to time whose names appear in the Integrated governance section of this report
DTIC	Department of Trade, Industry and Competition
Ebitda	Earnings before interest, tax, depreciation, amortisation and exceptional items
Ebitdar	Earnings before interest, tax, depreciation, amortisation, rentals and exceptional items
Ebitdar margin	This is calculated by expressing Ebitdar as a percentage of income
ECL	Expected credit loss
Fedhasa	Federated Hospitality Association of Southern Africa
FIFO	First-in, first-out
Free cash flow	Cash generated from operations adjusted for net finance costs, taxation paid, operating equipment purchased and maintenance capital expenditure
FRSC	Financial Reporting Standards Council
FVPL	Fair value through profit and loss
GDP	Gross domestic product
GDPR	General Data Protection Regulation

Glossary and key terms *continued*

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
HEPS	Headline earnings per share
Hospitality, HPF or HPB	Hospitality Property Fund Limited (registration number 2005/014211/06), a public company incorporated and registered in accordance with the laws of South Africa and listed on the JSE
Hospitality group	Hospitality and its subsidiaries from time to time
HIV	Human immunodeficiency virus
HOFs	Heads of function
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBD	Interest-bearing debt
IHG	InterContinental Hotels Group plc (registration number 5134420), a public limited company incorporated and registered in accordance with the laws of England and Wales
IHPL	International Hotel Properties Limited (registration number 1862176), a private company incorporated and registered in accordance with the laws of the British Virgin Islands
IIRC	International Integrated Reporting Council
IFRS	International Financial Reporting Standards
<IR> Framework	The IIRC's Integrated Reporting Framework which provides principles-based guidance for companies and other organisations wishing to prepare an integrated report
IT	Information technology
JIBAR	Johannesburg Interbank Agreed Rate
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 an exchange under the Financial Markets Act, 19 of 2012
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
Liberty	Liberty Group Limited
LTIP	Long-term incentive plan
JSE Listings Requirements	The Listings Requirements of the JSE, as amended from time to time
LPG	Liquefied petroleum gas
LTV	Loan to value
Major subsidiary	A subsidiary of Tsogo Sun Hotels which is considered a major subsidiary for the purposes of the JSE Listings Requirements, being SSHI and Hospitality
Manco	Management company
MOI	Memorandum of incorporation
PABX	Physical and virtual private automatic branch exchange telephonic system
POPIA	Protection of Personal Information Act, 4 of 2013
PPE	Property, plant and equipment
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
RDI	RDI REIT plc is a property investment business listed on the London Stock Exchange
REIT	Real Estate Investment Trust
Revpar	Revenue per available room
SAB	South African Breweries Limited

Glossary and key terms *continued*

SAR Plan	The Tsogo Sun Hotels Share Appreciation Rights Plan – a share incentive scheme which provides for the award of share appreciation rights in the form of awards and replacement awards and in which selected key senior employees of the group are eligible to participate with salient features set out in the Remuneration policy and implementation report
SARs	Share appreciation rights are allocated annually (award date) to eligible employees as recommended by the remuneration and nomination committee and approved by the board
SATB	South African Tourism Board
SENS	Stock Exchange News Service of the JSE
Shareholders	Holders of TGO shares from time to time
SOCI	Statement of Comprehensive Income
Solvency and liquidity test	As set out in the Companies Act
South Africa or SA	The Republic of South Africa
SSA	Southern Sun Africa
SSHI	Southern Sun Hotel Interests Proprietary Limited (registration number 1969/001365/07), a private company incorporated and registered in accordance with the laws of South Africa and a wholly owned subsidiary of Tsogo Sun Hotels
STIs	Short-term incentives
Strate	Share Transactions Totally Electronic, an unlisted company owned by the JSE and CSDP
Subsidiaries	Shall have the meaning ascribed thereto in the Companies Act
System-wide	Including owned and managed hotel operations
TBCSA	Tourism Business Council of South Africa
tCO_2e	Tonnes of carbon dioxide equivalent, a measure of greenhouse gas
TERS	Covid-19 Temporary Employer-Employee Relief Scheme
TGO shares	Ordinary shares of no par value in the share capital of Tsogo Sun Hotels
TIHC	TIHC Investments (RF) Proprietary Limited is a 100% held indirect subsidiary of HCI
TMC	Travel management companies
Tsogo Sun	Tsogo Sun Holdings Limited (registration number 1989/002108/06) (now Tsogo Sun Gaming), a public company incorporated and registered in accordance with the laws of South Africa with shares listed on the JSE
Tsogo Sun Gaming	Tsogo Sun Gaming Limited (previously known as Tsogo Sun Holdings 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
Tsogo Sun Hotels (TGO), the group or the company	Tsogo Sun Hotels Limited (known previously as Southern Sun Hotels Proprietary Limited), incorporated as a private company and converted to a public company on 15 May 2019 in accordance with the laws of South Africa (registration number 2002/006356/06) and listed on the JSE
UIF	Unemployment Insurance Fund
US Dollar or US$	United States Dollar, the lawful currency of the United States
VAT	Value added tax levied in terms of the South African Value Added Tax Act, 89 of 1991
Vexicure	Vexicure Proprietary Limited
WACC	Weighted average cost of capital
WHO	World Health Organisation, primarily tasked with directing and coordinating international health within the United Nations system

Corporate information and advisors

TSOGO SUN
HOTELS

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
Palazzo Towers West, Montecasino Boulevard, Fourways, 2055 (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 summarised consolidated financial statements contain 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.

Southern Sun HOTELS · RESORTS · SUN SQUARE · Garden Court · stayeasy · hi HOTELS · SUN1 · MOUNT GRACE HOTEL & SPA · Arabella HOTEL, GOLF & SPA · BEVERLY HILLS · 54 ON BATH · SUNCOAST TOWERS · PALAZZO · SANDTON SUN

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