

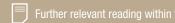
Contents

About this report	1
Who we are	1
Group overview	3
Joint statement from the Chairman and Chief Executive Officer	4
Through the years	6
Strategy and performance review	8
Strategic priorities and growth drivers	10
Business model	12
Our capitals – resources and relationships	12
Operating model	14
Investment case	20
Performance and value creation	22
and value	22
and value creation	
and value creation Chief Financial Officer's review	22
and value creation Chief Financial Officer's review The environment in which we operate	22 29
and value creation Chief Financial Officer's review The environment in which we operate Our key stakeholders	22 29 35
and value creation Chief Financial Officer's review The environment in which we operate Our key stakeholders Our material risks and opportunities	22 29 35 38
and value creation Chief Financial Officer's review The environment in which we operate Our key stakeholders Our material risks and opportunities Our strategy in action Integrated	22 29 35 38
and value creation Chief Financial Officer's review The environment in which we operate Our key stakeholders Our material risks and opportunities Our strategy in action Integrated governance	22 29 35 38 46

Consolidated annual financial statements	37
Statement of responsibility by the board of directors	87
Chief Executive Officer and Chief Financial Officer	
responsibility statement	88
Directors' approval of the consolidated annual financial statements	89
Declaration by the Company Secretary	89
Report of the audit and risk committee	90
Directors' report	92
Independent auditor's report to shareholders	94
Consolidated income statement	100
Consolidated statement of comprehensive income	101
Consolidated balance sheet	102
Consolidated statement of changes in equity	103
Consolidated cash flow statement	104
Notes to the consolidated annual financial statements	105
Shareholder information	30
Analysis of ordinary shareholders	180
B-BBEE annual compliance report	183
Glossary and key terms	184
Corporate information and advisors	IBC

www.southernsun.com

Icons for further digital information within the report:



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

Social platforms via other media:









About this report

REPORTING APPROACH

We are pleased to present our third 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 impact of Covid-19 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 considering methods of improving its combined assurance model. Assurance for elements of this integrated annual report was provided through a combination of external and internal sources, in line with King IV and guidance from the IIRC. At this stage, external assurance is obtained as follows:

Assured element	Assurance provided	Assurance provided
Consolidated financial statements	External audit	PricewaterhouseCoopers Inc. (PwC)
Broad-Based Black Economic Empowerment (B-BBEE) level 1 contributor status	Verification	Empowerdex Proprietary Limited
Internal audit	Internal controls	GRIPP Advisory Proprietary Limited

SCOPE AND BOUNDARIES

The contents of this report relate to Tsogo Sun Hotels Limited trading as Southern Sun (Southern Sun or the company) and its subsidiaries (the group) for the 2022 financial year and beyond. Tsogo Sun Hotels Limited publicly launched its rebrand to Southern Sun in May 2022 and is in

the process of formally changing its name to Southern Sun. This report covers Southern Sun's performance for the year ended 31 March 2022 compared to the prior year ended 31 March 2021. The matters included address material issues for the group (Southern Sun and its subsidiaries), associates and joint ventures.



The process we utilised in determining and applying materiality is included on page 38 of the report.

Non-financial disclosures, except for environmental disclosures, focus on the South African operations, which generate 89% of our income.



The scope and boundaries of environmental disclosures are defined on page 50.

REPORTING SUITE

Our integrated annual report has been prepared to provide our target audience with a holistic and transparent view of our business model and strategy. More detailed information is also contained in our supplementary reporting suite, accessible on www.southernsun.com/investors.

BOARD APPROVAL

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

John Copelyn

Chairman

Marcel von Aulock
Chief Executive Officer (CEO)

John.

29 July 2022

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THE COVID-19 PANDEMIC AND ITS IMPACT ON THE TRAVEL AND TOURISM INDUSTRY

The year under review has been one of devastating lows and encouraging highs. The first half of the year was marred by the third wave of Covid-19 infections during June and July 2021, which resulted in severe restrictions aimed at controlling further spread and managing hospitalisations.

The banning of alcohol sales as well as domestic leisure travel to and from Gauteng, fuelled by a general fear among travellers of contracting the highly contagious Delta variant, negatively impacted trading in all regions, setting the group's recovery back significantly. A further setback was the violent protests and civil unrest in both Gauteng, but most materially for the group, in KwaZulu-Natal, specifically Durban, which has been the group's best performing region throughout the pandemic.

The resultant negative impact on sentiment meant that the recovery in the corporate and international markets was further delayed.

As the third wave subsided and restrictions were relaxed, trading activity increased, due to support from the government, sports, groups and conferencing, and domestic leisure segments. Thanks to South Africans being unable to travel aboard, the negative impact on trading levels, particularly in the Western Cape, was less pronounced during December 2021, with international leisure travel being replaced by domestic leisure travel to some extent.

The pace of bookings improved during March 2022, as it became clear that the Omicron variant was milder than previous variants.

While we are encouraged by the recent upward trend in trading, we are acutely aware that we are still trading at occupancies far below the group's long-term average.

Throughout the year, in the midst of the challenging circumstances, we remained close to our lenders, employees, trading partners, suppliers, tenants and landlords, who continued to be very supportive.

Our 2022 integrated annual report, as a whole, reflects our performance for the 2022 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.

Having weathered multiple Covid-19 waves over the past two years, further waves may delay our recovery further. A consolation is that the impact of each wave seems to be less severe and the rebound in trading activity quicker. It is clear that Covid-19 will remain with us for the foreseeable future and that the only way to return to some form of normality is to ensure that the majority of the South African adult population is vaccinated in order to protect themselves from severe disease.

We welcome the South African government's decision to repeal all health regulations regarding Covid-19 with effect from 22 June 2022. This is a meaningful milestone for the recovery of the South African travel and tourism industry.

REBRANDING TO SOUTHERN SUN

Post the separate listing of the hotel group in June 2019, it became clear that the gaming and hotel groups operate in different markets and that the joint use of the Tsogo Sun brand is not optimal. With the group having navigated the worst of the pandemic, it is an ideal time to re-establish ourselves as the leading hospitality group in southern Africa and draw on our rich 50-year history to embark on a new beginning and create excitement and optimism among our employees, suppliers and guests, all of whom have supported us throughout this most devastating period in the group's history.

The company will undergo a formal name change to Southern Sun Limited, subject to receiving the requisite shareholder approval at a general meeting of shareholders to be held on 18 August 2022, following which, the company's JSE share code will change from TGO to SSU.

Further information on the rebranding can be found on our website at www.southernsun.com.



Group overview

OUR VISION

Our vision is to be the leading hospitality group in southern Africa by creating exceptional experiences at every one of our distinctive destinations.

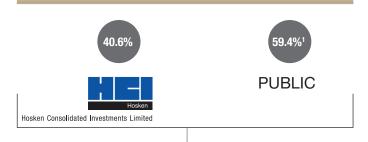


home away from home, Southern Sun has earned the trust of our guests, who find exceptional quality and service with flair at every one of our distinctive destinations. From functional to luxurious and from exciting to relaxing, Southern Sun offers a brand and a service to suit every traveller's needs.

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

OUR GROUP STRUCTURE





Southern Sun



- Owned, managed and leased hotels
- Manco



Southern Sun

- Owned, managed and leased hotels
- UK investments 26%
- ¹ Includes directors and associates that own 1.4% of the company's total issued share capital.

OUR OWNERS

Our key shareholder at 31 March 2022 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 62.4% effective black ownership. Our empowerment ownership is an important part of our transformation agenda and a factor considered by government and other public bodies in awarding contracts. Furthermore, our empowerment ownership may influence relationships with customers or suppliers as it contributes to their Broad-Based Black Economic Empowerment (B-BBEE) status.

Joint statement from the Chairman and Chief Executive Officer



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

OPERATIONS

The focus of the year ended 31 March 2022 has been on strengthening the financial position of the group and on continuing with the measures necessary to protect cash reserves and ensure the group's sustainability as the Covid-19 pandemic persisted.

Throughout the pandemic, KwaZulu-Natal has been the group's best-performing region due to its appeal to the domestic leisure market thanks to its proximity and ease of accessibility from Gauteng, as well as the region's ability to provide accommodation along with conferencing facilities to government departments and sporting bodies needing to travel during the pandemic in order to function. This status was put to the test during 2022 with government implementing inter-provincial travel restrictions to curb the spread of the highly contagious Delta variant. An already difficult trading environment was worsened by the violent protests and civil unrest in Gauteng and, most materially for the group, in KwaZulu-Natal. Having barely recovered from the rioting and looting, heavy rainfall in the province during April 2022 caused extensive flooding and landslides.

The group suffered minimal damage to its properties following the riots and flooding in KwaZulu-Natal and while room sales did decline during these periods, the long-term damage to infrastructure is what is of most concern. We have worked closely with the eThekwini municipality to assist with the removal of debris and beach cleanup programmes and we are grateful that beaches in the region have safely re-opened as this will improve the perception of KwaZulu-Natal with travellers ahead of the summer season.

Encouragingly, trading levels, while still below our long-term averages and pre-Covid-19 levels, have shown continued improvement across all regions in South Africa as well as operational hotels offshore, and the group has generated positive free cash (after finance costs, tax and maintenance capex) since October 2021. Improved activity levels across all segments (including leisure, government, corporates and groups and conferencing) in conjunction with the substantial cost restructuring undertaken over the last two years, have contributed to this positive outcome, and we believe that we have transitioned from survival to a steady recovery.

The one area where we have not seen the same improvement in activity levels is from the transient traveller – a guest from a small business travelling to provide their service. We believe that this is a function of the depressed local economy and many of these businesses did not withstand the impact of Covid-19.

So while we are pleased by the recent upward trend in trading and anticipate a return to normalised travel patterns, we acknowledge that it will take time for the economy to recover and it requires policy certainty from government and solutions to the country's ongoing energy crisis. We will continue to manage cash flow and liquidity closely as the country faces rising food and fuel prices and increasing interest rates which not only affect the group, but also our guests. With travel budgets reduced to save costs and individuals preserving disposable income in a rising interest rate environment, the increasing cost of transport due to rising fuel prices is a travel deterrent, particularly for international and corporate travel.

As we prepare this report, South Africa has withstood the fifth wave of Covid-19 infections with minimal negative impact on the group, and the country has seen the subsequent lifting of all remaining Covid-19 protocols by Health Minister, Joe Phaahla. We welcome this development and consider it to be a significant milestone in the group's recovery from the devastating impact of the pandemic.

A promising development in the new financial year has been that key hospitality events are back on the calendar, including the Mining Indaba held in Cape Town as well as the Africa Travel Indaba held in Durban, both in early May 2022. While the attendance volumes were around 75% of pre-Covid-19 levels and, as a result, there was less opportunity to yield rates, we are encouraged that international guests are increasingly comfortable to travel to South Africa as this could signal a much better summer season in Cape Town for the 2023 financial year than what was experienced in the 2022 financial year when the Omicron variant and South Africa's subsequent placement on the UK's red list effectively eliminated foreign in-bound travel to the region.

Having successfully hosted the Castle Lager Lions Series tour to South Africa in July 2021, the group continues to benefit from sporting events post year end including the recently concluded Welsh rugby tour to South Africa enjoyed by spectators across the country. In addition, the Rugby World Cup Sevens tournament will be hosted in Cape Town in September 2022 and while this is a short three-day event, it does create excitement among South Africans and increases the country's visibility to international markets with rising global inflation and the weakness of the Rand, South Africa is an affordable and attractive travel destination for foreign guests. Thanks to the group's distribution and ability to coordinate large sporting events, SA Rugby has renewed its long-standing partnership with Southern Sun for another five years, extending the group's association with SA Rugby and the Springboks to three decades.

Another much-anticipated event that has been reported is the potential for the South African Grand Prix to rejoin the Formula 1 race calendar in 2023, after almost 30 years. Formula 1 has millions of fans globally and being part of the annual calendar will put South Africa back on the global map as a sought-after travel destination.

CORPORATE ACTIVITY AND FUNDING

We have announced two transactions, which, if successfully implemented, will materially reduce the group's gearing levels by some R900 million (depending on the USD/ZAR exchange rate) and strengthen our balance sheet so that we can maximise benefits from the recovery in trading.

Subsequent to year end the group decided to dispose of its Southern Sun Ikoyi Hotel (Ikoyi) in Nigeria. The aggregate disposal consideration per the agreement is US\$30.4 million, comprising US\$29.1 million for the shares and US\$1.3 million for the shareholder loan claims. The successful implementation of the disposal would result in the reduction of the group's US Dollar-denominated debt (offshore debt) through the deconsolidation of Ikoyi's external debt of US\$12.8 million and provides the group with sufficient cash resources to offset offshore debt in Mozambique amounting to US\$26.6 million, thereby eliminating the forex risk. The sale agreement also provides

for the purchaser to release the group from its guarantee obligations in respect of the external debt of lkoyi. The group continues to work on fulfilling the conditions precedent to the transaction, including the approval of the Federal Competition and Consumer Protection Commission in Nigeria.

The group also concluded a hotel properties and businesses acquisition agreement with the Tsogo Sun Gaming group (TSG) to acquire the two hotel properties and business assets of Southern Sun Emnotweni and StayEasy Emnotweni for an aggregate purchase consideration of R142 million. It further concluded a separation agreement with TSG for the termination of the various management and licensing agreements between them in respect of 15 hotels owned by TSG, for a termination fee of R399 million. The resulting net cash inflow to the group is R257 million along with ownership of the two Emnotweni hotels which are important for our distribution in the Mpumalanga province. We believe that the proceeds represent fair consideration for the termination of the management contracts and are beneficial to the group and its shareholders. The only remaining condition precedent to the implementation of the transaction is the approval of our shareholders at the general meeting scheduled for 18 August 2022.

At the same meeting, shareholders will also approve the group's name change to Southern Sun, the final step in our rebranding. Southern Sun is a well-known brand with more than 50 years of heritage and after the devastation caused by Covid-19, returning to that name is a natural fit for the group and has been embraced by our employees, guests and suppliers.

The group is multi-banked with exposure to all four major banks in South Africa, and the financiers have been greatly supportive of all of our efforts to date for which we are grateful. As at 31 March 2022, we had received waivers of our covenants on the various facilities to September 2022 and had available R2.0 billion in cash and unutilised facilities. Having successfully extended all group debt facilities expiring during FY23, management is currently engaging with lenders to refinance the group's debt package in order to simplify the structure, extend facility tenure and reintroduce normalised covenants which take into consideration that the group is still in the recovery phase after the impact of Covid-19.

APPRECIATION

Our sincere gratitude goes to the people of Southern Sun for what they have endured and contributed to the group over the past two years. We also want to thank the group's financiers and stakeholders for their continued support.

John Copelyn Non-executive Chairman Marcel von Aulock
Chief Executive Officer

Through the years

SOUTHERN SUN THROUGH THE YEARS

1969 to

1983

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

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

1983 to

1994

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

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









1994 to **1999**

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

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

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

2003 to **2011**

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

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

Southern Sur through the years

2012 to

2018

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

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

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

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



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





2020 to **2021**

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

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

2021 to **2022**

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

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

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

The group successfully rebrands to Southern Sun.





Strategy and performance review

While the group's strategic objectives do not change from year to year, the impact of the Covid-19 pandemic on the business has been pervasive and the 2022 performance metrics should be reviewed in that context.

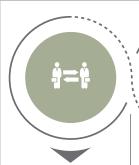


OUR STRATEGIC OBJECTIVES ARE



GROWTH

HOW WE CREATE LONG-TERM SUSTAINABLE VALUE



DELIVER TO OUR BENEFICIARIES

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

Level 1 (2021: Level 3) B-BBEE contributor

Black ownership **62%** (2021: 52%)

E FIVE KEY PILLARS OF OUR SUSTAINABILITY INCLUDE

R1.8 billion (2021: R1.3 billion) value added to black economic empowered businesses and government

67 (2021: 153)
beneficiaries supported
through the Southern
Sun Entrepreneurs
programme, the new
name of 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

Extending debt facilities and corporate bonds to ensuring solvency requirements are met

Unutilised facilities plus cash of **R2.0 billion** (2021: R1.9 billion)

2.3 (2021: 2.2) years weighted average expiry of debt facilities

57% (2021: 52%) 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

18 783 (2021: 18 804) hotel rooms across all market segments

84% (2021: 87%) 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

 $\Delta \Delta$

No significant regulation breaches.

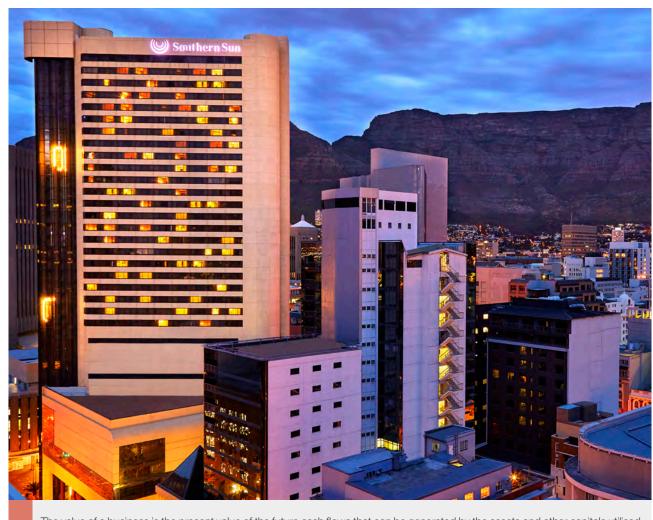
SKILLED HUMAN RESOURCES

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

5 998 (2021: 7 001) direct employees

94% (2021: 93%) of employees are African, Coloured and Indian and **56%** (2021: 55%) are women.

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



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



GROWTH

ORGANIC GROWTH

Optimal operation of the group's capitals generates growth in cash flow and thus value	2022	2021
Income (Rm)	2 708	1 163
Ebitdar (Rm)	590	(177)
Ebitdar margin (%)	22	(16)
Adjusted headline loss per share (cents)	(8.0)	(51.4)
Free cash flow (Rm)	223	(446)
Maintenance capital expenditure (Rm)	43	46

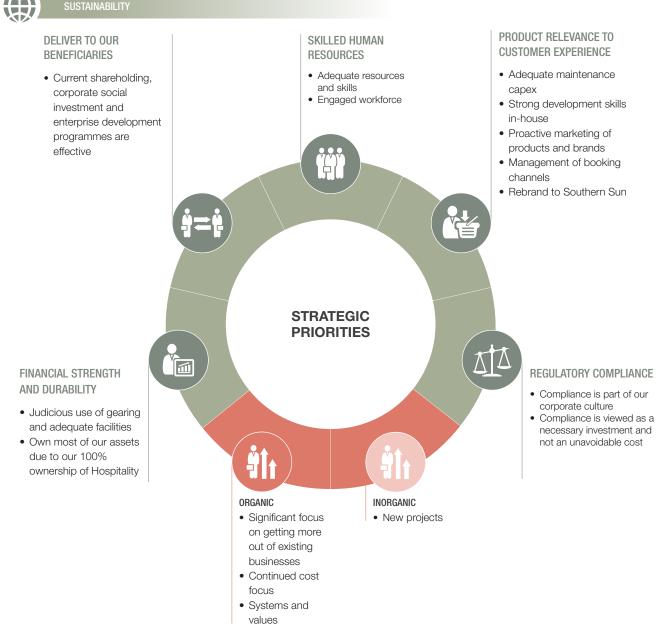


INORGANIC GROWTH

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

 Garden Court Victoria Junction, previously managed by Marriott, came under the management of Southern Sun during the year.

Strategic priorities and growth drivers



GROWTH





GROWTH DRIVERS



ECONOMIC RECOVERY

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



ECONOMIC CYCLE

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



LOCATION

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



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.



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

Our intangible capitals such as licences, brands, trademarks, technology and systems, which provide

systems, which provide seamless delivery of experiences. Our financial resources to pursue **growth opportunities.**

Our quality and strong relationships with key

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.	The quality and strength of relationships with our key stakeholders are vital to the long-term sustainability of Southern Sun. Building trust and credibility with our key stakeholders is crucial to retaining our social and regulatory licence to operate.		
Strategic objective	PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE REGULATORY COMPLIANCE	FINANCIAL STRENGTH AND DURABILITY	DELIVER TO OUR BENEFICIARIES REGULATORY COMPLIANCE		
Page	16	22	35		

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

Business model continued

OPERATING MODEL

KEY FEATURES

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

PORTFOLIO PHILOSOPHY

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

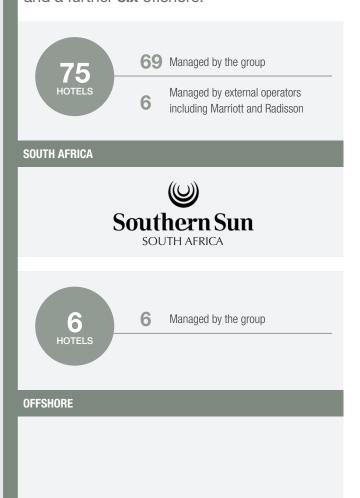








Southern Sun owns **75 hotels** in South Africa and a further **six** offshore.



With 72% of our hotel real estate owned either through freehold or leasehold title, we prefer the "asset-heavy" hotel model as it provides strategic advantage of scale in South Africa. This model allows the group to retain control over its assets, thereby ensuring security of tenure and resilience through economic cycles. While this model is more capital intensive, it allows for greater returns on effort.



MANAGEMENT OF HOTEL OPERATIONS

- **3** Operations
- 4 Management

32 HOTELS

MANAGED FOR THIRD PARTIES

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

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.

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.

KEY CENTRALISED SERVICES

The regional and brand management teams are supported by key centralised services which aim to ensure the hotels have access to the required expertise at the most efficient cost structure. These 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 top-line generation, particularly contracted and negotiated revenue streams which make up a material portion of our business. Closing the deal will always be a fine balancing act between price and volume and this has never been more important than in the difficult environment we are presently experiencing.

MARKETING

Marketing includes core promotions such as the Follow the SUN and Sunbreaks campaigns, seasonal special offers and promotion of the frequentGuest programme. 36% of the group's rooms revenue is generated from frequentGuest members, who demonstrate their loyalty to our brands and recognise the value of SunRands offered to them through their membership.

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 WiFi 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 Southern Sun Entrepreneurs programme as well as training and human capital development.

This collectively makes up the management (Manco) division's activities, through which the group 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: Arabella Hotel, Golf & Spa near Hermanus, the Mount Grace Hotel & Spa in Magaliesburg, Sandton Sun and Sandton Towers in Sandton; Palazzo at Montecasino; Beverly Hills in uMhlanga; Suncoast Towers on Durban's Golden Mile; and 54 on Bath in Rosebank.

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



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



SANDTON SUN SANDTON TOWERS PALAZZO















FULL SERVICE PORTFOLIO

SOUTHERN SUN HOTELS AND SOUTHERN SUN RESORTS

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

Southern Sun Resorts include a significant timeshare offering and are located in attractive tourist destinations such as uMhlanga, Plettenberg Bay, the Drakensberg, Mpumalanga, and the beautiful Paradise Sun on Praslin Island in the Seychelles.

Holiday Inn Sandton is the only remaining IHG brand hotel in the full-service portfolio and plans are underway to rebrand this hotel to Southern Sun Sandton in the coming year.



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 midmarket offering, spanning 21 hotels with 4 001 rooms. This brand includes large, well-known hotels such as Garden Court Marine Parade and Garden Court Sandton City through to smaller properties such as Garden Court Morningside, and the recently rebranded Garden Court Victoria Junction.



South Africa, Zambia 21

4 001 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.



Montecasino, Suncoast, Cape Town City Bowl, Cape Town Gardens Jeera, Zepi, Vigour & Verve

FULL SERVICE











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.



10 HOTELS 1505 ROOMS

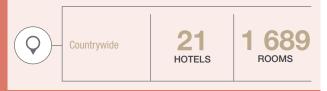
hi HOTELS

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.



SUN1

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



ECONOMY







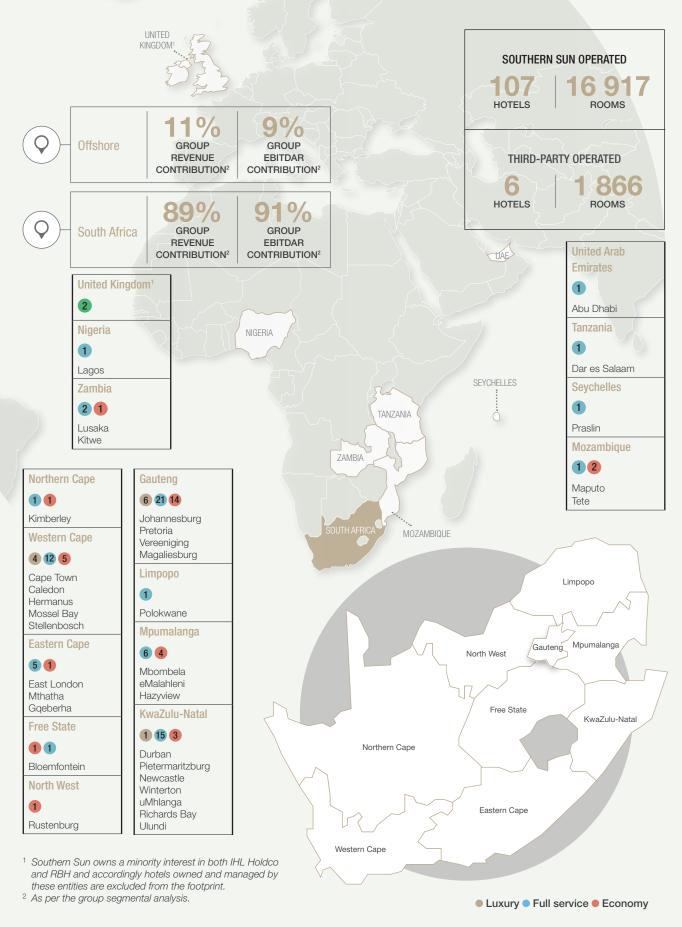
Southern Sun's key differentiator in South Africa is its wide distribution of quality hotel products. Delivering consistently exceptional guest experiences remains the focus at our hotels and differentiates them in a commoditised industry.

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

Business model continued

OPERATING MODEL continued

GEOGRAPHICAL FOOTPRINT





PORTFOLIO SEGMENTATION

	Owned	/leased	Man	aged	То	tal	Group revenue	Group Ebitdar contribution ² %
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	contribution ² %	
Southern Sun operated Manco ¹	_	_	_	_	_	_	2	38
Coastal	23	5 755	8	681	31	6 436	44	35
LuxuryFull serviceEconomy	2 18 3	234 4 917 604	1 7 -	165 516 -	3 25 3	399 5 433 604	7 34 3	8 21 6
Inland	23	4 623	12	1 435	35	6 058	26	4
LuxuryFull serviceEconomy	4 16 3	753 3 474 396	2 7 3	384 678 373	6 23 6	1 137 4 152 769	10 15 1	3 1 -
Other	23	1 827	8	889	31	2 716	8	4
Full serviceEconomy	2 21	138 1 689	8 –	889	10 21	1 027 1 689	2 6	2 2
South Africa	69	12 205	28	3 005	97	15 210	80	81
Offshore	6	961	4	746	10	1 707	11	9
Total 2022	75	13 166	32	3 751	107	16 917	91	90
Total 2021	75	13 046	30	3 720	105	16 766	94	101
Third-party operated Hospitality owned	6	1 866	_	_	6	1 866		
Total 2022	6	1 866	_	_	6	1 866	9	10
Total 2021	7	2 038	_	_	7	2 038	6	(1)

 $^{^{\,\,\}mathrm{l}}$ Includes revenue generated by Manco and the elimination of internal management fees.

² As per the group segmental analysis.

Investment case

WHY INVEST IN SOUTHERN SUN



Quality assets

Ownership





High-quality assets Location Geographic distribution

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.





or leased by the group represent 80% of our total rooms

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 113 hotels operated by the group, we own or lease 81 (representing 80% of our total rooms) and manage 32 for third parties.





Participants in our frequentGuest programme contributed 36% (2021: 42%) of total rooms revenue for the year ended 31 March 2022

Responsive to customer needs

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

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

Customercentric Brand recognition

Financial strength

Community development

Centralised management structure







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

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





Use dept 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.





Social investment in community development was R11 million during the year ended to March 2022

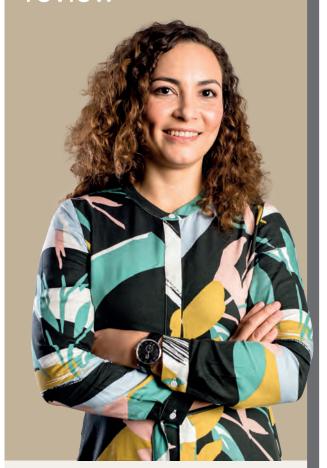
Commitment to broad-ranging stakeholders

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 2022, the group's social investment in community development amounted to R11 million (2021: R5 million). This represents 7.1 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 I Chief Financial Officer

FY22 AT A GLANCE

EBITDAR AT

R590 million

(INCLUDING INSURANCE PROCEEDS OF R191 MILLION)

NET DEBT REDUCED TO

R2.8 billion

R1.3 billion

LIQUIDITY MAINTAINED

The results presented in this integrated annual report reflect the impact of restrictions during the third wave of Covid-19, and violent protests in Gauteng and KwaZulu-Natal, as well as the group's recovery of revenue shortfall through insurance proceeds and the easing of travel bans.



ANNUAL REVIEW

The 2022 financial year comprised two very distinct halves. In the first half of the year the group had to contend with the Delta wave of Covid-19 infections which was accompanied by provincial travel restrictions and alcohol bans, as well as the civil unrest and violent protests in KwaZulu-Natal and Gauteng. In contrast to this difficult operating environment, trading levels rebounded in the second half of the year once travel restrictions eased, global vaccination levels increased and travelers felt more confident to move.

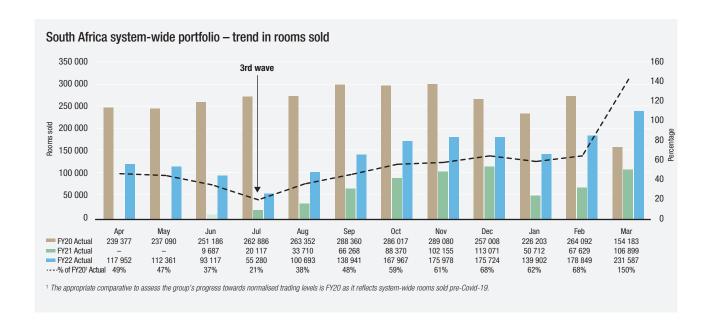
There were some highlights during the first six months of FY22. Thanks to the group's distribution and ability to coordinate large sporting events, we were able to secure rights as the sole accommodation provider for the Castle Lager Lions Series tour to South Africa, the timing of which was ideal, as it offset some of the revenue shortfall in July. A further positive impact on the results for the first half of the year was the collection of the gross insurance proceeds, predominantly relating to business interruption cover, of R191 million during August 2021. These once-off gains played a vital role in improving the group's liquidity position after the third wave and violent protests.

As the Delta wave subsided and restrictions were relaxed, trading activity increased during the second half of the year, with the group averaging 60% of pre-Covid-19 system-wide room sales, due to support from the government, sports, groups and conferencing, and domestic leisure segments. This momentum was interrupted by the fourth wave of

Covid-19 infections caused by the Omicron variant which resulted in South Africa again being placed on the United Kingdom's red list on 26 November 2021 followed by other countries implementing travel restrictions on South Africa. Despite being removed from the red list relatively quickly, the damage to foreign inbound travel (FIT) for the summer season had been done. Thanks to South Africans being unable to travel abroad, the negative impact on December trading levels, particularly in the Western Cape, was less pronounced with international leisure travel being replaced by domestic leisure travel to some extent.

As it became clear that Omicron was milder than previous variants, booking pace improved and the group sold 231 587 rooms in March 2022, marking the first month where the group achieved over 200 000 room sales in South Africa since February 2020.

Contributing to this fourth quarter performance was strong support from government groups and various union elective conferences. In addition, various sporting events as well as buoyant domestic leisure travel over the public holidays in March, boosted results. The group generated Ebitdar (Earnings before interest, income tax, depreciation, amortisation, rent and related IFRS 16 rent adjustment, long-term incentives and exceptional items) of R445 million (75% of total group Ebitdar) and cash flow of R180 million (69% of total cash flow) during the second half of the year, reducing the group's net debt level to R2.8 billion (2021: R3.1 billion) for the year ended 31 March 2022.



Chief Financial Officer's review continued

SUMMARISED INCOME STATEMENT REVIEW

Income statement (Rm)

moone statement (niii)	FY22	FY21	Note)
Income	2 708	1 138	1	
Rooms revenue	1 641	593		
Food and beverage revenue	731	269		
Property rental income	90	27		
Other income	246	249		
Overheads	(2 309)	(1 315)		
Insurance proceeds	191	_		
Ebitdar	590	(177)	2	
LTI expense	(10)	(14)		
Property rentals	(3)	22	3	
Property rentals	(144)	(106)		
Property rentals – IFRS 16	141	128		
Amortisation and depreciation	(365)	(407)		
Amortisation and depreciation	(291)	(329)		
Amortisation and depreciation – IFRS 16	(74)	(78)		
Exceptional items	(44)	(80)	4	
Profit/(loss) before interest and taxation (c/f)	168	(656)		
Finance costs (net)	(358)	(346)	5	
Finance costs (net)	(230)	(218)		
Finance costs - IFRS 16	(128)	(128)		
Share of profits/(loss) from associates and joint ventures	26	(128)	6	
Income tax	8	148	7	
Loss for the period	(156)	(982)		
Non-controlling interests	_	86		
Attributable loss	(156)	(896)	8	

Note 1

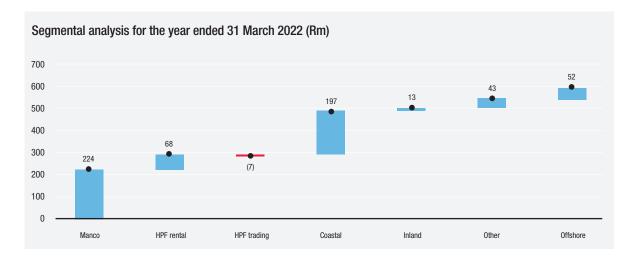
INCOME

Total income for the year ended 31 March 2022 of R2.7 billion (2021: R1.2 billion) was R1.5 billion above the prior year with a R1 billion and R462 million increase in revenue from hotel rooms, and food and beverage, respectively. Other revenue decreased by R3 million to R246 million (2021: R249 million), including contractual Covid-19-related revenue of R63 million (2021: R125 million) from hotels used as quarantine and isolation facilities as well as sporting bio-bubbles.

Note 2

EBITDAR

The group generated Ebitdar of R590 million (2021 Ebitdar loss: R177 million), a R767 million increase on the prior year, equating to an Ebitdar margin of 21.8%. Excluding insurance proceeds of R191 million received during the year, the group generated cash of R70 million at a 14.7% margin and 30.6% occupancy, highlighting the impact of the cost restructuring undertaken over the past two years.



Note 3

PROPERTY AND EQUIPMENT RENTALS

Property and equipment rental expense of R16 million (2021 income: R9 million) represents the variable portion of lease payments, including the impact of rent concessions. With effect from 1 April 2021, most rent concessions ceased and leases reverted to their original terms. Excluding the impact of IFRS 16, the group incurred cash rent of R144 million in the year compared to R106 million in the prior comparative period.

Note

EXCEPTIONAL ITEMS

Exceptional losses for the period of R44 million (2021 loss: R80 million) relate mainly to restructuring costs of R4 million (2021: R36 million), property, plant and equipment impairments of R94 million (2021: R237 million), offset by fair value gains on the revaluation of externally managed investment properties in HPF of R55 million (2021 fair value loss: R99 million). The prior year also included the R355 million profit on the sale of the group's 50% investment in United Resorts and Hotel Limited, which owns the Maia Luxury Resort & Spa.

Note

FINANCE COSTS

Net finance costs of R358 million (2021: R346 million) includes interest on capitalised leases of R128 million (2021: R128 million), which have increased by R12 million due to rising interest rates. The group accessed R100 million of its South African facilities at a favourable exchange rate (R13.56) to further reduce offshore debt balances and foreign exchange exposure to the US Dollar-denominated debt.

Chief Financial Officer's review continued

Note 6

SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES

The share of profits from associates and joint ventures of R26 million (2021 loss: R128 million) increased by R154 million, mainly due to the group's share of fair value losses on investment properties owned by International Hotel Properties Limited (IHL) of R100 million in the prior comparative period. The group's share of trading profits (excluding exceptional items) of R15 million increased by R40 million from the prior year loss of R25 million. Hotel trading in the UK has recovered quickly, particularly in the regional markets.

Note 7

INCOME TAX

The income tax credit for the year of R8 million (2021 credit: R148 million) reduced by R140 million, mainly due to the tax expense of R52 million raised on the insurance proceeds received in August 2021 as well as increased trading levels in the second half of the year. The group's operating subsidiaries remain in assessed loss positions and deferred income tax assets amounting to R298 million have been recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Note 8

ATTRIBUTABLE LOSS

	2022		202	21
	Gross Rm	Net of tax Rm	Gross Rm	Net of tax Rm
Attributable loss¹		(156)		(896)
Loss on disposal of property, plant and equipment	1	1	1	_
Impairment of property, plant and equipment	94	89	237	236
Fair value adjustment of investment property	(55)	(43)	99	83
Impairments of investments in associates	_	-	15	15
Impairment of goodwill	_	_	30	30
Gain on disposal of investment in MAIA	_	-	(355)	(355)
Tax effect of rate change	_	(1)	_	_
Share of associates' (IHL) headline earnings adjustment	(11)	(11)	100	100
Total non-controlling interest effects of adjustments	_	_	4	4
Headline loss ¹		(121)		(783)
Weighted average number of shares in issue (millions)		1 478		1 233
Basic and diluted headline loss per share (cents)		(8.2)		(63.5)
Headline loss ¹		(121)		(783)
Transaction costs	_	_	6	6
Restructuring costs (including termination benefits)	4	3	36	26
Pre-opening expenses	_	-	3	2
Impairment of inventory	_	-	8	8
Tax effects of HPF ceasing to be a REIT	_	-	105	105
Share of associates' exceptional items	_	-	3	3
Adjusted headline loss ¹		(118)		(633)
Weighted average number of shares in issue (millions)		1 478		1 233
Basic and diluted adjusted headline loss per share (cents)		(8.0)		(51.4)

¹ These performance measures include the after-tax impact of insurance proceeds received during the year of R139 million.

LIQUIDITY, FUNDING CAPACITY AND COVENANTS

Revised covenants introduced at company level establish a maximum rolling 12-month negative Ebitda level. The required minimum liquidity level of R500 million includes available facilities and cash on hand. Default will occur if the Ebitda and liquidity covenants are breached in one of the measurement periods or the Ebitda covenant is breached for two consecutive measurement periods.

During the year, these covenants were measured quarterly and the company comfortably met the minimum Ebitda and liquidity thresholds on all occasions. HPF lenders introduced a minimum liquidity covenant of R125 million, including available facilities and cash on hand. HPF met this minimum liquidity requirement.

Lenders were supportive of the group during this challenging period. They approved the covenant waivers for September 2022 on the basis that the rolling negative Ebitda threshold at company level is reduced to between R326 million (June 2022 measurement period) and R243 million (September 2022 measurement period) and that revised covenants are measured quarterly. The terms of the revised waiver relating to an event of default remain the same as above.

To assess asset fair values, property, plant and equipment, and goodwill impairments, as well as the group's ability to continue as a going concern, management prepared detailed five-year cash flow forecasts (for further detail, refer to notes 17 and 50 of the annual financial statements).

Improved trading levels and forecasts indicate some recovery in the corporate, conferencing and international segments during the 2022 calendar year. Now that the fifth wave of Covid-19 infections has passed, related Covid-19 regulations have been completely removed and based on current trading levels, management believes the company should meet revised covenant levels.

The group extended debt facilities and corporate bonds maturing prior to 31 March 2023 by 12 months to ensure that solvency requirements are met and that the group can meet its obligations as they become due:

- For HPF, note 11 maturing on 31 March 2023 (R600 million) was replaced with note 14 on the same terms and conditions maturing on 31 March 2024.
- A term loan (R500 million fully utilised facility maturing on 31 August 2022) and a revolving credit facility (R500 million facility maturing on 19 December 2022 of which R200 million was utilised at 31 March 2022) were extended on the same terms and conditions to 31 August 2023 and 19 December 2023 respectively.
- The company extended its R600 million facility of which R200 million was utilised at 31 March 2022 on the same terms and conditions to 30 June 2023.
- Terms were agreed with lenders to refinance the US\$2 million (R27 million) facilities and extend the maturity date to 31 March 2025.

The group will therefore be able to refinance and simplify its funding package structure timeously during FY23.

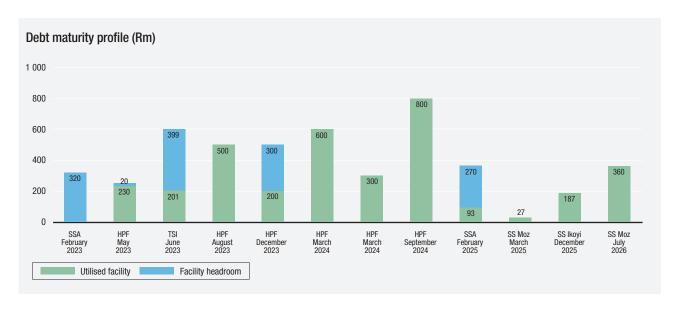
Interest-bearing debt (IBD) net of cash at 31 March 2022 (Rm)

	FY22	FY21
External debt – offshore (US Dollar-based)	667	750
External debt (Rand-based)	2 831	2 730
Pre-paid borrowing costs	(3)	(4)
Gross IBD	3 495	3 476
Cash on hand – South Africa hotels	(584)	(365)
Cash on hand – offshore hotels	(81)	(42)
Net IBD	2 830	3 069
Analysed as South Africa hotels	2 244	2 363
Hotels offshore	586	706

On 23 February 2022, Global Credit Ratings downgraded Hospitality's long and short-term credit ratings to BB+(ZA)/B(ZA). Concurrently, the ratings assigned to the Senior Secured Notes issued by HPF have been downgraded to A-(ZA)(EL) from A(ZA)(EL). The outlook on these ratings has

been maintained on Rating Watch Negative. The HPF downgrade reflects the uncertain environment in which it operates as income remains constrained due to prolonged industry recovery.

Chief Financial Officer's review continued



GOING CONCERN

The consolidated annual financial statements are prepared on a 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 herein, 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 2022, the group has net cash and cash equivalents of R665 million, net of bank overdrafts (2021: R407 million). The group has R3.5 billion (2021: R3.5 billion) of gross IBD (excluding capitalised lease liabilities) and access to R1.3 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. 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 to stress test the group's going-concern assumption. Even after incorporating this contingency, the group can meet its debt obligations.

The board of directors has assessed the cash flow forecasts together with the other actions taken or proposed by management and believes that the group has sufficient liquidity to meet its obligations and counteract any adverse effects that Covid-19 may have on the group's operations in the next financial year.

DIVIDEND

The directors considered it prudent to retain cash resources to ensure that the group can meet its obligations until trading normalises. In line with the conditions of the covenant waivers received from lenders, the directors did not declare a final cash dividend for the year ended 31 March 2022.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The directors are not aware of any other matter or circumstance arising since the balance sheet date and the date of this report other than the matters disclosed in note 44 of the consolidated annual financial statements, which are non-adjusting events and do not impact the results for the year ended 31 March 2022.

APPRECIATION

I am grateful for everyone's efforts in preparing this report. Your tireless dedication and support are appreciated, particularly under the tremendous challenges we overcame in the past financial year.

felorald

Laurelle McDonald
Chief Financial Officer (CFO)

29 July 2022

The environment in which we operate

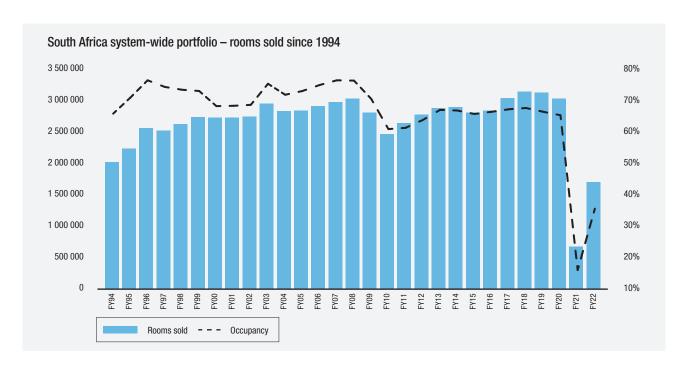


The hotel business in South Africa is highly competitive and, since the barriers to entry are low, it is often the case that additional, and in some cases, unviable supply, is added to the market.

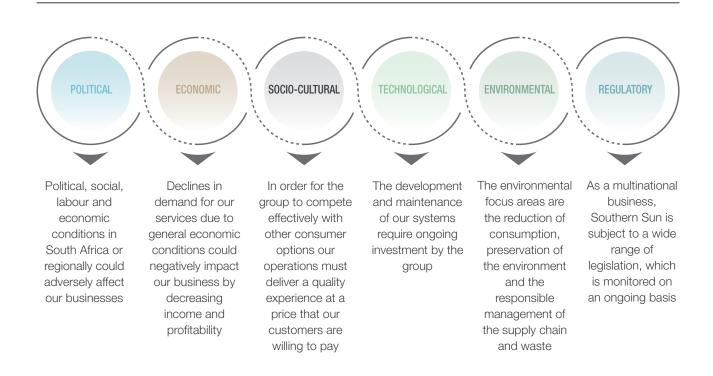
While these hotels inevitably experience financial distress, the room stock once built does not exit the market, and it can take a substantial period of time for demand to catch up to supply. Given the impact that Covid-19 has had on the industry, it is unlikely, but not impossible, that significant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

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

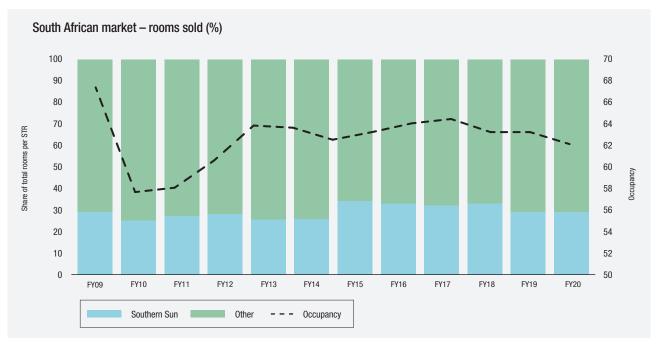
During 2008, the impact of the global recession constrained demand but construction of new hotels continued until the 2010 FIFA World Cup™ since these projects were already in progress. Market occupancies fell from 74% in 2007 to 58% in 2011, due to the combination of constrained demand and increased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



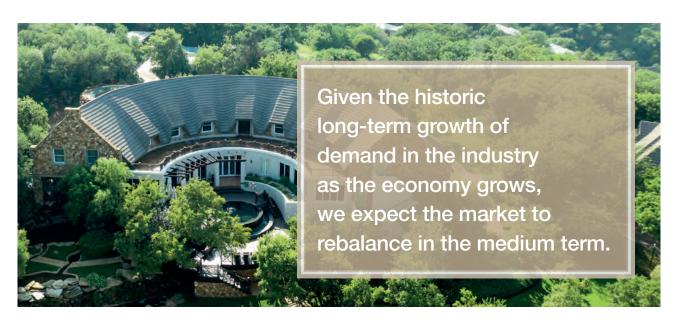
The environment in which we operate continued



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 and 2022 as it is not comparable to prior periods.



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



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











The environment in which we operate continued

POLITICAL

Although Southern Sun 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 has been seen in the short term, specifically in KwaZulu-Natal 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 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.

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

The group still faces several challenges: the war in the Ukraine, rising inflation and potential future Covid-19 waves. While the group has limited exposure to the Eastern Bloc markets in terms of revenue generation, the war's impact on global food and fuel pricing has an effect not only on the group but on our guests. With travel budgets reduced to save costs and individuals preserving disposable income in a rising interest rate environment, the increasing cost of transport due to rising fuel prices is a major travel deterrent, particularly for international and corporate travel which are the two segments missing from the group's recovery to pre-Covid-19 levels. For the hospitality industry, ease and affordability of travel is of paramount importance as is the safety and confidence of tourists once they reach our shores and stay in our hotels.

Rising global inflation does not have a significant impact on the group in the short term particularly when combined with a weak Rand which makes South Africa a cheaper destination for foreign visitors. Local and global inflation, along with a weaker Rand, will impact our capex such as imported machinery and equipment but this is a longer-term capex impact and the group is not spending significant capex at this stage while we recover from the impact of Covid-19.

The environment in which we operate continued

ENVIRONMENTAL

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

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

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

REGULATORY

As a multinational business, Southern Sun is subject to a wide range of legislation, which is monitored on an ongoing basis. Any 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 socioeconomic stability in South Africa. A company's B-BBEE status is an important factor considered by government and other public bodies in awarding contracts and may influence relationships with customers or suppliers as it contributes to their B-BBEE status. Given that government travellers comprise a core segment of our revenues, our B-BBEE contributor status is important in securing this business.

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

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 Southern Sun's website 	The recovery of the business, following the severe impact of the Covid-19 pandemic 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 53 INORGANIC GROWTH PAGE 67 ORGANIC GROWTH PAGE 64
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 47 REGULATORY COMPLIANCE PAGE 59

Our key stakeholders continued

Stakeholder group	Why it is important for us to engage	How we engage with our stakeholders	Our stakeholders key interests	Associated strategic priorities
Guests	We need to understand our guests' needs, perceptions and behaviours in order to deliver experiences relevant to them, thereby enhancing our brand value and driving revenue	 Satisfaction surveys Rewards programmes Customer relationship managers Call centres Website and social media engagement 	 Quality product Consistent quality experience Simpler and quicker to deal with us Value offerings Long-term security of supply Recognition for loyalty Safety and security 	PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE PAGE 55
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 47
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 Southern Sun Hallmarks 	 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 60
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 47

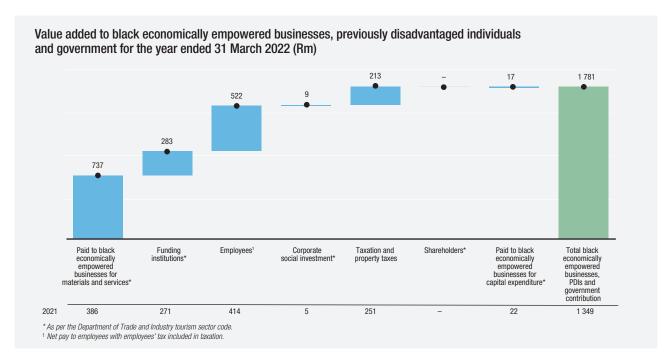
Interactions with our stakeholders are based on our strategic objectives, included on page 10, which guide our behaviour ensuring ou stakeholders know what to expect from us.

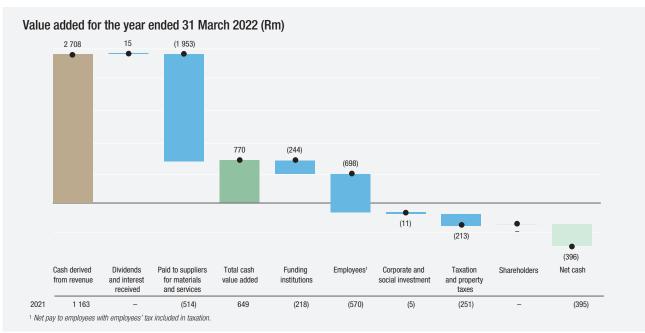
In addition to providing exceptional experiences to our customers, the group generates direct and indirect financial benefits for our stakeholders including:

- 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 2022 is set out below:





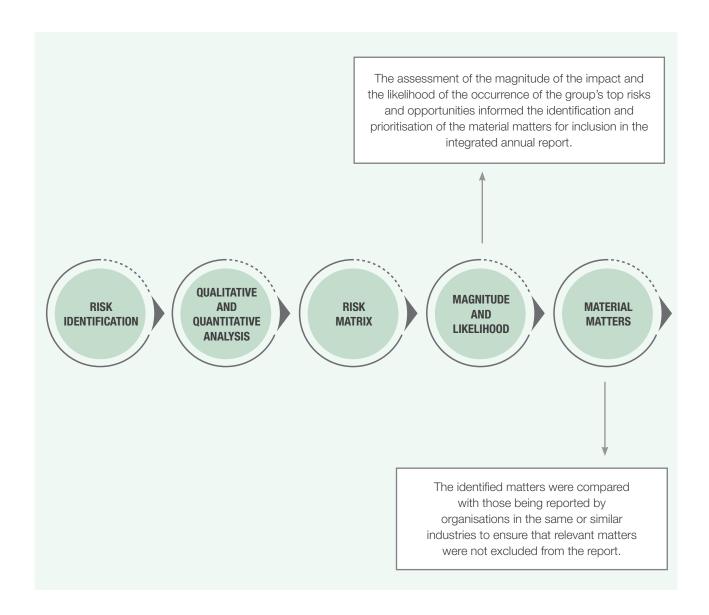
Our material risks and opportunities

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.



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 40 to 45. Two principal risks from the prior year have been removed from the risk landscape:

- Covid-19 is no longer reflected as a separate risk, since the regulations around the pandemic have been repealed, infection
 numbers have declined and remain low. Long-term impacts of Covid-19 regulations such as reduced airlift capacity or the
 prolonged reduction in conferencing business have been addressed in the relevant principal risk
- Adverse tax environment is no longer reflected as a separate risk but rather addressed under 'Regulatory change and compliance'.

In addition, public liability risk has been included as a separate priority risk. Refer to page 44 for further details.

SOUTHERN SUN'S RISK AND OPPORTUNITY LANDSCAPE



Likelihood of occurrence

Risk matters



For a detailed understanding of how we manage risk, please refer to page 74 of the governance report.

Our material risks and opportunities continued

Strategic objectives







FINANCIAL STRENGTH AND DURABILITY



PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE



REGULATORY



ADEQUATELY SKILLED HUMAN RESOURCES



ORGANIC

PRINCIPAL RISK LANDSCAPES



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 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
- Certain group hotel properties are subject to leases or management contracts without guaranteed renewal or successful renegotiation
- In response to the impact of Covid-19 the group undertook restructuring to significantly reduce costs.
 In conjunction with the fixed cost nature of the business, there is limited scope to convert more costs to a variable nature should there be further revenue disruption due to, for example, deep discounting in the market, price wars or being undercut as market participants attempt to recover post-Covid-19
- Nodal shift remains a significant risk that requires active management and the quantification of unknown impairments
- Major plant and equipment failures (lifts, transformers and/or switchgear, chillers, hot water plant) can disrupt operations for extended periods
- 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

- Market research to timeously spot trends and respond accordingly
- Overview of market and membership of various hospitality industry bodies to keep abreast with market movements and trends
- · Social media interaction and monitoring
- Investment in facilities and maintenance capex to ensure product relevance and proper maintenance of equipment
- Active corporate citizenship
- Employee volunteering in our communities
- 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: Severe **Likely**Likely

Risk rating:

Extreme

Strategic objective:









MACROECONOMIC ENVIRONMENT

Specific risks we face

- Our operations are concentrated in South Africa and are affected by the cyclical nature of the hospitality industry
- The perceived inability of government to improve the current depressed macroeconomic situation and the constrained growth in the country may lead to increased costs of funding, which leads to reduced income and lower profitability
- As was experienced during the Beta and Omicron waves
 of the Covid-19 pandemic, the loss of appeal of South
 Africa as travel destination due to Covid-19 variants or
 safety concerns including the rioting that took place in
 July 2021, had a detrimental impact on the local
 macroeconomic environment and by extension, on the
 revenue and profitability of the group
- Constrained growth in government, corporate, international and conferencing markets will negatively impact trading
- International geopolitical events such as the war in the Ukraine, causing inflationary pressures due to the oil price increase resulting in travel becoming prohibitively costly
- Potential covenant breaches

Risk responses

- Revise strategic priorities and review the organisational structures to potentially divest from certain hotel assets or alternatively, bring in partners with capital to reduce the group's exposure
- Consider further investment outside of South African borders to diversify revenue streams
- Renewed and focused marketing to access untapped markets
- Utilise rewards programme(s) to stimulate business
- Extensive expense management and staff furlough in order to minimise costs and protect margin in a low revenue growth environment
- Covenant re-negotiation with lenders

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

Our material risks and opportunities continued



CAPACITY AND MARKET ISSUES

Specific risks we face

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

Risk responses

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

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



CRIME, SECURITY, HEALTH AND SAFETY

Specific risks we face

- Crime, security and health risks have increased due to the long-term impact of the Covid-19 pandemic.
 For example, major sporting or international events continue to be postponed or cancelled due to Covid-19 variants or security concerns
- There is also an increased risk of financial fraud as guests and employees have been under financial pressure during the Covid-19 period
- The occurrence of major violent incidents like the civil unrest in KwaZulu-Natal and Gauteng during mid-July 2021 can cause major infrastructure damage and limit our ability to trade
- The possibility of hotel robberies and/or follow-home robberies

Risk responses

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

Associated strategic priorities

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



CYBER, IT AND INFORMATION MANAGEMENT

Specific risks we face

- 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 or cyber attacks, could result in customer dissatisfaction and harm our reputation and business
- Other risks include:
 - Sub-optimal online transacting
 - Hacking and hactivism
 - Social media risks, including abuse by staff
 - Loss of sensitive information
 - Denial of service attacks or ransomware

Risk responses

- Continuous maturity of and improvements made to the IT security ecosystem
 - Training of employees to identify potentially dangerous links and respond by alerting the IT security team
- · Payment and card industry standard compliance
 - POPI Act and GDPR compliance
- Appointment of Information Security Officer
- Review of online transaction opportunities and website rewrite
- 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
- Fail overs and manual procedures to support any possible information technology downtime limits impact on the guest and reputation
- Increase IT auditing and assurance (internal and external)

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

Our material risks and opportunities continued



Specific risks we face

HUMAN RESOURCES

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 industrial relations issues, leading to violent strikes and unrest
- Skills shortages in critical departments, including finance and IT due to the undesirability of the hospitality sector as an employer or poaching of employees seeking international opportunities and higher pay which the group is unable to match

Risk responses

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

Associated strategic priorities

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



PUBLIC LIABILITY

Specific risks we face

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

Risk responses

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

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



UNRELIABLE AND COSTLY UTILITIES

• Service delivery, limited infrastructure investment and • Electricity-efficient demand side management programme funding challenges at South Africa's municipalities have to reduce consumption compounded their capacity to supply water and • Boreholes, desalination plants and solar capacity electricity to ratepayers • Water handling and/or storage capacity for emergency • Inconsistent water supply and unreliable electricity supply provision affect the operational capability of hotels • Self-reliance on generators for emergency electrical supply 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 Associated strategic priorities Strength of risk response: Likelihood of occurrence: Magnitude of impact: Risk rating: Satisfactory Major Almost certain High İİt Strategic objective:



REGULATORY CHANGE AND COMPLIANCE			
Specific risks we face		Risk responses	
 Policy uncertainty More aggressive regulatory authorities Changing B-BBEE requirements Degradation of formal skills set Increased complexity of compliance, eg POPI Act, CPA and FICA Visa regulations Aggressive tax authorities Increase in taxes, including VAT Increased rates and property taxes 		 Submit comments to lawmakers through formal comment structures Robust compliance procedures Comprehensive B-BBEE programme Lodgement of appeals on assessments and property valuations Robust compliance procedures 	
Associated strategic priorities			
Strength of risk response: Magnitude of impact: Satisfactory Insignificant		Likelihood of occurrence: Almost certain	Risk rating: High
Strategic objective:			

Our strategy in action

SUSTAINABILITY STRATEGY IN ACTION



THE KEY PILLARS OF OUR SUSTAINABILITY INCLUDE:

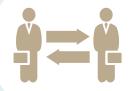
- Delivering to our beneficiaries
- Financial strength and durability
- Product relevance to customer experience
- Regulatory compliance
- Adequately skilled human resources

SUSTAINABILITY STRATEGY IN ACTION

		_
	Key pillars	Material risks
CSI OUTCOMES 200 EDUCATION, HEALTH AND WELFARE ORGANISATIONS SUPPORTED	DELIVERING TO OUR BENEFICIARIES	Regulatory change and compliance Macroeconomic environment
UNUTILISED FACILITIES PLUS CASH R2.0 billion	FINANCIAL STRENGTH AND DURABILITY	Macroeconomic environment Regulatory change and compliance Local authority capability Capacity Missed opportunities Crime, security, health and safety Credit risk
GUEST SATISFACTION 84%	PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE	 Macroeconomic environment Regulatory change and compliance Local authority capability Capacity Missed opportunities Crime, security, health and safety Cyber, IT and information management
FINES IMPOSED FOR BREACHES OF LAW	REGULATORY COMPLIANCE	 Regulatory change and compliance Capacity Cyber, IT and information management Crime, security, health and safety
VERIFIED TRAINING SPEND 6.7% AS A PERCENTAGE OF LEVIABLE AMOUNT	ADEQUATELY SKILLED HUMAN RESOURCES	 Regulatory change and compliance Human resources Crime, security, health and safety Cyber, IT and information management



DELIVERING TO OUR BENEFICIARIES



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	2022	2021	2020
Black ownership	62%	52%	75%
Value added contribution to black economic empowered businesses, previously disadvantaged individuals and government	R1 781 million	R1 349 million	R3 075 million
B-BBEE level	1	3	1
CSI outcomes: education, health and welfare organisations supported	200	104	253
Enterprise and supplier development outcomes: SSMEs supported	67	153	162

2022 performance Shareholders

The nature of the HCl shareholding provides the bulk of our 62.4% broad-based empowered ownership. HCl has provided a stable shareholder base for several years, which has allowed the group to grow and leverage opportunities. The balance of the shareholding is diverse with adequate liquidity.



Refer to the group structure on page 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. We continue effectively harnessing our resources and experience to participate in initiatives aiming to positively impact the communities in which we operate, and as the business began to recover from the impacts of the Covid-19 lockdown in the latter part of the year, our community investment activities have gradually increased.

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 200 non-profit organisations, with our social investment amounting to R11 million in value. This represents 7.1 percentage points (pp) more than the tourism sector code target.

Enterprise and supplier development

Through the Southern Sun Entrepreneurs programme, we assist emerging enterprises with the potential to form part of our procurement pipeline. The programme provides a range of business benefits to 67 enterprises in various industries across South Africa. Some success stories of the businesses supported are documented in a series of short films entitled The Legacy Series, broadcast on etv and eNCA.

The value of our investment in enterprise and supplier development for the year was R2.9 million, which represents 0.4 pp more than the tourism sector code target. R0.6 million was allocated to enterprise development beneficiaries and R2.3 million to supplier development beneficiaries.

SUSTAINABILITY STRATEGY IN ACTION continued

Southern Sun Volunteers

Through the Southern Sun Volunteers programme, employees participate in diverse community projects that range from assisting welfare shelters to organising beach clean-ups. During the year, Southern Sun Volunteers supported Mandela Day, Reach for a Dream Slipper Day, Casual Day, the CANSA Shavathon and several relief outreach efforts in the areas where our hotels are situated. Relief efforts were undertaken to assist vulnerable and affected communities in KwaZulu-Natal after the riots of 2021 and the floods experienced in the region in 2022. Volunteering included clean-ups, collections from hotels throughout the country and donations of food items, linen and towels to those in need.

Transformation

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

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

B-BBEE results	Target – tourism sector scorecard	2022	2021	2020
Ownership	27	27.0	27.0	27.0
Management and control	19	13.1	13.3	12.8
Skills development	20	17.1	9.8	17.2
Enterprise and supplier development	40	34.9	32.1	35.7
Socioeconomic development	5	8.0	8.0	8.0
Overall	111	100.1	90.2	100.7
Rating level		Level 1	Level 3	Level 1

The group's B-BBEE contributor status increased to level 1 with 135% procurement recognition status (2021: level 3 with 110% recognition status). We received 100.1 out of 111 available points on the tourism sector scorecard. Our black ownership is 62.4% and black women ownership is 34.2%.

Industry bodies

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

Tenants

Delivering quality hospitality, dining and conferencing experiences is important to staying relevant in our market and satisfying our customers' diverse requirements. With 113 tenants across Southern Sun's properties, tenanting is a core focus area to ensure our guests have access to the

best office, retail, restaurant and entertainment-related offerings. 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 R1 090 million during the year (2021: R698 million). The group's B-BBEE score for preferential procurement, measured in the enterprise and supplier development element, is 17.9 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.

As Covid-19 restrictions were lifted and hotels began operating at better occupancies, many of the previously negotiated payment terms ceased. However, management continues to monitor the situation and arrangements are adjusted in accordance with the circumstances.

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. We currently manage 17 hotels in various casino precincts for Tsogo Sun Gaming (TSG).

As released on SENS on 26 May 2022, Southern Sun and the Tsogo Sun Gaming group reached an agreement to terminate the management agreements previously concluded in relation to 15 of the 17 TSG hotels, against payment of a termination fee. The remaining two hotels currently managed by the group, being the Southern Sun Emnotweni and StayEasy Emnotweni, are to be purchased by the company's subsidiary, HPF. Further information can be found on page 165 of this report.

Environment

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

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

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

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

To ensure we meet the objectives of our environmental policy, a property-specific environmental management system is in place at our hotels. The system focuses on energy, water, waste management and responsible procurement. It is holistically managed as part of the inhouse Organisational Resilience Management Standard 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 increased by 63% and 104% respectively since the previous year due to the progressive reactivation of the group's entire portfolio in response to the relaxation of Covid-19 pandemic related lockdown measures and the resulting increase in demand for hotel accommodation. These increases should be read in the context of the two-year impact of the Covid-19 pandemic with the group initially deactivating its entire hotel portfolio in March 2020 and then slowly re-opening as regulations eased. The 2020 environmental impact data has been included in the emission measurement table to reflect pre-Covid-19 levels.

SUSTAINABILITY STRATEGY IN ACTION continued

A phased re-opening of hotels as lockdown levels eased saw an increase in electricity consumption and water usage during the year.

Significant focus was placed on the opening of hotels in an energy efficient manner to reduce maximum demand levels and controllable expenditure.

Scope and boundaries of emissions measurement

Scope 1 and scope 2 emissions are reported for all businesses at properties owned or leased by the group, in South Africa and offshore, excluding tenant emissions. Tenant emissions, emissions at managed properties, emissions from outside laundry services and business travel

emissions are reported in scope 3. Fugitive emissions, mainly from refrigerants, are not significant and there are no other emissions that are considered material.

97% of scope 1 and 2 emissions arise through the consumption of electricity and thus demand-side management of electrical consumption remains the area of focus in reducing emissions. 98% of the scope 3 emissions from tenants also arise from the consumption of electricity.

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

Emissions measurement

Total emissions (tCO ₂ e)	2022	2021	% change 2022 vs 2021	2020
Scope 1	2 545	1 353	88	3 955
Petrol and diesel (owned company vehicles)	148	93	60	230
Diesel consumed (owned businesses)	1 050	574	83	1 546
Liquefied petroleum gas (LPG) and natural gas usage (owned businesses)	1 347	686	96	2 179
Scope 2	65 510	41 509	58	83 187
Energy consumed (owned businesses)	65 510	41 509	58	83 187
Scope 3	52 610	31 332	68	69 019
Energy consumed (tenants)	26 773	18 116	48	37 883
Energy consumed (managed properties)	15 156	7 490	102	14 229
Laundry services (outsourced)	10 564	5 717	85	16 273
Business travel	117	9	12	634
Total emissions (tCO ₂ e)	120 665	74 194	63	156 161

Electricity

Scope 2 emissions at owned properties increased by 58% on the prior year to $65\,510~{\rm tCO_2}{\rm e}$ due to the phased reactivation 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 contributed to the further reduction in electricity intensity consumption. The installation and use of energy-efficient equipment continues where practical.

LPG and natural gas: Scope 1 emissions from the consumption of LPG and natural gas increased by 96% to 1 347 tCO₂e due to the phased reactivation of the portfolio.

Petrol and diesel – vehicles: Scope 1 emissions from the consumption of petrol and diesel in company-owned vehicles increased by 60% to $148~{\rm tCO_2e}$.

Diesel – stationary: Scope 1 emissions from the consumption of diesel increased by 83% to 1 050 tCO₂e due to the phased reactivation of the portfolio and the impact of increased load shedding and supply interruptions during the year.

Scope 3 emissions: The 48% increase in scope 3 emissions from tenants at group properties is mainly due to the phased reactivation combined with ongoing savings initiatives. The increase in scope 3 emissions from properties managed by the group was 102%. Scope 3 emissions from outsourced laundry services (utilised at most hotels) was 85% up on prior year consumption. The increase in business travel related emissions is directly related to the increased trading activities.

Water

Although supply interruptions due to poor municipal infrastructure continue to increase and medium-term water shortages are probable, the group does not have material

company-specific water risks. The majority of the group's properties are in urban areas and use potable water provided by local municipalities (82% of consumption). Two resort properties utilise surface water for irrigation and two resort properties are fully reliant on river water.

Water consumption at owned properties increased during the year by 104% to 1 072 000 kilolitres mainly due to the phased reactivation of the portfolio and improved measuring of water extraction from the river at Arabella Golf course.

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.

The trial project at various hotels with a system that uses a combination of enzymes and probiotics resulting in the diversion of a significant amount of food waste to composting was successfully completed and implemented at five units in Gauteng and will be rolled out across the remainder of the portfolio where appropriate.

In an effort to reduce single use plastic, the procurement policy has been amended to: increase package sizing at larger hotels thereby reducing the quantum of packaging; replace straws and stirrers with bio straws and wooden stirrers; utilise bio-degradable take-away cups and 100% recyclable guest supplies; and the use of 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 Southern Sun Volunteers' programme.

Looking ahead

Community development

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

Enterprise and supplier development

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

Transformation

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

Environment

Management attended a series of Johannesburg Stock Exchange (JSE) hosted Taskforce on Climate-related Financial Disclosure (TCFD) courses on climate-related financial reporting during the year under review as the group prepares to align with the 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 wherever possible, excluding the impact of increased capacity or additional operations. Through environmental education, the group will continue encouraging stakeholders to take responsibility for their environmental impact and positively change their behaviour by communicating about topics such as climate change.

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

SUSTAINABILITY STRATEGY IN ACTION continued

SOUTHERN SUN CITIZENSHIP



CARING ACROSS COMMUNITIES

Southern Sun supports our local communities in education, health and welfare through inkind contributions. During the year, the group supported 200 charitable organisations and community-based initiatives.



SOUTHERN SUN ENVIRONMENT

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



SOUTHERN SUN ENTREPRENEURS

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



SOUTHERN SUN VOLUNTEERS

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



FINANCIAL STRENGTH AND DURABILITY

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



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

Approach

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

Key performance indicators	2022	2021	2020
Net debt:Ebitdar	4.8 times	(17.4) times	2.4 times
Unutilised net facilities (including available cash on hand)	R1 996 million	R1 860 million	R1 662 million
Weighted average expiry of debt facilities	2.3 years	2.2 years	2.9 years
Net debt hedged through fixed interest rate swaps	57%	52%	49%

2022 performance

Net interest-bearing debt

Interest-bearing debt net of cash at 31 March 2022 totalled R2.8 billion, which is R239 million below the 31 March 2021 balance of R3.1 billion. It comprises free cash inflow of R223 million generated from operations after settling finance costs, taxation and maintenance capex and a currency translation loss of R3 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 2022, 57% 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 8.0% in 2021 to 7.2% in 2022.

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 in the prior year has assisted in achieving this. Offshore cash at year end was held approximately 23% in US Dollar, 45% in Nigerian Naira and 6% in Mozambican Metical with 26% in other local currency deposits.

SUSTAINABILITY STRATEGY IN ACTION continued

Funding capacity and covenants

The group's liquidity and access to facilities are of paramount importance. As previously reported, lenders introduced revised covenants comprising Ebitda (Earnings before interest, income tax, depreciation, amortisation, IFRS 16 rent adjustments, long-term incentives and exceptional items which definition is consistent with the funding agreements) and liquidity thresholds, measured quarterly. 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 company comfortably met the minimum Ebitda and liquidity thresholds for each quarterly measurement period in the 2022 financial year. As at 31 March 2022 headroom on the rolling 12-month Ebitda loss was R381 million and headroom on available facilities including cash on hand was R973 million. At Hospitality level, lenders introduced a minimum liquidity covenant of R125 million in the prior year including available facilities and cash on hand. Similarly, Hospitality has met these minimum liquidity requirements and as at 31 March 2022 liquidity headroom was R422 million.

Looking ahead

The lenders to both Southern Sun and Hospitality have been very supportive of the group during this challenging period and have approved the covenant waivers for September 2022 on the basis that the rolling negative Ebitda threshold at company level be reduced to between R326 million (June 2022 measurement period) and R243 million (September 2022 measurement period) and that revised covenants continue to be measured on a quarterly basis. The terms of the revised waiver relating to an event of default remain the same as described above. The company comfortably met the revised covenants for the June 2022 measurement period generating Ebitdar of R141 million for the rolling 12-month period ended 30 June 2022, equating to Ebitdar headroom of R467 million. Similarly, liquidity headroom at the company and Hospitality level was R1.0 billion and R414 million respectively.

As at 30 June 2022, the group had net cash and cash equivalents of R495 million, net of bank overdrafts. The group had R3.4 billion of interest-bearing debt (excluding capitalised lease liabilities) and access to R1.6 billion in undrawn facilities (excluding cash resources on hand) to meet its obligations as they become due.

Having successfully extended all group debt facilities expiring during FY23, management is currently engaging with lenders to refinance the group's debt package in order to simplify the structure, extend facility tenure and reintroduce normalised covenants which take into consideration that the group is still in the recovery phase after the impact of Covid-19.

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	2022	2021	2020
Rewards programme membership contribution to revenue	36%	42%	36%
Guest satisfaction	84%	87%	88%
Hotel property brand audits – material deviations from brand standards	None	None	None
Hygiene audits – significant issues noted	None	None	None
Maintenance capital spend	R43 million	R46 million	R366 million

2022 performance Product relevance

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

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

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

Product development

Developing hotel real estate is a critical component of the business and our plans for organic growth. In the five years prior to the Covid-19 pandemic, approximately R1.4 billion was invested in the refurbishment and maintenance of the group's existing hotels, excluding the acquisition of new properties. However, as part of our Covid-19 action plan, the group suspended all capex with only emergency capex and repairs and maintenance considered in order 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 in the major centres who have worked with the business over several years.

SUSTAINABILITY STRATEGY IN ACTION continued

IT

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

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

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

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

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

Southern Sun brand portfolio management

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

Shortly after the end of the financial year, the group rebranded to Southern Sun, a decision which has been well received by our employees, suppliers, guests, and other stakeholders since it was announced at the Africa Travel Indaba event in May of 2022 with the "Follow the SUN" campaign. In line with the rebranding, all digital and electronic documentation was updated with the Southern Sun branding.

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

In October 2021, Marriott vacated the Protea Hotel by Marriott Victoria Junction. In February 2022, this hotel was successfully rebranded and re-opened as Garden Court Victoria Junction, and is now operated by Southern Sun.

Customer satisfaction

Our customers' satisfaction is of utmost importance and we pay careful attention to their feedback, both when they are at our hotels and when they interact with us before and after their stays. We monitor website traffic, social media communications and online reviews to measure visibility and directly engage with customers. The overall guest satisfaction score from online third-party review sites during the year was 84% (2021: 87%). The decline is largely attributable to the observance of Covid-19 protocols over the past two years which has limited our ability to provide the full suite of services to our guests.

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

Website: average visits per month	2022	2021	2020
southernsun.com	282 000	217 000	1 200 000*
Social media platforms: engagement	2022	2021	2020
Facebook (likes)	866 471	937 259	1 052 495
Twitter (followers)	52 057	52 269	52 342
Instagram (followers)	82 946	73 183	82 400
LinkedIn (followers)	34 762	Not tracked	Not tracked
Total	1 036 236	1 062 711	1 187 237

^{*} Traffic to the combined tsogosun.com website prior to Southern Sun's separate listing and includes Tsogo Sun Gaming's 13 casinos.

As part of the rebrand, we changed our website address from tsogosun.com to southernsun.com in April 2022. This process was seamless, and the user experience was not affected. During the year under review, southernsun.com received an average of 282 000 visits each month, which is up from 217 000 in the previous year. This increase in traffic was mainly due to the re-opening of the group's hotels as Covid-19 restrictions eased. The group's social media account names also changed during the rebrand and total social media platform following remained above 1 million.

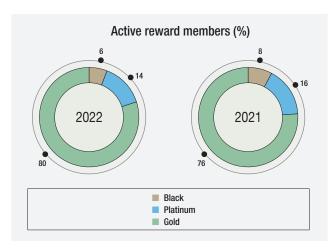
Customer rewards programme

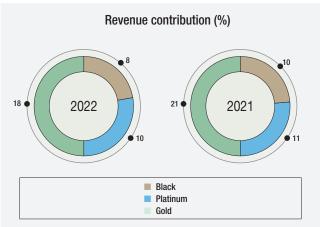
In line with the rebrand, the group's rewards programme name changed to frequentGuest, which is synonymous to Southern Sun as an established rewards programme for loyal and regular guests. The programme structure in tiering and SunRands earning and redemption, and their validity, will remain unchanged. Benefits will be reviewed to align specifically to the Southern Sun hotel offering.

The Southern Sun frequentGuest programme with SunRands currency encourages relationships of mutual value with customers by giving SunRands benefits to members. The programme rewards frequent guests with benefits that can be converted into discounts on accommodation and meals, and provides the group with information about trends across our customer base, which enables us to improve our offerings and respond appropriately to the needs and expectations of our guests.

Southern Sun frequentGuest programme segmental analysis

At the end of the year, there were 99 386 active rewards programme members (2021: 59 540), which equates to a 36% revenue contribution (2021: 42%). The decrease in contribution is because most members are from the domestic market, and therefore the prior year percentage was higher than usual due to travel restrictions during the Covid-19 lockdown and a depressed international market. As such, current performance has normalised when compared with pre-Covid-19 performance in 2020, which was 37%.





SUSTAINABILITY STRATEGY IN ACTION continued

Guest and employee safety

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

Each property undergoes rigorous safety inspections as part of the 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.

During the year under review, the group enforced 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 were 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 included (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.

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

Looking ahead

Customer rewards programmes

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

IT

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

- following a successful pilot hotel, we will be implementing a new wide area network technology namely: SD-WAN (Software Defined WAN). This enhanced management support will reduce operational costs;
- further enhancing our cyber-security and continuously improving our maturity posture;
- maintaining the customer information system, which supports GDPR and POPIA requirements. Further, we will continue working on business and IT processes to ensure compliance. This will include various upgrades to ensure we remain on the most current supported versions;
- further adoption and migration of IT solutions to the cloud that enable improved security and meet legislation requirements. One such initiative is moving our electronic key locking software to the cloud to improve the management and cost effectiveness of the solution, while reducing our footprint within the hotel buildings;
- continuing with the strategy of PABX in the cloud and onnet telephone service to reduce telephony costs;
- enhancing our management of assets and deployment of technology patches; and
- enhancing our internal IT Call Centre solution to improve the experience for our business users and improve on turnaround times.



REGULATORY COMPLIANCE

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

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

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

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

Hotel level

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

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

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

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

Corporate

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

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

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

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

SUSTAINABILITY STRATEGY IN ACTION continued

REGULATORY COMPLIANCE continued

Key performance indicators	2022	2021	2020
Fines imposed for other regulatory breaches Fines imposed for breaches	Nil	Nil	Nil
of law	Nil	Nil	Nil

2022 performance

The broader trading environment is becoming increasingly complex and is governed by legislation and policies, some of which are relatively new, relating to competition, customer protection, privacy, environmental, health and safety, money laundering, B-BBEE and labour issues. Several statutes

provide for monitoring and enforcement by regulatory bodies. HOFs are provided with updates and training, where applicable, as and when legislations relevant to the group are amended and changed. The audit and risk committee is updated with all material changes to legislation and regulations twice a year and the board is updated quarterly. Training is provided to board and committee members when applicable.

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



ADEQUATELY SKILLED HUMAN RESOURCES

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



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

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

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

Key performance indicators	2022	2021	2020
Management and control score Verified training spend as a percentage of leviable	13.1/19	13.3/19	12.8/19
amount	5.1%	2.2%	5.3%
Employee resignations	3.9%	8.3%	8.7%

2022 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 5 998 direct jobs and 9 042 combined direct and indirect jobs (including 3 044 contractors employed by third-party providers comprising security, cleaning and landscaping services) at our operations in South Africa.

Employee resignations reduced to 3.9% (2021: 8.3%), which is low, but expected, due to the impact of the Covid-19 pandemic on 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 R49.9 million, equal to 6.7% of the leviable amount (2021: R14.9 million, equal to 2.7% of leviable amount). R43 million, equal to 5.7% of the leviable amount, was allocated to SDS on black people (2021: R12.7 million, equal to 2.3% of the leviable amount). R38.4 million, equal to 5.1% of the leviable amount, was allocated to B-BBEE SDS measured on the National Black Economically Active Population (NBEAP) (2021: R12 million, equal to 2.2% of the leviable amount). The skills development B-BBEE score was 16.65 out of 20. During the year, the group provided 629 formally certificated programmes to employees and provided 250 unemployed students with work-based learning opportunities to enable them to complete their studies and graduate - eight of them were subsequently employed.

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

Employee engagement

During the first half of the year, employee engagement was predominantly focused on Covid-19 and building resilience considering the devastating impact of the pandemic on lives and livelihoods and on our industry. In the latter part of the year, with the group's rebrand to Southern Sun, we focused on entrenching the group's hallmark behaviour standards, which support the group's employer brand and ensure that, as a service driven organisation, our people craft the intended experiences for guests. Southern Sun's hallmark behaviour standards are to: be consistent; be present; and to have respect.

Employee wellness

Southern Sun 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 1 341 employee members and 222 pensioner members at the end of the financial year. The scheme continued to regularly communicate with members and their beneficiaries to ensure that they received helpful information with the appropriate level of cover for their health needs.

Health and safety

The hospitality industry is a safe environment compared to many other industries. Our hotels undergo rigorous safety inspections as part of the 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, in the year under review, the group provided 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.

The LTIFR increased to 1.30 (2021: 0.35) due to the reopening of our hotels and more employees being on duty as lockdown levels eased during the year. 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

Southern Sun recognises the right to freedom of association of employees and we recognise that collective bargaining forms an integral part of labour relations. Of the 5 352 employees in the South African operations, 4 645 employees are eligible to join a union and 857 (18.4%) 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 were 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.

SUSTAINABILITY STRATEGY IN ACTION continued

Employment equity

The principles of empowerment and diversity are entrenched in Southern Sun's ethos. Our employment equity is set out in the table below and includes South Africa only. It excludes the approximately 3 044 contractors employed by third-party service providers and 646 employees outside of South Africa.

Employment equity headcount

		South A	frican male)	S	outh Afı	rican fema	le	Foreign ı	nationals	
Employees	African	Indian	Coloured	White	African	Indian	Coloured	White	Male	Female	Total
Permanent											
Executives and											
management	123	36	46	102	154	44	58	116	15	4	698
Supervisory and											
skilled	636	77	68	24	727	133	84	59	21	8	1 837
General	172	24	2	3	69	13	1	2	3	_	289
Operational support											
Executives and											
management	1	_	1	4	_	_	_	2	1	_	9
Supervisory and											
skilled	327	8	4	4	483	18	10	6	5	2	867
General	629	20	7	3	929	34	2	3	17	8	1 652
Total 2022	1 888	165	128	140	2 362	242	155	188	62	22	5 352
Total 2021	2 095	140	179	165	2 556	173	246	205	57	28	5 844

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

We ensure our workforce reflects our focused employment equity philosophy. In this regard, the overall percentage of female employees is 55.5% of the workforce (2021: 54.9%) and the representation of black employees throughout the group is 93.7% (2021: 92.7%). In accordance with our management and control B-BBEE results measured against the National Black Economically Active Population demographic published by Stats SA, black representation is 20.0% at senior management level (2021: 25.8%), 45.7% at middle management level (2021: 53.8%) and 72.5% at junior management level (2021: 77.6%).

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

Looking ahead

Employee development

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



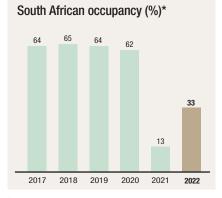
GROWTH STRATEGY IN ACTION

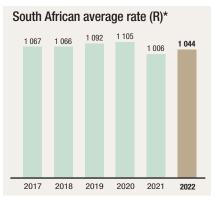
We know that businesses are valued as the present value of the future cash flows that can be generated by their assets and other capitals. While all the capitals we use are required to generate value, we use growth in cash flow as the true measure of growth for our business over time.

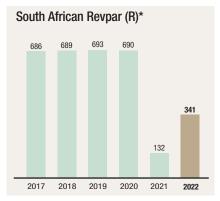
Growth in cash flow over time is generated through the optimal operation of the group's capitals (organic growth), and building its tangible and intangible asset base through the development and acquisition of new businesses (inorganic growth). It is only with sustainable and growing

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.

Material risks Key pillars FREE CASH GENERATED OF Macroeconomic environment Crime, security, health and safety Portfolio management and product relevance INCLUDING PRE-TAX BUSINESS Capacity INTERRUPTION INSURANCE PROCEEDS Local authority capability OF R191 MILLION INVESTMENT EXPENDITURE OF Missed opportunities TO PRESERVE CASH RESOURCES **INORGANIC GROWTH**

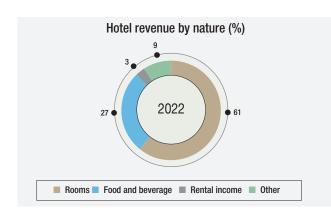


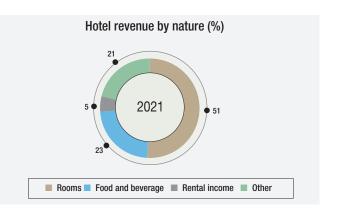




^{*} South African system-wide portfolio including managed properties.

SUSTAINABILITY STRATEGY IN ACTION continued





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		Ebit	Ebitdar ²		margin
	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 %	2021 %
Manco	139	68	224	(27)	161	(40)
Rental income – HPF ⁶	68	27	68	27	100	100
Trading income – HPF ⁴	177	38	(7)	(24)	(4)	(63)
Internally managed ⁵	2 100	904	253	(131)	12	(14)
Coastal	1 167	429	197	(92)	17	(21)
Inland	697	334	13	(56)	2	(17)
Other	236	141	43	17	18	12
Offshore	318	135	52	(22)	16	(16)
Internal management fees ³	(94)	(34)	_	_	_	_
Total	2 708	1 138	590	(177)	22	(16)

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 Cape Town and Radisson Blu Gautrain Hotel since the acquisition of their related operating/ tenant companies in the prior financial year 1 October 2020 and 1 November 2020, respectively.

⁵ Trading relating to the Arabella Hotel, Golf & Spa, Mount Grace Hotel & Spa, Hazyview Sun, The Edward and Southern Sun The Marine are included in the **Internally managed** segment as well as Garden Court Victoria Junction which moved from investment properties to owner-occupied property, plant and equipment during the year. Garden Court Victoria Junction was included in the **Rental income – HPF segment** in FY21 (2021: total rental income from the hotel was R6 million).

⁶ Following the group's acquisition of 100% interest in Hospitality, and the decrease in rental income due to the decrease in externally managed properties, the CODM has changed the basis of review regarding property rates, taxes and other costs recovered from HPF. The CODM now reviews the **Rental income – HPF** segment before deducting property rates, taxes and other costs recovered from HPF. Had the segment been reviewed on a similar basis in 2021, the **Rental income – HPF** revenue and Ebitdar would have amounted to R52 million.

Key performance indicators	2022	2021	2020
Organic income increase/(decrease)	R1 486 million	(R3 304 million)	(R134 million)
Organic Ebitdar increase/(decrease)	R567 million	(R1 436 million)	(R181 million)
Free cash generated/(utilised)	R223 million	(R446 million)	R484 million
Maintenance capex	R43 million	R46 million	R366 million
Adjusted HEPS per share increase/(reduction)	43.4 cents	(77.6 cents)	(11.7 cents)

Operational review

Trading for the group's South African hotels for the 12 months recorded system-wide (including owned and managed hotels but excluding externally managed hotels) revenue per available room (Revpar) of R341 (2021: R132) due to a 19.5 percentage points (pp) increase in occupancies from the prior period to 32.7% (2021: 13.2%) and a 3.8% increase in average room rates to R1 044 (2021: R1 006). Occupancy for the current and comparative 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, generated Ebitdar of R224 million (2021 loss: R27 million) for the year. This performance results from an R83 million increase in internal and external management fee income due to improved trading levels, insurance proceeds in the South African hotel division of R179 million and central office costs increases of R11 million.

Rental income from investment properties of R68 million (2021: R27 million) relates to the six remaining investment properties in Hospitality Property Fund Limited (Hospitality or HPF), five of which are hotels managed by third parties and the sixth is the Sandton Eye retail property. On a like-forlike basis and excluding the hotels that transferred to owneroccupied property, plant and equipment during the prior year (being The Westin Cape Town, Hazyview Sun, The Edward, Radisson Blu Gautrain Hotel, Southern Sun The Marine and Mount Grace Hotel & Spa) rental income improved by R65 million from a loss of R2 million in the prior year which reflects the improvement in trading largely from government, corporate groups and conferencing segments in the current year. Marriott vacated the Protea Hotel Victoria Junction in mid-October 2021 following which the group opted to close the hotel given the lack of demand in Cape Town. The hotel reopened as a Garden Court in February 2022.

The trading income – HPF segment which reflects the trading performance of The Westin Cape Town and Radisson Blu Gautrain Hotel, generated revenue of R177 million (2021: R38 million) and Ebitdar losses of R7 million (2021 loss: R24 million) for the year ended 31 March 2022. FY21 results for the segment reflect six and five months' trading from October 2020 and November 2020, respectively. The

performance of these hotels in FY22 reflects their location in the Cape Town and Sandton nodes and their reliance on the international and corporate segments which suffered under the Covid-19 restrictions during the third wave of infections but recovered in the second half of the year. At The Westin Cape Town, the recovery in the corporate and groups segments during February and March 2022 exceeded expectations and converted an Ebitdar loss of R17 million for the six months to September 2021, to a profit of R3 million for the year ended 31 March 2022. The Radisson Blu Gautrain Hotel which is largely dependent on corporate travel and small groups, recorded an Ebitdar loss of R10 million for the year ended 31 March 2022, managing to reduce its Ebitdar loss to R2 million in the second half of the FY22 year compared to an Ebitdar loss of R8 million for the six months to September 2021.

Overall, revenue generated by the internally managed South African hotel portfolio owned and leased by the group for the year was R2.1 billion (2021: R904 million). This includes revenue from the Sandton Consortium hotels of R215 million (2021: R87 million). All regions performed well this year relative to the prior year, given the extended hard lockdowns between April and June 2020. Sporting and government events made a significant contribution during the year, with the KZN region generating revenue and Ebitdar of R595 million (2021: R244 million) and R124 million (2021 Ebitdar loss: R17 million) respectively, due to continued support from domestic leisure and government business as well as the National Indigenous Games Festival which was held in Durban during September 2021 as part of Heritage month. Similarly, revenue and Ebitdar from the Cape region was R572 million (2021: R185 million) and R73 million (2021 Ebitdar loss: R75 million) respectively for the year, supported by accommodation provided to students left stranded by the fires in Cape Town during April 2021, the Cape Town leg of the Castle Lager Lions Series tour, the opening of parliament as well as the Cricket SA T20 tournament in February 2022. The inland region was hard hit by the third wave of Covid-19 infections and the negative sentiment caused by the violent protests, particularly in Gauteng, following the ban on leisure travel from the province. Outlying hotels recovered as government activity increased over the second half of the year, while the Sandton node continued to struggle with little recovery in corporate travel.

SUSTAINABILITY STRATEGY IN ACTION continued

As a result, this region recorded revenue of R697 million (2021: R334 million) and Ebitdar of R13 million (2021 Ebitdar loss: R56 million) for the year to 31 March 2022. The Other segment which includes the timeshare and SUN1 portfolios, generated revenue of R236 million (2021: R141 million) and Ebitdar of R43 million (2021: R17 million). While the SUN1 portfolio continues to experience depressed occupancy levels due to its reliance on transient business travel, the Resorts portfolio has continued to perform well throughout the Covid-19 pandemic due to its leisure-focused offering, benefiting from domestic clientele.

The Internally managed segment recorded Ebitdar of R253 million (2021 loss: R131 million) for the year ended 31 March 2022. Ebitdar includes profits of R3 million (2021 Ebitdar loss: R10 million) relating to Mount Grace Hotel & Spa, Hazyview Sun, The Edward, Southern Sun The Marine and Garden Court Victoria Junction which were externally managed for various periods of time in the prior financial period.

Total revenue for the offshore division of hotels of R318 million (2021: R135 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; the Southern Sun Ikoyi, Nigeria which has benefited from domestic leisure and business travel in the region; and Paradise Sun which received substantial demand for travel from the European market, as Covid-19 restrictions eased. 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 has remained muted since its opening in September 2020, and in response, expenses have been tightly controlled. In the owned offshore portfolio only the Southern Sun Dar es Salaam, Tanzania remains closed with Paradise Sun, Seychelles and the StayEasy Maputo, Mozambique having opened their doors in July 2021 and September 2021 respectively in response to easing of travel restrictions by the hotels' source markets. The offshore division generated Ebitdar of R52 million (2021 loss: R22 million) which includes R12 million in insurance claims settled with Paradise Sun for business interruption and material damages caused by tidal waves in October 2019.

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 2022	31 March 2021	31 March 2020
Occupancy	30.6%	12.2%	59.3%
Average room rate	R1 072	R1 019	R1 090
Revpar	R328	R124	R647
Rooms available	5 008 000	4 769 000	4 314 000
Rooms sold	1 530 000	582 000	2 560 000
Rooms revenue	R1 641 million	R593 million	R2 791 million

Maintenance capital expenditure

The group spent R43 million (2021: R46 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.

We do feel that we have passed the significant milestone of moving from a state of survival to a period of recovery. Ultimately, the demand for travel should normalise and the resilience of local leisure and, to an extent, groups and conferencing business in recent quarters is encouraging. A further promising development is that key hospitality events are back on the calendar, including the Mining Indaba held in Cape Town as well as Africa Travel Indaba held in Durban, both in early May 2022.

While the attendance volumes were around 75% of pre-Covid-19 levels and as a result there was less opportunity to yield rates, we are encouraged that guests are increasingly comfortable to travel to South Africa and government's decision to repeal Covid-19 health regulations should improve sentiment further. With rising global inflation and the weakness of the Rand, South Africa is an affordable and attractive travel destination and we look forward to a busy summer season in FY23.

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 2022	31 March 2021	31 March 2020
Southern Sun Pretoria	_	_	200
Riverside Conference Centre	-	16	11
Investment activity expenditure	-	16	211

Looking ahead

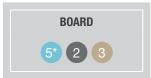
In this constrained growth environment and with the group utilising available cash and debt facilities to fund operations while the economy recovers from the impact of Covid-19, inorganic growth is not our focus for the medium term.

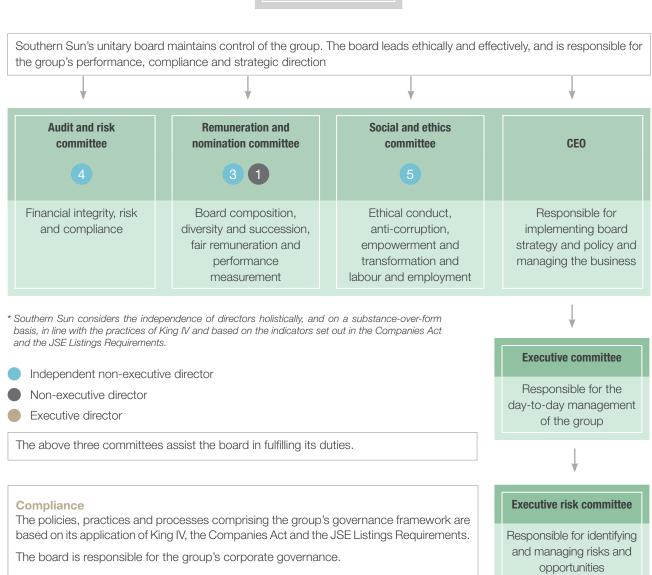


Corporate governance overview

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

GROUP GOVERNANCE FRAMEWORK





Ox

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

Organisational ethics and responsible citizenship

The group's ethical culture is instilled by the board, and flows through to management, who is tasked to lead by example.

The group's ethics policy and code of conduct direct business practices. The ethics policy includes key aspects such as:

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

Conflicts of interest

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

Share dealing

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

Code of conduct

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

Anti-bribery and corruption

The group does not tolerate any form of bribery or corruption. Whistleblowing and anti-corruption procedures are in place. Stakeholders are encouraged to report, if necessary, the actions and individuals who compromise or threaten the group's values and reputation. These actions and individuals can be reported through anonymous and independently conducted ethics hotlines. Investigations are carried out and findings reported, and disciplinary, civil or criminal action is taken as and when appropriate. During the year, three whistleblowing incidents were reported to ethics hotlines (2021: four). These included no serious incidents of governance failure and were dealt with appropriately by the human resources department.



implementing anti-corruption and anti-fraud initiatives, as set out on page 73.

Governance framework

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

Board of directors

Composition

Southern Sun's unitary board met five times during the year.



Board membership and analyses of its composition can be found on page 76.

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



The terms of employment of board members are included in the remuneration report on page 81.

Responsibilities

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

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

Southern Sun's board charter is reviewed annually.

Corporate governance overview continued

Diversity



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

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



The board is satisfied that its current composition, the components of which are set out in the graphs on page 76, reflects an appropriate mix of knowledge, skills, experience diversity and independence.

Appointments and succession

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

For executive succession planning, Southern Sun 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

Southern Sun's stakeholders hold the board accountable for its performance. The performance of the board and its committees is regularly evaluated. Management is held accountable for its activities through quarterly performance reporting and budget updates. The CEO and CFO are awarded annual short-term incentives (STIs) 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 78.

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.

Company Secretary effectiveness

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

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

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

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

Committees

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

The board is satisfied that its governance structure continues to serve the group well. Following its acquisition by Southern Sun, HPF adopted the Southern Sun group governance framework.

Board and committee meeting attendance

1 April 2021 to 31 March 2022	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	2/2
JG Ngcobo	5/5	3/3	2/2	2/2
CC September	5/5		2/2	
Non-executive				
JA Copelyn	5/5			2/2
JR Nicolella	5/5			

^{*} By invitation.



Corporate governance overview continued

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 90 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 91 of the consolidated annual financial statements for the year ended 31 March 2022;
- ensuring an effective risk management process is in place to identify and monitor the management of key risks and opportunities relating to the group's risk tolerance and risk appetite levels and evaluation of the appropriateness of management's response to these risks;
- reviewing IT risks relating to core operational systems, systems projects, information management and security initiatives, and governance and regulatory compliance;
- reviewing material legal, legislative and regulatory developments;

- reviewing prospective accounting standard changes; and
- taking appropriate action where necessary to respond to findings as highlighted in the JSE's most recent report on proactive monitoring of financial statements and, where necessary, those of previous periods.

The board concluded that the members of the audit and risk committee had the necessary financial literacy, skills and experience to execute their duties effectively during the year and make worthwhile contributions to its deliberations. The board recommends the members of the audit and risk committee for reappointment at the AGM to be held on 20 September 2022.

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

The audit and risk committee:

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

Non-audit services approved throughout the year included mainly company secretarial services and legal fees pertaining to the refinancing of the US\$2 million Mozambican Metical facilities of R27 million and the extension of the maturity date to 31 March 2025 as well as tax advisory services and rental certificates for the group. The audit and risk committee met three times during the year. Ad hoc meetings are held as required to consider special business. The CEO, CFO, external auditor, internal auditor, and senior management from the group's risk and IT departments attend all audit and risk committee meetings by invitation to contribute pertinent insights and information.

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



The audit and risk committee report can be found on page 90 of the consolidated annual financial statements for the year ended 31 March 2022.

Key focus areas 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
- Monitored the control environment considering the group's flatter organisational structure
- Considered the appropriateness of the group's risk management policy and adjusted the group's risk tolerance and risk appetite having considered the impact of Covid-19 on the organisation
- Monitored the next phase of the implementation of processes for compliance with GDPR (EU) 2016/679 and POPIA
- Monitored the group's going-concern status and achievement/waiver of covenant requirements

Key focus areas to be addressed during the 2023 financial year

- Overseeing the group's insurance restructure process
- 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 implemented recommendations where appropriate
- Consider the terms and structure of the debt refinancing of Southern Sun and Hospitality into a single funding structure
- Consider the appointment of an appropriate new external auditor for FY23 in accordance with the Independent Regulatory Board for Auditors' rule of Mandatory Audit Firm Rotation, subject to the JSE Limited's Listings Requirements and the Companies Act, 2008

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

- Progress in the alignment of the group's practices to the requirements of the revised B-BBEE codes
- Disputes with government or regulators
- Regulatory compliance
- Anti-bribery and anti-corruption
- Responsible tourism
- Preferential procurement, socioeconomic development and enterprise and supplier development
- Climate change and environmental management and certification

- Customer satisfaction, loyalty, health and safety and consumer protection
- Job creation, employee health and safety, employee development, management diversity, employment equity and employee engagement

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

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

Key focus areas addressed during the 2022 financial year

- Continued monitoring of customer and employee health and safety to address ongoing improvements in response to Covid-19
- Continued monitoring of employee engagement levels and responding appropriately
- Prepared to align, as appropriate, with the Task Force on Climate-related Financial Disclosures' (TCFD) disclosure recommendations

Key focus areas to be addressed during the 2023 financial year

- Review and align the group's reporting with the disclosure recommendations of the TCFD, where appropriate
- Monitor the improvement of the group's B-BBEE contributor status

Corporate governance overview continued

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 78.

Key focus areas addressed during the 2022 financial year

 Reviewed 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

Key focus areas to be addressed during the 2023 financial year

 Review the remuneration (including STIs and LTIs) of employees in the context of the group's recovery from the impact of Covid-19

Risk and opportunity

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

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

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

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



Southern Sun's material risks and opportunities are set out on page 39.

Internal controls

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

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

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

Internal audit

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

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

IT governance

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

Furthermore, the charter includes controls around:

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

Refer to page 56 of this report for more information on our IT strategy and governance.

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

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

Our leadership

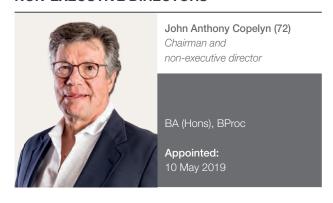
THE BOARD AS AT 31 MARCH 2022

EXECUTIVE DIRECTORS

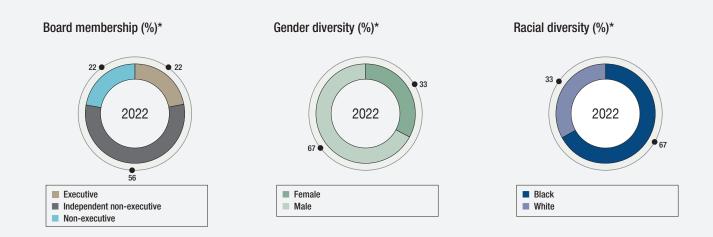




NON-EXECUTIVE DIRECTORS

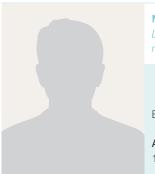






^{*} No changes in board composition occurred during the year. Graphs reflect membership status at 31 March 2022.

INDEPENDENT NON-EXECUTIVE DIRECTORS



Mohamed Haroun Ahmed (57) Lead independent non-executive director

BCom Accounting

Appointed: 10 May 2019



Lynette Moretlo Molefi (53) Independent non-executive director

BSc, MB ChB

Appointed:
10 May 2019



Sipho Chris Gina (63) Independent non-executive director

Dip (Labour Law)

Appointed: 30 September 2011



Jabulani Geffrey Ngcobo (71) Independent non-executive director

Appointed: 10 May 2019



Cornelia Carol September (63) Independent non-executive director

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

Appointed: 15 August 2019

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

Remuneration policy and remuneration implementation report

REMUNERATION PHILOSOPHY

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

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

REMUNERATION POLICY

The remuneration and nomination 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 deferral of payment of the FY20 short-term incentives (STIs) (no STIs were awarded in FY21 and FY22) and the reduction in salaries due to the furlough implemented between 1 April 2020 and 31 January 2022, the details of which are set out in respect of the reporting and prior comparative year, in the remuneration implementation report.

Fair, responsible and transparent remuneration



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

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

Southern Sun 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) and personal key performance objectives in proportions ranging respectively from 85:15 at the most senior level to 60:40 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 and adjusted earnings.

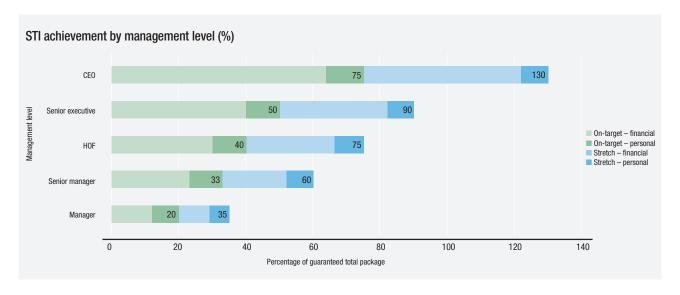
At an executive management level, financial achievement is weighted at 50% Ebitdar and 50% adjusted earnings, against the targets approved by the remuneration and nomination committee, which are based on the relevant board-approved budget. The budget and accompanying targets are adjusted up or down for 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 (which will allow for 50% of the financial achievement to be awarded) and at 115% of targeted Ebitdar and adjusted earnings (which will allow for 100% of the financial achievement to be awarded).

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.

Remuneration policy and remuneration implementation report *continued*

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 and is capped at 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 both on-target and "stretch" performance:



LONG-TERM INCENTIVES (LTIs)

Selected key senior employees of the group participate in the Southern Sun 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:

- to offer employees the opportunity to receive shares in Southern Sun (TGO shares) through the award of share appreciation rights (SARs), which are 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; and
- to offer such participants the opportunity to share in the group's success, recognising the contributions made by these employees and providing alignment between the interests of participants and shareholders.

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;

- have a minimum vesting period of three years from 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;
- confer the right upon the participating employee to receive shares equal to the appreciation of the awarded SARs over the vesting period, being a minimum period of three years from the award date and 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, while 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 TGO's share price over the award price plus dividends declared and paid, post the award date (net of tax), which value will be settled in TGO shares.

LTI allocations 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 2022

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

Non-executive directors' terms of appointment

Non-executive directors are not subject to any other fixed terms of employment other than the conditions contained in the company's memorandum of incorporation (MOI) and, as such, no service contracts have been entered into with the company. Southern Sun's remuneration for non-executive directors comprises:

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

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

Remuneration policy and remuneration implementation report *continued*

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

		2022			202	1	
	MN von Aulock R'000	L McDonald R'000	Total R'000	MN von Aulock R'000	L McDonald R'000	R Nadasen ² R'000	Total R'000
Salaries Benefits Fair value of equity-settled SARs awarded ¹	6 203 258 12 369	2 197 166 6 184	8 400 424 18 553	2 216 146 819	1 613 118 819	504 287	4 333 551 1 638
Total single figure of remuneration	18 830	8 547	27 377	3 181	2 550	791	6 522
Current year vesting of equity-settled SARs Fair value of unvested equity-settled SARs granted during the year	2 414 (11 634)	820 (5 817)	3 234 (17 451)	4 270 (761)	682 (761)	-	4 952 (1 522)
Financial statement remuneration	9 610	3 550	13 160	6 690	2 471	791	9 952
IFRS 2 charge on equity-settled SARs	(3 149)	(1 187)	(4 336)	(4 328)	(740)	_	(5 068)
Total cash equivalent value of remuneration	6 461	2 363	8 824	2 362	1 731	791	4 884

¹ Reflects the fair value of new SARs (unvested) awarded on 14 January 2022.

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 31 January 2022, respectively. The CFO, HOFs 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 31 January 2022. These salary rates were continuously assessed against trading levels and cash generation and adjusted accordingly depending on affordability. The rate of pay for the CEO, CFO, HOFs and managers was increased to 100% of normal pay effective 1 February 2022. There have been no salary rate increases for employees in the 2020, 2021 or 2022 financial years. A salary rate increase of 5% was implemented for the 2023 financial year.

STIs

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 during the 2021 financial year, but payment thereof deferred until such time that it would be appropriate and responsible for payment to be made. An additional provision, of which R0.49 million relates to executive directors' STIs, was raised in March 2022 to top up the amounts set aside for bonuses in the 2020 financial year. With the group consistently generating cash from October 2021 and a minimal negative impact from the fifth wave of Covid-19 infections, the group had sufficient cash resources available to settle the STI provision of R67 million during June 2022, in respect of eligible participants in employment.

Due to the protracted impact of the Covid-19 pandemic, no STIs were awarded for the 2021 and 2022 financial years. STIs will be reinstituted in the 2023 financial year.

² R Nadasen resigned as COO on 31 July 2020 and benefits settled include termination benefits amounting to R236 995.

LTIs

Details of unexpired awards granted to executive directors and prescribed officers prior to 1 April 2022 are set out below:

Fair value of SARs – executive directors and prescribed officers

Name	Award date	SARs awarded and still outstanding 2022	Award price R	Strike price R	Fair value of SARs awarded R'000	SARs vested and still outstanding	Vesting date	Expiry date
MN von Aulock	1 October 2018	10 893 353	4.13	4.03	9 180	10 893 353	30 September 2021	30 September 2024
	13 January 2021	1 142 857	1.49	1.50	819		13 January 2024	13 January 2027
	14 January 2022*	3 302 633	3.03	3.05	3 975		30 September 2024	30 September 2027
	14 January 2022*	3 302 632	3.03	3.05	4 128		30 September 2025	30 September 2027
	14 January 2022*	3 302 632	3.03	3.05	4 266		30 September 2026	30 September 2027
L McDonald	1 April 2017	584 037	5.14	5.14	156	584 037	31 March 2020	31 March 2023
	1 April 2018	324 907	4.62	4.57	231	324 907	31 March 2021	31 March 2024
	1 April 2019	1 603 856	4.24	3.99	1 409	1 603 856	31 March 2022	31 March 2025
	13 January 2021	1 142 857	1.49	1.50	819		13 January 2024	13 January 2027
	14 January 2022*	1 651 316	3.03	3.05	1 987		30 September 2024	30 September 2027
	14 January 2022*	1 651 316	3.03	3.05	2 064		30 September 2025	30 September 2027
	14 January 2022*	1 651 316	3.03	3.05	2 133		30 September 2026	30 September 2027

^{*} LTIs awarded on 14 January 2022 vest in three equal tranches on the third, fourth and fifth anniversary from 30 September 2021.

LTIs are equity settled and will therefore have a dilutionary impact on shareholders on settlement. Based on the closing share price on 31 March 2022 of R3.38 and the average TGO share price for the 12 months to 31 March 2022 of R3.02, 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 2022.

Refer to note 35 of the consolidated annual financial statements as set out in the 2022 integrated annual report for further information.

Remuneration policy and remuneration implementation report *continued*

NON-EXECUTIVE DIRECTORS' FEES

	2022			2021	
Non-executive directors	Directors' fees paid by the company R'000	Total R'000	Directors' fees paid by the company R'000	Directors' fees paid by Hospitality R'000	Total R'000
JA Copelyn*	339	339	216	_	216
M Ahmed#	413	413	266	239	505
J Awbrey [^]	_	-	_	136	136
SC Gina#	317	317	203	132	335
ML Molefi#	322	322	205	181	386
T Mosololi [^]	_	-	_	136	136
JG Ngcobo#	322	322	209	184	393
JR Nicolella#	223	223	140	129	269
CC September#	228	228	146	129	275
D Smith [^]	_	-	_	136	136
	2 164	2 164	1 385	1 402	2 787

Fees are exclusive of VAT.

VOTING RESULTS AT THE 2021 AGM

At the AGM held on 18 October 2021, the non-binding advisory endorsement of the company's remuneration policy received 95.57% (2020: 70.3%) support from shareholders. The remuneration implementation report received support of 96.70% (2020: 86.95%) of shareholders. A total of 91.43% of all shareholders were represented at the AGM.

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 2022 financial year were approved by shareholders at the 2021 AGM and remained unchanged from those approved by shareholders at the AGM held on 20 October 2020.

At the AGM scheduled for 20 September 2022, the remuneration and nomination committee will propose a 5% increase in non-executive directors' fees.

In line with the furlough implemented by the group and accepted by employees, non-executive directors' fees were also reduced by between 60% and 25% from 1 April 2020 to 31 January 2022. Directors' fees were adjusted back to normal rates with effect from 1 February 2022.



The board has approved the recommendation made by the remuneration and nomination committee and shareholders are referred to page 31 of the notice of AGM for the proposed non-executive directors' fees for the 2023 financial year.

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

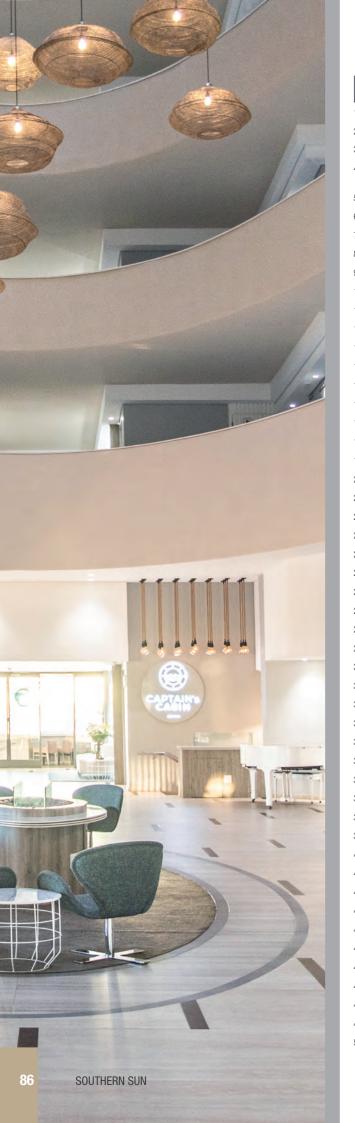
[^] Following the company's acquisition of 100% interest in Hospitality, these independent directors resigned from the board of Hospitality effective 11 March 2021.

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



Contents

Consolidated annual financial statements	
Statement of responsibility by the board of directors	87
Chief Executive Officer and Chief Financial Officer responsibility statement	88
Directors' approval of the consolidated annual financial statements	89
Declaration by the Company Secretary	89
Report of the audit and risk committee	90
Directors' report	92
Independent auditor's report to shareholders	94
Consolidated income statement	100
Consolidated statement of comprehensive income	101
Consolidated balance sheet	102
Consolidated statement of changes in equity	103
Consolidated cash flow statement	104
Notes to the consolidated annual financial statements	105



Ν	lotes contents	
1.	Summary of significant accounting policies	105
2.	Critical accounting estimates and judgements	117
3.	New International Financial Reporting Standards and amendments	119
4.	Reconciliation of loss attributable to equity holders of the company to headline loss and adjusted headline loss	122
5.	Reconciliation of operating profit/(loss) to Ebitdar	123
3.	Segmental analysis	123
7.	Revenue from contracts with customers	124
3.	Property and equipment rentals	125
9.	Amortisation and depreciation	125
10.	Employee costs	125
11.	Other operating expenses	126
12.	Finance income	126
13.	Finance costs	126
14.	Income tax	127
15.	Property, plant and equipment	128
16.	Right-of-use assets	130
17.	Investment properties	131
18.	Goodwill	134
19.	Other intangible assets	135
20.	Investments in associates	136
21.	Investments in joint ventures	137
22.	Financial assets at fair value through profit or loss	138
23.	Non-current receivables	138
24.	Deferred income tax	138
25.	Inventories	140
26.	Trade and other receivables	140
27.	Cash and cash equivalents	144
28.	Ordinary share capital and premium	144
29.	Other reserves	145
30.	Interest-bearing borrowings	146
31.	Lease liabilities and commitments	147
32.	Post-employment benefits	149
33.	Derivative financial instruments	151
34.	Deferred revenue	152
35.	Long-term incentive plans	153
36.	Provisions	155
37.	Trade and other payables	157
38.	Cash generated from operations	158
39.	Income tax paid	158
40.	Changes in liabilities arising from financing activities	159
41.	Related parties	160
42.	Future capital expenditure	164
43.	Operating lease commitments	164
44.	Events occurring after the balance sheet date	165
45.	Financial risk management	166
46.	Capital risk management	173
47.	Fair value estimation of financial instruments and investment property	175
48.	Subsidiaries having material non-controlling interests	176
49.	Subsidiary companies	178
50	Going concern	178

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

The directors have reviewed the group's budgets and cash flow forecasts for the year to 31 March 2023. 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 94. PricewaterhouseCoopers Inc. was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

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

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

COMPETENCE OF THE COMPANY SECRETARY

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

Chief Executive Officer and Chief Financial Officer responsibility statement

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

- (a) the annual financial statements set out on pages 100 to 179 fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- (b) to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- (c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries has been provided to effectively prepare the financial statements of the issuer;
- (d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- (e) where we are not satisfied, we have disclosed to the audit and risk committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken the steps to remedy the deficiencies; and

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Laurelle McDonald

Chief Financial Officer

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

Marcel von Aulock
Chief Executive Officer

29 July 2022

SOUTHERN SUN

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 100 to page 179 has been supervised by the Chief Financial Officer (CFO), L McDonald CA(SA). These consolidated annual financial statements were approved by the board of directors on 29 July 2022 and are signed on its behalf by:

Marcel von Aulock
Chief Executive Officer

Laurelle McDonald
Chief Financial Officer

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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 2022 Tsogo Sun Hotels Limited trading as Southern Sun 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 29 July 2022

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. have been the external auditors of the group for 53 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 2022 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 2021 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 2022;
- 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 trading as Southern Sun for the year ended 31 March 2022 and based on the information provided to the committee, the committee recommends the adoption of the consolidated annual financial statements by the board.



Mohammed Ahmed Chairman: Audit and risk committee 29 July 2022

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 R156 million (2021: R982 million).

3. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The directors are not aware of any matter or circumstance arising since the balance sheet date and the date of this report other than the matters disclosed in note 44 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 2022.

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 in note 50, management believes that the group has sufficient resources to continue operations as a going concern in a responsible and sustainable manner.

5. 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 (2021: 1 477 905 694) ordinary no par value shares.

6. DIVIDENDS

The directors considered it prudent to retain cash resources to ensure that the group is able to meet its obligations until trading normalises. In line with the conditions of the covenant waivers received from lenders, the directors have not declared a final cash dividend for the year ended 31 March 2022.

7. 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 48 of the consolidated annual financial statements for details of subsidiary companies with material non-controlling interests and note 49 of the consolidated annual financial statements for details of subsidiaries.

8. DIRECTORATE

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

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

9. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

No material contracts in which the directors have an interest were entered into during the year under review. Refer to notes 41 and 41.3 of the consolidated annual financial statements for details of the group's key management compensation.

10. COMPANY SECRETARY

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

Business address

Palazzo Towers West Montecasino Boulevard, Fourways, 2055

Postal address

Private Bag X200 Bryanston, 2021

11. 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.

12. MAJOR SHAREHOLDERS AND SHAREHOLDER ANALYSIS

The company's ultimate majority shareholder is Hosken Consolidated Investments Limited (HCI) (a company listed on the JSE) which, at the balance sheet date, directly and indirectly owned 40.6% (2021: 40.6%) of the company's issued share capital (excluding treasury shares). HCI directly owned 8.6% (2021: 7.2%) and is the majority shareholder of TIHC Investments (RF) Proprietary Limited (TIHC) and TIHC directly owned 28.1% (2021: 28.1%) of Tsogo Sun Hotels. HCI also controls the HCI Foundation which directly owns 3.7% (2021: 5.1%) of the company. Refer to the shareholder analysis on page 180.

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 2022, 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 100 to 179 comprise:

- the consolidated balance sheet as at 31 March 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

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

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

Independence

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

OUR AUDIT APPROACH

Overview



Overall group materiality

• Overall group materiality: R46.30 million, which represents 5% of 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.

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.

Key audit matters

- Valuation of investment properties at year end of R1.45 billion; and
- Impairment of property, plant and equipment of R94 million.

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

Materiality

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

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

Overall group materiality	R46.30 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.

Independent auditor's report continued

KEY AUDIT MATTERS

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

Key audit matter

Valuation of investment properties at year end of R1.45 billion

The majority of the Group's investment properties comprise hotel properties. At 31 March 2022, the carrying value of the Group's total investment property portfolio was R1.45 billion representing a R111 million decrease compared to the prior year (refer to note 17 'Investment properties' to the consolidated financial statements).

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 exit capitalisation rates, discount rates and cash flows.

The impact of Covid-19 and the associated impact on the property investment industry have resulted in significant changes to the inputs and assumptions into the valuation techniques applied and the inputs into the valuation models in the prior year. During the current year however, the market has begun its recovery with those same inputs and assumptions being revised to reflect the current market conditions.

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.

How our audit addressed the key audit matter

We obtained an understanding of the approach followed by management and the independent valuers for the valuation of the Group's investment property portfolio through discussions with management and the external valuers, as well as inspection of minutes of meetings of the board of directors.

We updated our understanding of, and tested the relevant controls related to, the budgeting process, which included controls in relation to the following:

- The entering and amending of leases in support of contractual rental income;
- The setting and approval of budgets by the Group;
- consideration of external valuation reports by management; and
- Board approval of the valuations obtained.

We 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 exit capitalisation 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

Impairment of property, plant and equipment of R94 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 2022, the carrying value of the Group's PPE amounted to R8.88 billion after recognition of a total impairment loss related to land and buildings of R94 million. The total impairment loss recognised of R94 million related to a hotel property in the Group's offshore 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.

How our audit addressed the key audit matter

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 of the valuation. The cash flows were expected to be affected by the easing of restrictions as a result of the reduced impact of Covid-19 and the expected recovery of the industry. Based on our work performed, we accepted the impact that management has projected; and
- We evaluated the cash flows in the valuations from year two onward to assess the reasonableness of the expected cash flows with reference to historical cash flows. We accepted management's projected cash flow for these years.

Utilising our valuation expertise we tested the reasonableness of management's assumptions for the terminal growth rates 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.

Independent auditor's report continued

Key audit matter

Impairment of property, plant and equipment of R94 million continued

Based on management's impairment assessments, as a result of the delayed recovery due to lockdown restrictions and the continued depreciation of the Naira against the US Dollar, the carrying value of the hotel property was 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 2022.

How our audit addressed the key audit matter

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 document titled "Southern Sun 2022 Integrated Annual Report" and "Tsogo Sun Hotels Limited annual financial statements for the year ended 31 March 2022", 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 53 years.

PricewaterhouseCoopers Inc.

Procuate Mause Coppels Inc

Director: Pietro Calicchio Registered Auditor Johannesburg, South Africa

29 July 2022

Consolidated income statement

for the year ended 31 March

	İ		
	Notes	2022	2021
	Notes	Rm	Rm
Rooms revenue	7	1 641	593
Food and beverage revenue	7	731	269
Property rental income	7	90	52
Other revenue	7	246	249
Income		2 708	1 163
Property and equipment rentals	8	(16)	9
Amortisation and depreciation	9	(365)	(407)
Employee costs	10	(846)	(520)
Other operating expenses	11	(1 465)	(890)
Insurance proceeds received		191	_
Impairment of property, plant and equipment	15	(94)	(237)
Profit on sale of joint venture	21	-	355
Impairment of goodwill	18, 41	-	(30)
Fair value adjustment of investment properties	17	55	(99)
Operating profit/(loss)		168	(656)
Finance income	12	15	33
Finance costs	13	(373)	(379)
Share of profit/(loss) of associates and joint ventures	20, 21	26	(128)
Loss before income tax		(164)	(1 130)
Income tax credit	14	8	148
Loss for the year		(156)	(982)
Loss attributable to:			
Equity holders of the company		(156)	(896)
Non-controlling interests		` _	(86)
		(156)	(982)
Basic and diluted loss attributable to the ordinary equity holders of		, , ,	
the company per share (cents)			
Number of shares in issue (million)		1 478	1 478
Weighted number of shares in issue (million)		1 478	1 233
Basic and diluted loss per share (cents)		(10.6)	(72.7)

Consolidated statement of comprehensive income

for the year ended 31 March

	Notes	2022 Rm	2021 Rm
Loss for the year		(156)	(982)
Other comprehensive income/(loss) for the year, net of tax			
Items that may be reclassified subsequently to profit or loss:		13	(286)
Cash flow hedges	33	56	(19)
Currency translation adjustments		(27)	(273)
Income tax relating to items that may subsequently be reclassified to profit or loss		(16)	6
Items that may not be reclassified subsequently to profit or loss:		(1)	(1)
Remeasurements of post-employment defined benefit liability	32	(1)	(1)
Income tax relating to items that may not subsequently be reclassified			
to profit or loss		_	_
Total comprehensive loss for the year		(144)	(1 269)
Total comprehensive loss attributable to:			
Equity holders of the company		(144)	(1 170)
Non-controlling interests		_	(99)
		(144)	(1 269)

Consolidated balance sheet

as at 31 March

Notes Rm				
Non-current assets		Notos		2021 Rm
Non-current assets		110163	11111	1 1111
Property, plant and equipment 15				
Right-of-use assets 16 984 1 .0 Investment properties 17 1 450 1 5 Goodwill 18 354 36 Other intangible assets 19 48 3 Investments in associates 20 325 36 Post-employment benefit asset 20 325 30 Post-employment benefit asset 20 325 30 Post-employment benefit asset 23 14 4 Financial assets at fair value through profit or loss 22 - Deferred income tax assets 24 298 22 Total non-current assets 24 298 22 Total non-current assets 25 69 6 Inventories 25 69 6 Trade and other receivables 25 69 6 Other current assets 8 2 2 Current assets 1 254 1 3 Total assets 1 1 254 1 3		15	8 878	9 106
Investment properties				1 045
Other intangible assets 19 48 48 Investments in associates 20 325 38 Post-employment benefit asset 32 2 Non-current receivables 23 14 Financial assets at fair value through profit or loss 22 - Deferred income tax assets 24 298 25 Total non-current assets 12 353 12 7 Current assets 12 353 12 7 Inventories 25 69 6 Trade and other receivables 26 470 3 Other current assets 8 - Current income tax assets 8 - Current income tax assets 8 8 Cash and cash equivalents 27 707 9 Total current assets 1 254 1 36 Total assets 13 607 14 10 EQUITY 2 5 333 5 3 Other reserves attributable to equity holders of the company 7 Ordinary share capital and premium 28 5 333 5 3 Other reserves 29 <td></td> <td>17</td> <td>1 450</td> <td>1 561</td>		17	1 450	1 561
Investments in associates				354
Post-employment benefit asset 32 2 2 Non-current receivables 23 14 Financial assets at fair value through profit or loss 22 5 5 5 5 5 5 5 5				54
Non-current receivables 23				305 3
Financial assets at fair value through profit or loss 22 24 298 25 Deferred income tax assets 24 298 25 Total non-current assets 12 353 12 75 Current assets 25 69 60 Trade and other receivables 26 470 36 Trade and other receivables 26 470 36 Current income tax assets 27 707 9 Total current assets 27 707 9 Total current assets 1254 136 Total assets 13 607 14 16 EQUITY Capital and reserves attributable to equity holders of the company Crdinary share capital and premium 28 5 333 5 36 Chter reserves 29 1 828 1 86 Retained earnings 28 29 1 828 1 86 Retained earnings 48 20 Total shareholders' equity 7 209 7 36 Non-controlling interests 97 97 Total equity 7 306 7 44 LIABILITIES Non-current liabilities 31 1 349 1 36 Derivative financial instruments 33 4 5 Derivative financial instruments 33 4 5 Servative financial instruments 33 4 5 Current assets 25 69 60 Current assets 26 470 36 Current assets 27 707 9 Current assets 27 707 9 Current assets 27 707 9 Current assets 28 5 333 5 36 Current assets 27 707 9 Current assets 28 5 333 5 36 Current assets 27 707 9 Current assets 28 5 333 5 36 Current assets 27 707 9 Current assets 27 707 9 Current assets 28 5 333 5 36 Current assets 28 5 333 5 36 Current assets 27 707 9 Current assets 28 5 333 5 36 Current assets 27 707 9 Current assets 28 4				14
Deferred income tax assets 24 298 25 298 25 25 209			_	3
Current assets 25 69 6 Trade and other receivables 26 470 36 Other current assets - - Current income tax assets 8 - Cash and cash equivalents 27 707 9 Total current assets 1 254 1 3 Total assets 13 607 14 10 EQUITY 28 5 333 5 3 Other reserves attributable to equity holders of the company 28 5 333 5 3 Other reserves 29 1 828 1 8 Retained earnings 48 20 Total shareholders' equity 7 209 7 3 Non-controlling interests 97 3 Total equity 7 306 7 4 LIABILITIES Non-current liabilities Interest-bearing borrowings 30 3 495 2 9 Laase liabilities 31 1 349 1 3 Derivative financial instruments 33 4 3		24	298	297
Inventories	Total non-current assets		12 353	12 742
Trade and other receivables 26 470 36 Other current assets - - - Current income tax assets 8 - - - Cash and cash equivalents 27 707 9 Total current assets 1 254 1 36 Total assets 13 607 14 10 EQUITY Capital and reserves attributable to equity holders of the company Ordinary share capital and premium 28 5 333 5 33 Other reserves 29 1 828 1 80 Retained earnings 48 20 Total shareholders' equity 7 209 7 30 Non-controlling interests 97 9 Total equity 7 306 7 4 LIABILITIES Non-current liabilities 1 1 349 1 3 Interest-bearing borrowings 30 3 495 2 9 Lease liabilities 31 1 349 1 3 Derivative financial instruments 33 4 4				
Other current assets -				62 365
Current income tax assets 8 Cash and cash equivalents 27 707 9 Total current assets 1 254 1 36 Total assets 13 607 14 10 EQUITY Capital and reserves attributable to equity holders of the company Ordinary share capital and premium 28 5 333 5 333 Other reserves 29 1 828 1 8 Retained earnings 48 20 Total shareholders' equity 7 209 7 3 Non-controlling interests 97 97 Total equity 7 306 7 4 LIABILITIES Non-current liabilities 30 3 495 2 9 Interest-bearing borrowings 30 3 495 2 9 Lease liabilities 31 1 349 1 3 Derivative financial instruments 33 4 4		20	470	12
Total current assets 1 254 1 36 Total assets 13 607 14 10 EQUITY Capital and reserves attributable to equity holders of the company 28 5 333 5 33 6 34 6 34 7			8	5
Total assets 13 607 14 10 EQUITY Capital and reserves attributable to equity holders of the company Ordinary share capital and premium 28 5 333 5 333 Other reserves 29 1 828 1 80 Retained earnings 48 20 Total shareholders' equity 7 209 7 30 Non-controlling interests 97 97 Total equity 7 306 7 40 LIABILITIES Non-current liabilities 30 3 495 2 96 Interest-bearing borrowings 30 3 495 2 96 Lease liabilities 31 1 349 1 34 Derivative financial instruments 33 4 4	Cash and cash equivalents	27	707	918
EQUITY Capital and reserves attributable to equity holders of the company Ordinary share capital and premium 28 5 333 5 33 Other reserves 29 1 828 1 86 Retained earnings 48 26 Total shareholders' equity Non-controlling interests 97 97 Total equity LIABILITIES Non-current liabilities Interest-bearing borrowings Lease liabilities Derivative financial instruments 33 4 5 33 Equivariable to equity holders of the company 28 5 333 5 33 5 33 5 33 5 34 5 35 5 36 7 46 7 209 7 36 7 306 7 46 7 306 7 46 8 30 3 495 2 96 1 349 1 349 1 349 1 349	Total current assets		1 254	1 362
Capital and reserves attributable to equity holders of the company Ordinary share capital and premium 28 5 333 5 33 Other reserves 29 1 828 1 80 Retained earnings 48 20 Total shareholders' equity Non-controlling interests 97 97 Total equity Total equity Total equity Total equity 30 3 495 2 95 Lease liabilities Derivative financial instruments 33 4	Total assets		13 607	14 104
Ordinary share capital and premium 28 5 333 5 33 Other reserves 29 1 828 1 80 Retained earnings 48 20 Total shareholders' equity 7 209 7 300 Non-controlling interests 97 9 Total equity 7 306 7 40 LIABILITIES Non-current liabilities 30 3 495 2 90 Interest-bearing borrowings 30 3 495 2 90 Lease liabilities 31 1 349 1 30 Derivative financial instruments 33 4 40				
Other reserves 29 1 828 1 80 Retained earnings 48 20 Total shareholders' equity 7 209 7 30 Non-controlling interests 97 9 Total equity 7 306 7 4 LIABILITIES Non-current liabilities 30 3 495 2 90 Interest-bearing borrowings 30 3 495 2 90 Lease liabilities 31 1 349 1 30 Derivative financial instruments 33 4 40				=
Retained earnings 48 20 Total shareholders' equity 7 209 7 34 Non-controlling interests 97 9 Total equity 7 306 7 44 LIABILITIES Non-current liabilities Interest-bearing borrowings 30 3 495 2 95 Lease liabilities 31 1 349 1 35 Derivative financial instruments 33 4 35				5 333
Total shareholders' equity 7 209 7 34 Non-controlling interests 97 9 Total equity 7 306 7 4 LIABILITIES Non-current liabilities Interest-bearing borrowings 30 3 495 2 95 Lease liabilities 31 1 349 1 34 Derivative financial instruments 33 4 4		29		205
Non-controlling interests 7 306 7 4 LIABILITIES Non-current liabilities Interest-bearing borrowings Lease liabilities Derivative financial instruments 97 98 98 99 99 99 99 99 99 99 99 99 99 99				7 343
Total equity 7 306 7 40 LIABILITIES Non-current liabilities Interest-bearing borrowings 30 3 495 2 99 Lease liabilities 31 1 349 1 349 Derivative financial instruments 33 4 8				97
LIABILITIES Non-current liabilities Interest-bearing borrowings Lease liabilities Derivative financial instruments 30 3495 299 1349 1349 1349 1349 1349 1349 1349 13				7 440
Non-current liabilitiesInterest-bearing borrowings303 4952 98Lease liabilities311 3491 349Derivative financial instruments3348				
Lease liabilities311 3491 34Derivative financial instruments334				
Derivative financial instruments 33 4	Interest-bearing borrowings	30	3 495	2 991
				1 346
CO CO CO CO CO CO CO CO CO CO CO CO CO C				59
				256 37
				58
				4 747
Current liabilities				
		30	42	996
Lease liabilities 31 11	Lease liabilities			14
				717
				74 57
				10
	•			49
Total current liabilities 1 095 1 9	Total current liabilities		1 095	1 917
Total liabilities 6 301 6 66	Total liabilities		6 301	6 664
Total equity and liabilities 13 607 14 10	The state of the s		13 607	14 104

¹ The current portion of Provisions was previously included in Trade and other payables and is now disclosed separately to ensure comparability and enhanced financial disclosure as provided for in IAS 1 Presentation of Financial Statements.

Consolidated statement of changes in equity

for the year ended 31 March

		Attributab	le to equity	holders of	the company		
	Notes	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 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 1 April 2021		5 333	1 805	205	7 343	97	7 440
Total comprehensive loss			13	(157)	(144)	_	(144)
Loss for the year		-	-	(156)	(156)	-	(156)
Cash flow hedges, net of tax		-	40	-	40	-	40
Currency translation adjustment		_	(27)	-	(27)	_	(27)
Remeasurements of post- employment defined benefit liability							
net of tax	32	_	_	(1)	(1)	_	(1)
Share-based payments charge	35	-	10	-	10	-	10
Balance at 31 March 2022		5 333	1 828	48	7 209	97	7 306

¹ Refer to note 29 for details of other reserves.

Consolidated cash flow statement

for the year ended 31 March

	Notes	2022 Rm	2021 Rm
Cash flows from operating activities			
Cash generated from/(utilised in) operations	38	627	(6)
Finance income		15	33
Finance costs		(353)	(379)
Income tax paid	39	(9)	(42)
Net cash generated from/(utilised in) operating activities		280	(394)
Cash flows from investment activities			
Purchase of property, plant and equipment		(40)	(56)
Proceeds from disposals of property, plant and equipment		1	3
Additions to investment properties	17	(7)	(1)
Purchase of intangible assets	19	(1)	(6)
Proceeds from disposals of joint venture	21	_	467
Proceeds on disposal of financial assets at fair value through profit or loss		2	_
Acquisition of subsidiary		_	24
Other loans granted		_	(9)
Dividends received		5	
Net cash (utilised in)/generated from investment activities		(40)	422
Cash flows from financing activities			
Borrowings raised	40.1	479	241
Borrowings repaid	40.1	(448)	(566)
Principal elements of lease payments	40.2	(10)	_
Other current liabilities repaid		_	(5)
Net cash generated from/(utilised in) financing activities		21	(330)
Net increase/(decrease) in cash and cash equivalents		261	(302)
Cash and cash equivalents at beginning of the year, net of bank overdrafts		407	722
Foreign currency translation		(3)	(13)
Cash and cash equivalents at the end of the year, net of bank overdrafts	27	665	407

The accounting policies and notes on page 105 to page 179 form an integral part of these consolidated annual financial statements.

Notes to the consolidated annual financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee, and comply with the 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 2021:

- 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)
- 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 2021. 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.

Notes to the consolidated annual financial statements continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(d) Basis of consolidation and business combinations continued

(i) Subsidiaries continued

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(d) Basis of consolidation and business combinations continued

(iii) Associates and joint ventures continued

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).

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(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.

(ii) Depreciation

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

Freehold properties 20 – 50 years

Leasehold building improvements Shorter of the lease term or 50 years

Computer equipment and software 2 – 10 years*
Furniture, fittings and other equipment 3 – 15 years*
Plant 20 – 30 years*
Vehicles 5 years
Operating equipment 2 – 4 years

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

(iii) Profit or loss on disposal

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

(g) Leases

(i) The group is a lessee

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(g) Leases continued

(i) The group is a lessee continued

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.

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(g) Leases continued

(i) The group is a lessee continued

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(h) Investment property continued

Fair value measurement continued

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.

(I) 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.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(o) Cash and cash equivalents

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

(p) Impairment of non-financial assets

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the CGU to which the asset belongs.

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

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

(q) Share capital

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

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

(r) Borrowings and finance costs

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

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

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

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

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(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.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(v) Employee benefits continued

(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) 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.

(vii) Long-service awards

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(w) Income tax

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

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

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

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

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

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

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

(x) Dividend distributions

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

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Leases

Determining the respective discount rates

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

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS continued

(a) Leases continued

Determining the respective discount rates continued

The discount rates applied to the lease commitments range from 7.9% (2021: 9.8%) to 10.3% (2021: 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.

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.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS continued

(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.

(e) SunRands – customer loyalty programme

As a result of the Covid-19 pandemic, the group granted extensions to members of the customer rewards' programme during which they could redeem their SunRands that would normally have been forfeited two years after being earned. Extensions to the expiry of SunRands were granted in 2020 and 2021 due to the continued lockdowns with a final extension granted to 30 September 2022 after which unredeemed SunRands earned prior to 31 March 2020 will be forfeited. The forfeitures recognised during the year took into account an estimate of the number of SunRands that will not be redeemed in the next six months based on the total number of SunRands that are expected to expire on 30 September 2022. Refer to note 34 for the impact on the deferred revenue balance.

3. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND AMENDMENTS

(a) International Financial Reporting Standards and amendments effective for the first time for March 2022 year ends

The following standards and amendments to existing standards have been published that are mandatory for the group's accounting period ending March 2022.

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.

The group has been impacted by the amendment and applied the relief provided in terms thereof. 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.

The group has not been impacted by the phase 2 amendments.

(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 2022. None of which are expected to have a material effect on the consolidated position or performance of the group.

IFRS 17 Insurance Contracts

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

3. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND AMENDMENTS continued

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

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

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

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

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

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.

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 as 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.

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. IFRS 3 as 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.

3. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS AND AMENDMENTS continued

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

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

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

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

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

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

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

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

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

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

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.

	2022 Rm	2021 Rm
RECONCILIATION OF LOSS ATTRIBUTABLE TO EQUITY		
HOLDERS OF THE COMPANY TO HEADLINE LOSS AND		
ADJUSTED HEADLINE LOSS		
Loss attributable to equity holders of the company	(156)	(896)
Loss on disposal of property, plant and equipment	1	1
Impairment of property, plant and equipment	94	237
Fair value adjustment of investment properties	(55)	99
Impairment relating to IHPL (associate)	_	10
Impairment relating to RBH (associate)	_	5
Share of associate's headline earnings adjustment	(11)	100
Gain on disposal of investment in joint venture	_	(355)
Impairment of goodwill	_	30
Total tax effect of adjustments	7	(18)
Tax effect of rate change	(1)	_
Total non-controlling interest effects of adjustments	-	4
Headline loss	(121)	(783)
Transaction costs	_	6
Restructuring costs	4	36
Pre-opening expenses	_	3
Impairment of inventory	_	8
Share of associate's exceptional items	_	3
Tax impact of Hospitality ceasing to be a REIT ²	_	105
Total tax effects of other exceptional items	(1)	(11)
Adjusted headline loss¹	(118)	(633)
Number of shares in issue (millions)	1 478	1 478
Weighted number of shares in issue	1 478	1 233
Basic and diluted headline loss per share (cents)	(8.2)	(63.5)
Basic and diluted adjusted headline loss per share (cents)	(8.0)	(51.4)

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

² Management considers Hospitality ceasing to be a REIT and the resulting recognition of deferred tax balances, in the prior year, 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 prior year's adjusted headline loss measure.

	2022 Rm	2021 Rm
RECONCILIATION OF OPERATING PROFIT/(LOSS) TO EBITDAR		
Ebitdar pre-exceptional items is made up as follows:		
Operating profit/(loss)	168	(656)
Amortisation and depreciation	365	407
Property rentals	3	(22
Long-term incentive expense	10	14
	546	(257
Add/(less): Exceptional ¹ losses/(gains)		
Loss on property, plant and equipment	1	1
Impairment of property, plant and equipment	94	237
Fair value adjustment of investment properties	(55)	99
Gain on disposal of investment in joint venture	_	(355
Impairment of goodwill	_	30
Impairment of inventory	_	8
Impairment relating to IHPL (associate)	_	10
Impairment relating to RBH (associate)	_	5
Pre-opening expenses	_	3
Restructuring costs	4	36
Transaction costs	_	6
Ebitdar	590	(177

¹ The group considers exceptional items to be those that are not within the normal day-to-day operations of the business and sufficiently material or unusual that they would distort the numbers if they were not adjusted. This would include headline adjustments.

6. SEGMENTAL ANALYSIS

In terms of IFRS 8 *Operating Segments*, the Chief Operating Decision Maker (CODM) has been identified as the group's Chief Executive Officer (CEO) and senior management. Management has determined the operating segments based on the reports reviewed by the CODM. There has been no change to the basis of segmentation or to the basis of measurement of segment profit or loss from the annual financial statements apart from an amendment to the way the CODM reviews Rental income – HPF. Following the group's acquisition on 11 March 2021 of 100% interest in Hospitality, and the decrease in rental income due to the decrease in externally managed properties, the CODM has changed the basis of review regarding property rates, taxes and other costs recovered from HPF. The CODM now reviews the Rental income – HPF segment before deducting property rates, taxes and other costs recovered from HPF.

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

- Manco consists of the group's management company division which manages the hotels in South Africa.
- Rental income HPF consists of the rentals received by HPF from the four hotel properties leased to external third-party operators.
- Trading income HPF reflects the trading performance of The Westin Cape Town and Radisson Blu Gautrain Hotel 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. Subsequent to year end the group has decided to dispose of its Southern Sun Ikoyi hotel in Nigeria. Refer to note 44.2 for further details.

The CODM assesses the performance of the operating segments based on Ebitdar (Earnings before interest, income tax, depreciation, amortisation, rent and related IFRS 16 rent adjustment, long-term incentives and exceptional items). The measure excludes the effects of long-term incentives and the effects of non-recurring expenditure. The measure also excludes all headline earning adjustments, impairments and fair value adjustments on non-current and current assets and liabilities. Finance income and finance costs are not included in the results for each operating segment, as this is driven by the group treasury function which manages the cash and debt position of the group.

6. SEGMENTAL ANALYSIS continued

	Revenue ¹		Ebit	dar ²	Ebitdar margin		
	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 %	2021 %	
Manco	139	68	224	(27)	161	(40)	
Rental income – HPF ⁶	68	27	68	27	100	100	
Trading income – HPF4	177	38	(7)	(24)	(4)	(63)	
Internally managed⁵	2 100	904	253	(131)	12	(14)	
Coastal	1 167	429	197	(92)	17	(21)	
Inland	697	334	13	(56)	2	(17)	
Other	236	141	43	17	18	12	
Offshore	318	135	52	(22)	16	(16)	
Internal management fees ³	(94)	(34)	_	_	_	_	
Total	2 708	1 138	590	(177)	22	(16)	

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.

7. REVENUE FROM CONTRACTS WITH CUSTOMERS

The group derives revenue over time, with the exception of food and beverage revenue which is recognised at a point in time, together with its hotel customer reward programmes in terms of which revenue is recognised as the rewards are redeemed or they expire. The group has no contract assets. The table below presents revenue by segment, which excludes other income as these are accounted for under different accounting policies, which are included in the segmental analysis in note 6. Disaggregation of revenue from contracts with customers for the period under review is presented below:

	Rooms revenue recognised over time		recognised at recognised a point in time over time		nised	Revenu exte custo	rnal	
	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Internally managed	1 449	508	629	234	182	203	2 260	945
Coastal	861	302	336	122	96	43	1 293	467
Inland	451	146	234	84	51	104	736	334
Other income	137	60	59	28	35	56	231	144
Manco	-	_	_	_	44	33	44	33
Offshore	192	85	102	35	20	13	314	133
Total	1 641	593	731	269	246	249	2 618	1 111
Reconciliation to segmental analysis in note 6:								
Revenue from contracts with customers per above					2 618	1 111		
Property rental income						90	52	
Rates, taxes and cost recoveries offset against rental income for segmental analysis purposes						purposes	-	(25)
Total income per seg	gmental anal	ysis					2 708	1 138

² Refer reconciliation of operating profit to Ebitdar on page 123.

³ Included in **Manco**.

⁴ This segment reflects the trading performance of The Westin Cape Town and Radisson Blu Gautrain Hotel since the acquisition of their related operating/tenant companies in the prior financial year on 1 October 2020 and 1 November 2020, respectively.

⁵ Trading relating to the Arabella Hotel, Golf & Spa, Mount Grace Hotel & Spa, Hazyview Sun, The Edward and Southern Sun The Marine are included in the **Internally managed** segment as well as Garden Court Victoria Junction which moved from investment properties to owner-occupied property, plant and equipment during the year. Garden Court Victoria Junction was included in the **Rental income – HPF segment** in FY21 (2021: total rental income from the hotel was R6 million).

⁶ Following the group's acquisition of 100% interest in Hospitality, and the decrease in rental income due to the decrease in externally managed properties, the CODM has changed the basis of review regarding property rates, taxes and other costs recovered from HPF. The CODM now reviews the **Rental income – HPF** segment before deducting property rates, taxes and other costs recovered from HPF. Had the segment been reviewed on a similar basis in 2021, the **Rental income – HPF** revenue and Ebitdar would have amounted to R52 million.

	2022 Rm	2021 Rm
REVENUE FROM CONTRACTS WITH CUSTOMERS continued		
Other revenue is made up as follows:		
Management fees revenue	62	35
Parking revenue	10	Ę
Venue hire revenue	21	6
Packaged food	_	Ę
Non-arrival charges	2	4
Other sundry revenue	88	69
Contractual Covid-19-related revenue ¹	63	125
Other revenue	246	249

¹ Comprises Covid-19 contracted business including hotels providing accommodation for sporting events through bio-bubbles such as the Castle Lager Lions Series tour and the Premier Soccer League as well as isolation and quarantine accommodation during the prior comparative period.

	2022 Rm	2021 Rm
PROPERTY AND EQUIPMENT RENTALS Under IFRS 16 Leases		
Short-term leases	13	13
Properties	1	1
Plant, vehicles and equipment	12	12
Variable lease payments not included in lease liabilities	3	(22)
Properties	3	(22)
Total property and equipment rentals	16	(9)
	2022	2021
	Rm	2021 Rm
AMORTISATION AND DEPRECIATION		
Amortisation of intangible assets (note 19)	7	9
Depreciation of property, plant and equipment (note 15)	284	320
Depreciation of right-of-use assets (note 16)	74	78
Total amortisation and depreciation	365	407
	2022	2021
	Rm	Rm
EMPLOYEE COSTS		
Employee costs (including executive director's remuneration):		
Salaries and wages	829	495
Pension – defined contribution plans	7	8
Other post-employment benefits – medical aid (note 32)	-	3
IFRS 2 Share-based Payment – equity-settled (note 35)	10	14
Total employee costs	846	520

	2022 Rm	2021 Rm
OTHER OPERATING EXPENSES		
Auditors' remuneration	20	17
Audit fees – current year	20	16
Tax services	_	1
Advertising, marketing and promotional costs	59	57
External consultants	12	17
Food and beverage costs and operating equipment usage	283	110
Impairment charge for bad and doubtful debts, net of reversals (note 26)	20	1
Information technology-related costs	85	43
Net foreign exchange gains/(loss)	10 370	(2)
Property costs – rates, water and electricity Repairs and maintenance expenditure on property, plant and equipment	103	288 47
Rooms departmental expenses	298	135
Guest supplies	55	12
Guest entertainment	27	12
Laundry	40	16
Housekeeping	53	16
Cleaning	18	5
Other	105	74
Security and surveillance costs	57	44
Other operating expenses	110	52
Loss/(profit) on disposal of property, plant and equipment	1	(1)
Impairment relating to associates	-	15
Insurance	30	13
Commission	3	1
Pre-opening expenses	-	3
Restructuring costs	4	36
Transaction costs	-	5
Inventory write-off	-	8
Fair value adjustment through profit and loss Total other operating expenses	1 465	890
Total other operating expenses	1 403	090
	2022 Rm	2021 Rm
FINANCE INCOME		
FINANCE INCOME	10	00
Interest received from banks	12	30
Finance income – other	3	3
Total finance income	15	33
	2022	2021
	Rm	Rm
FINANCE COSTS		
Finance costs in respect of interest-bearing debt	242	237
Finance costs in respect of lease liabilities (note 31)	128	128
Finance costs – other	3	14
Total finance costs	373	379

			2022 Rm	2021 Rm
INCOME TAX				
Current tax – current year charge			10	17
Current tax – over provision prior year			(2)	(29)
Deferred tax - current year (credit) (note 24)			(10)	(274)
Deferred tax - impact of HPF ceasing to be a REIT (I	note 24)		-	137
Deferred tax – over provision prior year (note 24)			(6)	_
Deferred tax - rate change (note 24)			-	_
Withholding taxes			-	1
Total income tax credit			(8)	(148)
Other comprehensive income				
Tax credit relating to components of other comp		on items	10	(5)
that may be reclassified subsequently to profit of	rioss:	I	16	(5)
Cash flow hedges	nyahanaiya inaam	an itama	16	(5)
Tax charge relating to components of other components are that may not be reclassified subsequently to pro-		e on items		
Remeasurements of post-employment defined				
benefit liability		_	_	
			_	_
Total income tax relating to components of other	er comprehensive	income	16	(5)
	or comprehensive	IIIOOIIIC	10	(0)
		income		(0)
	2022	2022	2021	2021
			-	2021
	2022	2022	2021	2021
Income tax rate reconciliation	2022	2022	2021	2021
Income tax rate reconciliation Loss before income tax and share of profit	2022	2022	2021	2021
Income tax rate reconciliation Loss before income tax and share of profit of associates and joint venture Income tax thereon at 28% (2021: 28%)	2022 Rm	2022	2021 Rm	2021
Income tax rate reconciliation Loss before income tax and share of profit of associates and joint venture Income tax thereon at 28% (2021: 28%) Exempt income/credits:	2022 Rm (190)	2022	2021 Rm (1 002)	2021 %
Income tax rate reconciliation Loss before income tax and share of profit of associates and joint venture Income tax thereon at 28% (2021: 28%) Exempt income/credits: Profits attributable to the HPF non-controlling	2022 Rm (190)	2022	2021 Rm (1 002) (280)	2021 %
Income tax rate reconciliation Loss before income tax and share of profit of associates and joint venture Income tax thereon at 28% (2021: 28%) Exempt income/credits: Profits attributable to the HPF non-controlling interests	2022 Rm (190)	2022	2021 Rm (1 002) (280)	2021 % 28.0
Income tax rate reconciliation Loss before income tax and share of profit of associates and joint venture Income tax thereon at 28% (2021: 28%) Exempt income/credits: Profits attributable to the HPF non-controlling interests Gain on disposal of investment in joint venture	2022 Rm (190)	2022	2021 Rm (1 002) (280)	2021 % 28.0
Income tax rate reconciliation Loss before income tax and share of profit of associates and joint venture Income tax thereon at 28% (2021: 28%) Exempt income/credits: Profits attributable to the HPF non-controlling interests Gain on disposal of investment in joint venture Expenses/debits not deductible for tax purposes:	2022 Rm (190) (53)	2022 %	2021 Rm (1 002) (280) (12) (78)	2021 % 28.0 1.2 7.8
Income tax rate reconciliation Loss before income tax and share of profit of associates and joint venture Income tax thereon at 28% (2021: 28%) Exempt income/credits: Profits attributable to the HPF non-controlling interests Gain on disposal of investment in joint venture Expenses/debits not deductible for tax purposes: Amortisation and depreciation	2022 Rm (190)	2022	2021 Rm (1 002) (280) (12) (78)	2021 % 28.0 1.2 7.8 (3.0
Income tax rate reconciliation Loss before income tax and share of profit of associates and joint venture Income tax thereon at 28% (2021: 28%) Exempt income/credits: Profits attributable to the HPF non-controlling interests Gain on disposal of investment in joint venture Expenses/debits not deductible for tax purposes: Amortisation and depreciation Transaction costs	2022 Rm (190) (53) 13 -	2022 % 28.0 - - (6.8)	2021 Rm (1 002) (280) (12) (78) 30 3	2021 % 28.0 1.2 7.8 (3.0) (0.3)
Income tax rate reconciliation Loss before income tax and share of profit of associates and joint venture Income tax thereon at 28% (2021: 28%) Exempt income/credits: Profits attributable to the HPF non-controlling interests Gain on disposal of investment in joint venture Expenses/debits not deductible for tax purposes: Amortisation and depreciation Transaction costs Foreign tax rate differential	2022 Rm (190) (53)	2022 %	2021 Rm (1 002) (280) (12) (78) 30 3 4	2021 % 28.0 1.2 7.8 (3.0 (0.3 (0.4
Income tax rate reconciliation Loss before income tax and share of profit of associates and joint venture Income tax thereon at 28% (2021: 28%) Exempt income/credits: Profits attributable to the HPF non-controlling interests Gain on disposal of investment in joint venture Expenses/debits not deductible for tax purposes: Amortisation and depreciation Transaction costs Foreign tax rate differential Impairment on property, plant and equipment	2022 Rm (190) (53) 13 -	2022 % 28.0 - (6.8) - (17.4)	2021 Rm (1 002) (280) (12) (78) 30 3	2021 % 28.0 1.2 7.8 (3.0 (0.3 (0.4 (7.5)
Income tax rate reconciliation Loss before income tax and share of profit of associates and joint venture Income tax thereon at 28% (2021: 28%) Exempt income/credits: Profits attributable to the HPF non-controlling interests Gain on disposal of investment in joint venture Expenses/debits not deductible for tax purposes: Amortisation and depreciation Transaction costs Foreign tax rate differential Impairment on property, plant and equipment Other non-deductible items	2022 Rm (190) (53) 13 - 33 -	2022 % 28.0 - - (6.8)	2021 Rm (1 002) (280) (12) (78) 30 3 4 75	2021 % 28.0 1.2 7.8 (3.0 (0.3 (0.4 (7.5 (0.1)
Income tax rate reconciliation Loss before income tax and share of profit of associates and joint venture Income tax thereon at 28% (2021: 28%) Exempt income/credits: Profits attributable to the HPF non-controlling interests Gain on disposal of investment in joint venture Expenses/debits not deductible for tax purposes: Amortisation and depreciation Transaction costs Foreign tax rate differential Impairment on property, plant and equipment Other non-deductible items Withholding taxes	2022 Rm (190) (53) 13 - 33 -	2022 % 28.0 - (6.8) - (17.4)	2021 Rm (1 002) (280) (12) (78) 30 3 4 75 1 1	2021 % 28.0 1.2 7.8 (3.0) (0.3) (0.4) (7.5) (0.1) (0.1)
Income tax rate reconciliation Loss before income tax and share of profit of associates and joint venture Income tax thereon at 28% (2021: 28%) Exempt income/credits: Profits attributable to the HPF non-controlling interests Gain on disposal of investment in joint venture Expenses/debits not deductible for tax purposes: Amortisation and depreciation Transaction costs Foreign tax rate differential	2022 Rm (190) (53) 13 - 33 -	2022 % 28.0 - (6.8) - (17.4)	2021 Rm (1 002) (280) (12) (78) 30 3 4 75 1	

	Land and buildings Rm	Lease- hold improve- ments Rm	Properties under con- struction Rm	Plant and equip- ment Rm	Operating equip- ment Rm	Total Rm
PROPERTY, PLANT AND EQUIPMENT Year ended 31 March 2022						
Opening net carrying amount Additions	7 485 22	369 -	- 1	1 028 11	224 6	9 106 40
Disposals and operating equipment usage Depreciation charge Impairments	(1) (143) (94)	- (25)	- -	(2) (116)	(12) -	(15) (284) (94)
Transfers from investment property ¹ Other transfers Currency translation	169 - (39)	-	- (1)	4 1 (7)	- - (2)	173 - (48)
Closing net carrying amount	7 399	344		919	216	8 878
At 31 March 2022 Cost Accumulated depreciation	9 340 (1 941)	666 (322)	- - -	2 679 (1 760)	216	12 901 (4 023)
Net carrying amount	7 399	344	_	919	216	8 878
Year ended 31 March 2021 Opening net carrying amount Additions	5 854 29	400 -	- 4	1 056 28	244 1	7 554 62
Disposals and operating equipment usage Depreciation charge Impairments	(1) (151) (237)	- (31) -	- - -	- (138) -	(11) - -	(12) (320) (237)
Transfers from investment property ¹ Other transfers Currency translation	2 337 1 (347)	- - -	- (1) (3)	152 - (70)	- - (10)	2 489 - (430)
Closing net carrying amount	7 485	369	_	1 028	224	9 106
At 31 March 2021 Cost Accumulated depreciation	9 337 (1 852)	666 (297)		2 758 (1 730)	224	12 985 (3 879)
Net carrying amount	7 485	369		1 028	224	9 106
At 31 March 2020 Cost Accumulated depreciation	7 319 (1 465)	666 (266)	_ _ _	2 718 (1 662)	244	10 947 (3 393)
Net carrying amount	5 854	400	_	1 056	244	7 554

¹ The transfers from investment property to property, plant and equipment represent the transfer of the Garden Court Victoria Junction in the current year and The Westin Cape Town, Radisson Blu Gautrain Hotel, Mount Grace Hotel & Spa, Southern Sun The Marine, Hazyview Sun and Arabella Hotel, Golf & Spa in the prior year.

15. PROPERTY, PLANT AND EQUIPMENT continued

The group reassessed the useful lives of property, plant and equipment during the year. Changes in useful lives and residual values are not considered significant estimates and judgements as any changes in useful lives and residual values have historically been gradual and any adjustments made, where necessary, have not been significant. The group also reviewed the residual values of property, plant and equipment during the year and the impact resulted in a decrease in depreciation of R12 million (2021: R7 million).

Management has assessed the group's property, plant and equipment for impairment by reviewing the cash flow forecasts, which we believe still adequately reflect the negative impact of Covid-19 on cash flows generated by the underlying hotels for the financial years ending March 2023 and 2024; as well as various technical inputs including the 10Y bond yield, of 9.5% as at 31 March 2022, which has remained unchanged from the prior year.

The impairment test was performed by reviewing the cash flow forecasts for the period FY23 to FY27. 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". The recoverable amount has been determined as the higher of value in use and the fair value less costs to sell using a discounted cash flow model (DCF). The discount rate utilised in the valuation ranges between 13.0% and 14.5% (2021: 13.5% and 14.0%) for the South African hotels and ranges between 7.2% and 14.8% (2021: 9.7% and 17.5%) for the offshore properties. The decrease in the discount rate is mainly driven by the decrease in the in-country risk premium, should the premium increase, this would result in a lower recoverable amount and an increased impairment. The terminal growth rate applied for the offshore properties is 2.5% (2021: 1.7%) and 4.0% (2021: 4.5%) for the South African properties.

Based on these factors, management is of the view that the carrying values of property, plant and equipment are fairly stated at 31 March 2022 and, with the exception of Southern Sun Ikoyi, no further impairments or reversals of impairments are required. As a result of the delayed recovery due to lockdown restrictions and the continued depreciation of the Naira against the US Dollar, the group impaired Southern Sun Ikoyi by R94 million.

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

	2022 Rm	2021 Rm
Garden Court Eastgate	_	13
Southern Sun Hyde Park	_	22
Southern Sun Rosebank	-	5
Holiday Inn Sandton	-	27
Internally managed – Inland	-	67
The Edward	-	11
Garden Court uMhlanga	_	1
Southern Sun The Marine	-	2
Internally managed – Coastal	-	14
The Westin Cape Town – Trading income HPF	-	12
Southern Sun Ikoyi ²	94	35
Southern Sun Dar es Salaam	_	3
Southern Sun Ridgeway ¹	-	106
Offshore	94	144
Total	94	237

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

² The impairment of Southern Sun Ikoyi is driven by the reduced net cash flows due to lockdown restrictions and the continued depreciation of the Naira against the US Dollar. The discount rate decreased to 10.55% from 10.91% in the prior year. A 1% increase in the discount rate would result in a R61 million increased impairment and a 1% decrease in the discount rate would result in a reduced impairment of R79 million.

15. PROPERTY, PLANT AND EQUIPMENT continued

Sensitivities

The table below indicates the sensitivities of the aggregate recoverable amounts of property, plant and equipment, detailed in the table on page 129, 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:

	2022		202	1
	Increase Rm	Decrease Rm	Increase Rm	Decrease Rm
5% change in the net cash flows	130	(130)	154	(154)
25bps change in the terminal growth rate	38	(36)	33	(36)
50bps change in the discount rate	(125)	136	(129)	137

The inputs used to calculate the recoverable amounts are sensitive to change and any negative movements would result in impairments and any positive movements may result in reversals of impairments. The values disclosed in the sensitivities tables above would approximate the potential impairment or reversal of impairments.

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 (2021: R1 million).

	2022 Rm	2021 Rm
Rental income from property leases under IFRS 16 Fixed	1 1	1
Rental income (included in Revenue note 7)	1	1

16. RIGHT-OF-USE ASSETS

Lease rental contracts include hotel property leases typically for fixed periods of 20 years to 30 years, but may have extension options. 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.

2022

2021

16. RIGHT-OF-USE ASSETS continued

	Buildings Rm	Total Rm
Year ended 31 March 2022		
Opening balance	1 045	1 045
Depreciation	(74)	(74)
Modification	14	14
Currency translation	(1)	(1)
Closing net carrying amount	984	984
At 31 March 2022		
Cost	1 194	1 194
Accumulated depreciation	(210)	(210)
Net carrying amount	984	984
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

		Rm	Rm
17.	INVESTMENT PROPERTIES		
	Opening net carrying amount	1 561	4 149
	Acquisition and development of investment properties	7	1
	Disposals	_	(1)
	Transfer of owner-occupied property ¹	(173)	(2 489)
	Fair value adjustments recognised in profit or loss	55	(99)
	Closing net carrying amount	1 450	1 561

¹ The transfers from investment property to property, plant and equipment in the current year relate to the Garden Court Victoria Junction and the prior year represents the transfer of The Westin Cape Town, Radisson Blu Gautrain Hotel, Arabella Hotel, Golf & Spa, Mount Grace Hotel & Spa, Hazyview Sun, The Edward and Southern Sun The Marine.

17. INVESTMENT PROPERTIES continued

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 2022, 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.

Basis of preparation of cash flow forecasts

The Covid-19 pandemic has had a significant impact on the hospitality sector, with multiple waves prompting continuous restrictions in travelling and conferencing to curb the rate of infection. Consequently, the recovery period in the sector has been repeatedly delayed; however, there are positive signs that the severity of Covid-19 is declining with each wave and as vaccination numbers increase or immunity improves, it is unlikely that a return to more stringent restrictions will be required. 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 notel prepared a detailed budget for FY23 assuming a slow return of domestic and international corporate business during FY23H1 and volumes increasing steadily into FY23H2 as foreign inbound travel volumes increase ahead of the summer season. The budget assumes no further Covid-19-related lockdown restrictions and that the corporate, conferencing and international segments have normalised somewhat, to reach pre-Covid-19 occupancy levels by FY25. Occupancies for the group's owned hotel portfolio including offshore are assumed to increase from 30.6% currently to 45.7% in FY23, increasing to 58.5% 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 5.5% between FY23 and FY25. 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 the maximum occupancy for the majority of the hotels in the portfolio was the group's long-term average of 68% unless they have historically traded better. Operating expenses were escalated by CPI except for utilities, which escalate by 10% per annum. Payroll costs were escalated by CPI +1.5%. 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 remained flat at 9.5% at 31 March 2022 when compared to the prior year (31 March 2021: 9.5%). The independent valuer has again taken a conservative view on the discount rate and terminal capitalisation rates, supported by management, which has resulted in higher discount rates being maintained in the current year, in line with rates used in the prior year. As a consequence of the various inputs applied for individual hotels, fair values of certain properties increased while others decreased, but the aggregate fair value of the total portfolio increased by 4%.

As at 31 March 2022 the significant unobservable inputs were as follows:

- A weighted average rental growth rate of 32.0%* (2021: 28.0%);
- A terminal capitalisation rate of 9.0% 12.0% (2021: 9.0% 12.0%); and
- A risk-adjusted discount rate of 13.0% 14.5% (2021: 12.0% 14.5%).
- * The weighted average rental growth rate calculated at 32.0% is as a result of the initial recovery in Ebitdar in year one and two from the low, and in some instances, negative Ebitdar base due to the impact of the Covid-19 pandemic. From year three, most of the Ebitdar growth rates are in line with the long-term growth rate of 5%.

17. INVESTMENT PROPERTIES continued

Sensitivities

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

	2022		2021	
	Increase Rm	Decrease Rm	Increase Rm	Decrease Rm
5% change in the net cash flows	73	(73)	77	(76)
25bps change in the terminal capitalisation rate	(14)	14	(20)	20
50bps change in the discount rate	(40)	42	(51)	54

The investment properties are hotels leased to tenants under operating leases with rentals payable monthly. Rental income is based on fixed, fixed and variable and variable lease agreements concluded with tenants. The majority of the leases are fixed and variable with the fixed rental amounts resetting after a number of years.

Amounts recognised in profit or loss for investment properties:

	2022 Rm	2021 Rm
Rental income from investment property operating leases under IFRS 16:	89	51
Fixed	36	51
Variable	53	_
Rental income (included in Revenue note 7)	89	51
Direct operating expenses from property that generated rental income (note 7)	_	25

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:

	2022 Rm	2021 Rm
Not later than one year	33	12
Between one and two years	_	11
Between two and three years	_	7
Between three and four years	_	7
Between four and five years	_	7
Later than five years	_	5
	33	49

The Garden Court Victoria Junction was transferred from investment property to property, plant and equipment during the year.

		2022 Rm	2021 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 reportable segment level. A summary of the goodwill allocation is as follows:

	2022 Rm	2021 Rm
Internally managed	347	347
SUN1 Hotels Proprietary Limited (included in Other segment)	254	254
The Cullinan Hotel 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).

The key assumptions used for value-in-use calculations are as follows:

- Ebitdar margin management determined budgeted gross Ebitdar margin based on past performance and its expectations of market developments;
- Long-term growth rate cash flows beyond the first five-year period are extrapolated using estimated long-term growth rates in order to calculate the terminal recoverable amount. The growth rate estimations consider risks associated with the hospitality industry in which the CGUs operate; and
- **Discount rate** the discount rate is calculated by using the discount rate of the respective CGUs. Discount rates are calculated using a bond risk-free rate and an equity premium adjusted for specific risks relating to the relevant operating segments.

The following assumptions have been used for the analysis of the CGUs within the operating segments:

		2022			2021	
	Ebitdar margin %	Long-term growth rate %	Discount rate pre-tax %	Ebitdar margin %	Long-term growth rate %	Discount rate pre-tax %
Internally managed ¹	32.7 – 37.8	4.0	13.0	19.4 – 36.6	4.5	13.4

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 35.5% (2021: 36.6%), Cullinan Hotels Proprietary Limited 37.8% (2021: 23.7%) and Southern Sun Hotel Interests Proprietary Limited 32.7% (2021: 19.4%).

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.

18. GOODWILL continued

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

	SUN1 Proprietary Limited pp	Cullinan Hotels Proprietary Limited pp	Southern Sun Hotel Interests Proprietary Limited pp
Increase in the discount rate	1.8	>100.0	36.0
Decrease in the growth rate	2.7	>100.0	>100.0
Decrease in Ebitdar margin	12.2	24.7	10.4

		Computer software Rm	Other Rm	Total Rm
_	ER INTANGIBLE ASSETS nded 31 March 2022			
Openin	g net carrying amount	17	37	54
Addition	• • •	1	-	1
Amortis	sation charge	(5)	(2)	(7)
Closing	g net carrying amount	13	35	48
At 31 N	March 2022			
Cost		66	55	121
Accum	ulated amortisation	(53)	(20)	(73)
Net ca	rrying amount	13	35	48
Year e	nded 31 March 2021			
Openin	g net carrying amount	16	40	56
Addition	ns	6	_	6
Transfe		1	_	1
Amortis	sation charge	(6)	(3)	(9)
Closing	g net carrying amount	17	37	54
At 31 N	March 2021			
Cost		65	55	120
Accum	ulated amortisation	(48)	(18)	(66)
Net ca	rrying amount	17	37	54
At 31 N	March 2020			
Cost		58	54	112
Accum	ulated amortisation	(42)	(14)	(56)
Net ca	rrying amount	16	40	56

Other intangible assets include management contracts with a book value of R17 million (2021: R17 million) and trademarks with a book value of R18 million (2021: R20 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:

Unlieted

- 25.9% (2021: 25.9% in International Hotel Properties Limited (IHPL)) in IHL Holdco Limited (IHL Holdco), incorporated in the British Virgin Islands. IHL Holdco will pursue hotel acquisition opportunities in the United Kingdom and Europe with the hotels to be managed by RBH Hotel Group Limited. The company has a 31 December year end; however, trading results for the 12 months ended 31 March are included in the consolidated financial results.
- 26.4% (2021: 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.

In December 2021, International Hotel Properties Limited (IHPL) underwent an organisational restructuring which resulted in the group exchanging its 25.9% interest in IHPL for a 25.9% interest in IHL Holdco (IHPL's ultimate holding company) and assigning all shareholder loans previously advanced to IHPL to IHL Holdco. This share exchange resulted in no material gain or loss for the group. The organisational restructure was to facilitate the refinancing of IHPL's debt package. The group opted not to participate in the refinancing given cash constraints at the time and as a result, IHL Holdco's majority shareholder RDI Hotel Group advanced the total shareholder proportion of IHL's refinancing, R33 million of which was on the group's behalf (refer to note 26 and note 37).

	2022 Rm	2021 Rm
At 1 April	305	446
Impairment of associate	-	(15)
Share of profit/(loss) after tax and other interests of associates	26	(125)
Associate now classified as subsidiary due to change in control	_	(1)
Dividends received	(5)	_
Other	(1)	_
At 31 March	325	305
Made up as follows:		
Unlisted	325	305
At 31 March	325	305

Summarised financial information for associates, which the directors consider to be material to the group, on a 100%-ownership basis after adjustments to comply with the group's accounting policies, is as follows:

	RBH Hotel Group		IHL Holdco	International Hotel Properties
	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Summarised balance sheets Total non-current assets Total current assets	24 237	37 132	2 367 94	2 488 55
Total assets	261	169	2 461	2 543
Total non-current liabilities Total current liabilities	238	_ 289	1 324 274	548 1 111
Total liabilities	238	289	1 598	1 659
Net assets/(liabilities)	23	(120)	863	884
Summarised statement of comprehensive (loss)/income Revenue Profit/(loss) from operations	630 55	992 (45)	40 43	15 (456)
Profit/(loss) for the year and total comprehensive income	55	(45)	43	(456)

20. INVESTMENTS IN ASSOCIATES continued

A reconciliation of the summarised financial information to the carrying amount of the group's interests in its associates is as follows:

	RBH Hotel Group		IHL Holdco	International Hotel Properties
	2022	2021	2022	2021
	Rm	Rm	Rm	Rm
Opening net assets attributable to owners	(120)	(25)	884	1 418
Profit/(loss) for the year	55	(45)	43	(456)
Foreign currency translation reserve	88	(50)	(63)	(78)
Total comprehensive income/(loss)	23	(120)	864	884
Dividends paid	(20)	-	-	-
Closing net assets/(liabilities) attributable to owners Interest in associate (%) Interest in associate Intangible assets Goodwill Impairment ¹ Translation	3	(120)	864	884
	26.4	26.4	25.9	25.9
	1	(32)	224	229
	71	71	-	-
	25	30	31	41
	-	(5)	-	(10)
	24	48	(51)	(67)
Carrying value of investments in associates	121	112	204	193

¹ During FY21, 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. Subsequently, hotel trading in the UK has recovered quickly, particularly in the regional markets. By discounting the future cash flows expected to be generated by these investments at a discount rate of 7.2% (2021: 7.0%), the resulting recoverable amount of the investments indicated no impairment for the current financial year (2021: R15 million).

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 the Seychelles.

	2022 Rm	2021 Rm
At 1 April	_	124
Share of loss after tax and other interests of joint ventures	_	(3)
Foreign exchange difference	_	(10)
Disposal of joint venture	_	(111)
At 31 March	-	_

In the prior year the group disposed of its 50% interest in the Maia Luxury Resort & Spa for aggregate proceeds of US\$27.8 million or approximately R467 million.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets designated at fair value through profit or 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.

	2022 Rm	2021 Rm
Investment in RDI REIT	-	3
	-	3

An agreement was reached between Starwood Funds and RDI REIT where Starwood Funds will acquire the entire issued share capital of RDI REIT for a cash consideration. The group share amounted to R2 million. The transaction has been concluded and the RDI REIT shares were delisted from the London Stock Exchange's main market on 6 May 2021.

In the prior year the fair value of the listed equity instruments was determined using the quoted price available for the instruments as at 31 March 2021 and the investment was remeasured to R3 million. The fair value adjustment was recognised in profit or loss and is disclosed in note 11.

	2022 Rm	2021 Rm
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.

		2022 Rm	2021 Rm
24.	DEFERRED INCOME TAX The gross movement on the deferred tax account is as follows:		
	Net deferred tax (asset)/liability at 1 April	(41)	91
	Income statement credit (note 14)	6	(137)
	Acquisition of business	_	(3)
	Prior year adjustment	(6)	_
	Currency translation	5	8
	Net deferred tax asset at 31 March	(36)	(41)

24. **DEFERRED INCOME TAX** continued

The movement in deferred tax assets and liabilities during the year, without taking into account the offsetting of balances of entities within the group, is as follows:

	Accelerated tax allowances Rm	Other assets ¹ Rm	Provisions and accruals Rm	Deferred revenue Rm	Tax Iosses Rm	Total Rm
Deferred tax liabilities						
Balance at 1 April 2020	481	(85)	(227)	(5)	11	175
Income statement expense/(credit)	318	(22)	(5)	_	(215)	76
Acquisition of business	_	(3)	_	_	_	(3)
Currency translation	8	_		_	_	8
Balance at 31 March 2021	807	(110)	(232)	(5)	(204)	256
Income statement expense/(credit)	(43)	13	84	_	(37)	17
Prior year adjustment	(6)	_	_	_	_	(6)
Rate adjustment due to 1% decrease	(4.4)	(0)			4.0	(4.0)
in company income tax rate	(14)	(6)	_	_	10	(10)
Currency translation	5		_	_		5
Deferred tax liability at 31 March 2022	749	(103)	(148)	(5)	(231)	262
Deferred tax assets						
Balance at 1 April 2020	11	(31)	(19)	(3)	(42)	(84)
Income statement (credit)/expense	(83)	(27)	26	1	(130)	(213)
Balance at 31 March 2021	(72)	(58)	7	(2)	(172)	(297)
Rate adjustment due to 1% decrease						
in company income tax rate	(5)	7	4	_	4	10
Income statement (credit)/expense	(16)	(23)	(5)	(1)	34	(11)
Deferred tax asset at 31 March 2022	(93)	(74)	6	(3)	(134)	(298)
Total net deferred tax						
liability/(asset)	656	(177)	(142)	(8)	(365)	(36)

¹ Includes investment property and prepaid expenditure.

Deferred tax assets of R298 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 gradual recovery in trading following the impact of Covid-19 on various operations, as well as the proposed separation agreement between SSHI and Tsogo Sun Gaming Limited (TSG) will assist in the accelerated utilisation of the assessed losses. For further details on the basis of preparation of these cash flow forecasts, refer to note 17.

		2022 Rm	2021 Rm
25.	INVENTORIES		
	Food and beverage	25	21
	Operating equipment	5	2
	Consumable stores	39	39
		69	62
	Inventory costs recognised in Other operating expenses (note 11):		
	Inventory written off ¹	_	8
	Cost of food and beverage and consumable stores	283	110
	Cost of operating equipment	12	9

¹ In the prior year the write-off of food and beverage was mainly as a result of the impact of Covid-19 and the resultant closure of hotels.

		2022 Rm	2021 Rm
26.	TRADE AND OTHER RECEIVABLES		
	Financial instruments		
	Financial assets measured at amortised cost		
	Trade receivables – net	218	110
	Trade receivables – gross	268	154
	Trade receivables – loss allowance	(50)	(44)
	Deposits	79	73
	IHPL loan ¹	_	32
	IHL Holdco loan ¹	65	_
	Tenant loan	3	56
	Other receivables	37	25
		402	296
	Non-financial instruments		
	Prepayments	51	47
	VAT receivable	17	22
		68	69
	Total trade and other receivables	470	365

¹ The change in the borrower from IHPL to IHL Holdco is due to the organisational restructuring which resulted in the group exchanging its 25.9% interest in IHPL for a 25.9% interest in IHPL Holdco (IHPL's ultimate holding company) and assigning all shareholder loans previously advanced to IHPL to IHL Holdco. Refer to note 20.

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.

26. TRADE AND OTHER RECEIVABLES continued

Trade receivables continued

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 2022, 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 2022 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. Large TMCs have a carrying amount of R102 million (2021: R46 million) and the group has raised a provision of R16 million (2021: R2 million) relating to large TMCs' debtors. As reflected in the loss allowance table for large TMC and Hospitality debtors on page 142, the total expected loss rate has decreased from the prior year. This can be attributed to the recovery in the travel and tourism industry in South Africa as lockdown regulations eased and the severity of Covid-19 disease declined. Both of these factors contributed to a marked improvement in sentiment with guests becoming more confident to travel as the year progressed. Consequently, as the travel and tourism industry recovers from the impact of Covid-19, so does the recoverability of debtors balances due to the group from large TMC and Hospitality debtors.

Hospitality debtors have a carrying value of R42 million (2021: R27 million) and are considered to be lower risk as they are related to rental income which is mostly current. Rentals are due in advance and are current, 30 days or less. Historically, there have not been material impairments of Hospitality debtors, however, as a consequence of Covid-19, the group has raised a provision of R6 million (2021: R19 million) relating to Hospitality debtors. Customers comprise lessees paying rent to occupy hotel buildings.

26. TRADE AND OTHER RECEIVABLES continued

Trade receivables continued

Debtor loss allowance calculated under the provision matrix continued

On this basis the loss allowance as at 31 March 2022 was determined as follows for trade receivables:

	Current – performing Rm	30 to 60 days past due Rm	60 to 90 days past due Rm	More than 90 days past due Rm	Total Rm
Large South African TMCs and Hospitality debtors:					
Expected loss rate (%)	7.6	15.2	14.1	63.3	15.1
Gross carrying amount	94	32	4	14	144
Loss allowance	7	5	1	9	22
Other remaining South African debtors ¹ (excluding large TMCs and specifically identified debtors):					
Expected loss rate (%)	2.8	44.7	3.6	89.5	22.3
Gross carrying amount	60	9	3	15	87
Loss allowance	1	4	_	14	19

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	34.2
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	10.8
Gross carrying amount	20	7	2	8	37
Loss allowance	1	1	_	2	4

 $^{^{\}rm 1}$ Includes small TMCs, sporting bodies, government departments and corporate accounts.

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).

	2022 Rm	2021 Rm
Gross carrying amount	4	10
Loss allowance in respect of specific trade debtors	4	10

Specific debtors provided for completely amounted to R4 million (2021: R10 million). During the year specific debtors (stage 3) amounting to R8 million (2021: R2 million) were impaired as non-collectible.

26. TRADE AND OTHER RECEIVABLES continued

Trade receivables continued

Offshore debtors

The loss allowance has been established as follows:

	Current – performing Rm	30 to 60 days past due Rm	60 to 90 days past due Rm	More than 90 days past due Rm	Total Rm
Offshore debtors 31 March 2022: Expected loss rate (%) Gross carrying amount Loss allowance	3.5 27 2	0.1 1 -	0.2 1 -	88.0 4 3	14.4 33 5
Offshore debtors 31 March 2021: Expected loss rate (%) Gross carrying amount Loss allowance	3.6 28 1	4.7 1 -	7.7 1 -	75.0 4 3	11.8 34 4

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

	2022 Rm	2021 Rm
At 1 April	44	49
Provision for receivables impairment	19	9
Impaired as non-collectible	(13)	5
Unused amounts reversed		(16)
Currency translation	_	(3)
At 31 March	50	44

As at 31 March 2022 the stage 2 debtors gross amount amounted to R81 million (2021: R76 million). During the year, stage 2 debtors amounting to R5 million (2021: R5 million) were written off as non-collectible, however, the group continues on an ongoing basis to recover any amounts written off where possible and unused provisions of Rnil (2021: R16 million) were reversed. The balance of R8 million relates to stage 3-specific debtors detailed above.

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:

	2022 Rm	2021 Rm
SA Rand	341	305
Nigerian Naira	11	1
Great Britain Pound	65	32
US Dollar	25	9
Mozambican Metical	12	10
Tanzanian Shilling	2	3
Kenyan Shilling	_	_
Seychelles Rupee	10	_
Zambian Kwacha	4	4
United Arab Emirates Dirham	_	1
	470	365

	2022 Rm	2021 Rm
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents measured at amortised cost		
Current accounts	216	847
Call and fixed deposit accounts	387	70
Money market account	102	_
Cash	2	1
Gross cash and cash equivalents ¹	707	918
Less: Bank overdrafts included in borrowings (note 30) ¹	(42)	(511)
Net cash and cash equivalents per cash flow statement	665	407
Gross cash and cash equivalents are denominated in the following currencies:		
SA Rand	625	877
Nigerian Naira	37	16
Great British Pound	_	_
US Dollar	19	14
Mozambican Metical	5	4
Tanzanian Shilling	_	1
Seychelles Rupee	2	_
Zambian Kwacha	2	1
United Arab Emirates Dirham	6	2
Euro	11	3
	707	918

¹ There is a master netting arrangement in place, however, the gross positive cash balances of R707 million (2021: R918 million) and bank overdrafts of R42 million (2021: R511 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 insignificant.

		Number of ordinary shares '000	Net number of shares '000	Ordinary share capital Rm	Total Rm
28.	ORDINARY SHARE CAPITAL AND PREMIUM				
	At 1 April 2020 Issue of shares	1 060 896 417 010	1 060 896 417 010	4 642 691	4 642 691
	At 31 March 2021 Issue of shares	1 477 906 -	1 477 906 -	5 333 -	5 333
	At 31 March 2022	1 477 906	1 477 906	5 333	5 333

The total authorised number of ordinary shares is 2 000 000 000 (2021: 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.

		Share capital reserve Rm	Trans- actions with non- controlling interests Rm	Cash flow hedge reserve Rm	Foreign currency translation reserve Rm	Share- based payments Rm	Common control reserve Rm	Total Rm
29.	OTHER RESERVES Balance at 1 April 2020 Cash flow hedges	(52) -	1 298 -	(21) (1)	243	52 -	(921) –	599 (1)
	Cash flow hedges fair value adjustments Deferred tax on cash flow hedges fair value adjustments	_	_	(6) 5	_	_		(6) 5
	Currency translation adjustments Acquisition of NCI in HPF Share-based payments	-	- 1 465		(272)		_ _ _	(272) 1 465
	charge		_	_	_	14	_	14
	Balance at 31 March 2021 Cash flow hedges	(52)	2 763 -	(22) 40	(29)	66 -	(921) -	1 805 40
	Cash flow hedges fair value adjustments Deferred tax on cash flow	-	-	56	-	-	-	56
	hedges fair value adjustments	_		(16)				(16)
	Currency translation adjustments	-	-	-	(27)	-	-	(27)
	Share-based payments charge	-	-		_	10	_	10
	Balance at 31 March 2022	(52)	2 763	18	(56)	76	(921)	1 828

	2022 Rm	2021 Rm
INTEREST-BEARING BORROWINGS		
Borrowings are made up as follows:		
Financial liabilities measured at amortised cost ²		
Bank borrowings	1 798	1 780
Corporate bonds (Domestic Medium-term Note Programme) Bank overdrafts	1 700 42	1 700 511
Bally ovoidiate	3 540	3 991
Less: Facility raising fees	(3)	(4)
, ,	3 537	3 987
Analysed as:		
Non-current portion	3 495	2 991
Current portion	42	996
	3 537	3 987
Secured	3 540	3 991
Unsecured	-	_
	3 540	3 991
The following represents the carrying amount of the security for these borrowings:		
Property, plant and equipment (note 15)3	6 698	6 712
Investment properties (note 17) ¹	1 450	1 561
Pledge of cash in bank accounts (note 27)	665	407
Trade receivables (note 26)	218	110
	9 031	8 790
The carrying amounts of the group's borrowings are denominated in the following currencies:		
SA Rand	2 872	3 237
US Dollar	638	724
Mozambican Metical	27	26
	3 537	3 987
The group has the following committed direct facilities excluding bank overdrafts (from banks and corporate bonds):		
Expiring within one year	320	1 096
Expiring beyond one year	4 487	3 837
	4 807	4 933
Undrawn facility of committed direct bank borrowings	1 309	1 453
Weighted average effective interest rates (including cash held in call accounts)	7.2%	8.0%

¹ Investment properties represent the value of the properties in HPF, leased to external third-party operators, over which mortgage bonds have been registered and pledged as security to the lenders for the HPF debt included in borrowings. During the year, investment properties which were pledged to lenders as security over HPF's borrowings, with a carrying value of R173 million (2021: R2 489 million) were transferred from

30.

investment properties to property, plant and equipment.

Refer to note 45.1(c) relating to the terms of the interest-bearing borrowings.

Includes properties owned by HPF and leased and managed by Southern Sun Hotel Interests Proprietary Limited and pledged as securities for the HPF borrowings. On consolidation these properties are accounted for as part of the carrying amount of property, plant and equipment (both companies being subsidiary companies of the group).

30. INTEREST-BEARING BORROWINGS continued

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments and is within level 3 of the fair value hierarchy. The fair values of long and medium-term borrowings are based on cash flows discounted using commensurate variable rates chargeable by SA Rand lenders of the above loans ranging between 5.87% and 6.75% (2021: 5.10% and 6.68%). The fair value of long and medium-term loans using variable rates by US Dollar currency lenders were calculated using ranges between 2.52% and 3.57% (2021: 2.55% and 3.15%) and 18.35% (2021: 12.90%) for those relating to the Mozambican Metical currency loan. All borrowings bear interest at floating rates.

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

	Carrying amount		Fair value	
	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Bank borrowings Corporate bonds (Domestic Medium-term	1 798	1 780	1 797	1 789
Note Programme)	1 700	1 700	1 647	1 647
	3 498	3 480	3 444	3 436

	2022 Rm	2021 Rm
LEASE LIABILITIES AND COMMITMENTS		
Opening balance	1 360	1 037
Finance costs	128	128
Modification of lease contract	14	40
Additions	_	278
Lease payments	(122)	(89
Rent concessions	(20)	(39
Other	_	(
Closing net carrying amount	1 360	1 36
Lease liabilities		
Lease liabilities recognised in the balance sheet are analysed as:		
Non-current portion	1 349	1 34
Current portion	11	1
	1 360	1 36
Total cash flows in respect of leases:		
Principal portion of the lease liabilities (included in cash flows from	10	
financing activities)	10	
Interest portion of the lease liabilities (included in finance costs cash flows)	112	8
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)	16	(
Total cash outflow for leases	138	8

31. LEASE LIABILITIES AND COMMITMENTS continued

The group leases various hotel properties including the Garden Court Marine Parade, Garden Court Nelson Mandela Boulevard, Cape Town City Bowl Complex, Southern Sun Cape Sun, Sandton Sun, Sandton Towers 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. These include the Garden Court Marine Parade, Cape Town City Bowl Complex and the Sandton Consortium hotels. 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 in the 2021 financial year.

Only the rent concession relating to the Sandton Consortium leases was still applicable during the 2022 financial year and had the effect of reducing rental expenses and lease liabilities by R20 million.

During the year, the rent concession relating to the Sandton Consortium leases was extended beyond the 30 June 2022 date allowed in terms of applying the practical expedient. The change to the consideration of the leases was assessed and resulted in a modification of the leases which increased the finance lease liability and the right-of-use asset by R14 million.

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 (2021: Rnil). The same increase in revenue would increase total lease payment by approximately R0.6 million (2021: R0.3 million).

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

31. LEASE LIABILITIES AND COMMITMENTS continued

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.

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:

	2022 Rm	2021 Rm
Not later than one year	2	_
Later than one year and not later than five years	_	_
Later than five years	-	_
	2	_

The group has no leases not yet commenced but committed nor does it have sale and leaseback transactions. None of the group's leases imposes covenants or restrictions on the group's performance.

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.

32. POST-EMPLOYMENT BENEFITS continued

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 2022			
At 1 April 2021	28	(31)	(3)
Other post-employment benefits - medical aid	_	_	_
Expected return on plan assets	_	(3)	(3)
Expected benefit payments from plan assets	(3)	3	-
Interest expense/(income)	3	_	3
Remeasurement through SOCI	(1)	2	1
Gain from change in financial assumptions	(1)	_	(1)
Return on plan assets	_	2	2
At 31 March 2022	27	(29)	(2)

	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)

The present value of the obligation is R27 million (2021: R28 million) and the fair value of the plan assets is R29 million (2021: R31 million).

The principal actuarial assumptions used for the valuation were:

	2022 %	2021 %
Discount rate	10.4	10.0
Healthcare cost inflation	7.9	7.6
Expected return on plan assets	10.4	10.0
Remuneration inflation	7.4	7.1

32. POST-EMPLOYMENT BENEFITS continued

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 2022 and 2021.

The expected long-term rate of return on medical aid assets of 10.4% (2021: 10.0%) 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 10.4% (2021: 10.0%) 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 2022 (2021: Rnil).

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

	2022 Rm	2021 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:

	2022 Rm	2021 Rm
Net liabilities: Interest rate swaps – cash flow hedges	13	69
Less: Current portion liability (net)	(9)	(10)
Non-current portion liability (net)	4	59
Net liabilities are made up as follows:		
Asset	-	_
Liability	13	69
Net liability	13	69

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 45.1(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 6.2% to 7.2% as at 31 March 2022 referenced against the three-month JIBAR of 4.4% (2021: 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%).

33. DERIVATIVE FINANCIAL INSTRUMENTS continued

The fair value of the group's derivatives used for hedge accounting is a liability of R13 million (31 March 2021: R69 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.

The following long-term borrowings have been identified as the hedged items:

		Facility 2022	
Hedge item	Total Rm	Utilisation Rm	Available Rm
Term facilities maturing 31 March 2024*	600	600	_
RCF loan facility maturing 30 April 2023*	250	230	20
Term facilities maturing 31 August 2023*	500	500	_
Revolving credit facilities maturing 19 December 2023*	500	200	300
Term facilities maturing 31 March 2024	300	300	-
Term facilities maturing 30 September 2024	800	800	-
	2 950	2 630	320

^{*} Refer to note 45.1(c) relating to the terms of the hedged items and to note 30 for the variable rates hedged.

The notional amounts and terms of the outstanding effective interest rate swap contracts (hedged instruments) at 31 March were:

	2022 Rm	2021 Rm
Absa – With a fixed rate of 7.24% maturing 30 June 2022 ¹ Absa – With a fixed rate of 7.42% maturing 31 March 2022 ² Nedbank – With a fixed rate of 7.16% maturing 31 March 2023 RMB – With a fixed rate of 6.69% maturing 30 September 2024	500 300 300 500	500 300 300 500
	1 600	1 600

¹ The group replaced this hedge with a forward-starting R300 million vanilla interest rate swap commencing on 1 July 2022 and maturing on 30 September 2024 at a fixed interest rate of 6.18%.

Based on independently performed hedge effectiveness tests the group has assessed the hedges to be effective as at 31 March 2022.

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.

As a result of the Covid-19 pandemic, the group granted extensions to members of the customer rewards' programme during which they could redeem their SunRands that would normally have been forfeited two years after being earned. Extensions to the expiry of SunRands were granted in 2020 and 2021 due to the continued lockdowns with a final extension granted to 30 September 2022 after which unredeemed SunRands earned prior to 31 March 2020 will be forfeited. The forfeitures recognised during the year took into account an estimate of the number of SunRands that will not be redeemed in the next six months based on the total number of SunRands that are expected to expire on 30 September 2022. An estimated forfeiture of R40 million has been recognised in the current period in the income statement.

² The group replaced this hedge with a forward-starting R500 million vanilla interest rate swap commencing on 1 April 2022 and maturing on 30 September 2024 at a fixed interest rate of 6.36%.

34. **DEFERRED REVENUE** continued

Deferred revenue is made up as follows:

Non-financial instruments

Deferred revenue - rooms and food and beverage revenue

	2022 Rm	2021 Rm
At 1 April	111	112
Created during the year	65	28
Forfeitures during the year	(44)	_
Utilised during the year	(45)	(29)
At 31 March	87	111
Less: Current portion	(58)	(74)
Non-current portion	29	37

The expected timing of the recognition of the deferred revenue is within three years (2021: three years).

	2023	2024	Total
	Rm	Rm	Rm
Revenue expected to be recognised in respect of deferred revenue as of 31 March 2022	58	29	87

	2022 Rm	2021 Rm
Revenue recognised that was included in the contract liability balance at the beginning of the period	45	29

35. LONG-TERM INCENTIVE PLANS

The Southern Sun 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 over a minimum of three years after the date of allocation.

The fair value is expensed over the period as services are rendered by the employees. In terms of the rules, the fair values of the payments are determined using the seven-day VWAP of the company's share prior to the determination of the fair value of the long-term incentive bonus.

A Black-Scholes valuation model was applied in determining the fair value of the SARs to be issued under the SAR plan and the valuation assumptions and inputs to this model are set out below:

	2022	2021
Spot price (R)	3.05	1.50
Dividend yield (%)	0.0 – 4.7	0.0 - 4.7
Share price volatility(%)	24.2 - 27.2	24.2 - 27.2
Risk-free rate (%)	7.6 – 9.4	7.6 – 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 R10 million (2021: R14 million) relating to the share appreciation rights for the 2022 financial year.

35. LONG-TERM INCENTIVE PLANS continued

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

	2022 Number of options	2021 Number of options
As at 1 April	87 646 348	81 635 779
Granted during the year	14 861 845	26 971 426
Expired during the year	(12 009 059)	(10 548 254)
Forfeited during the year	(7 387 099)	(10 412 603)
As at 31 March	83 112 035	87 646 348
Vested and exercisable at 31 March	43 808 626	49 144 875

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 2016	1 October 2022	5.64	266 091
1 April 2017	1 April 2023	5.14	11 486 312
1 October 2017	1 October 2023	3.91	127 956
1 April 2018	1 April 2024	4.62	10 397 023
1 October 2018	1 October 2024	4.13	11 377 505
1 April 2019	1 April 2025	4.24	10 153 739
1 October 2019	1 October 2025	4.02	298 708
13 January 2021	1 April 2027	1.49	24 142 856
14 January 2022	30 September 2027	3.03	14 861 845
			83 112 035

	2022 Rm	2021 Rm
PROVISIONS		
Provisions are made up as follows: At 1 April		
Long-service awards	62	64
Short-term incentives	53	69
	115	133
Released during the year		
Long-service awards	_	_
Short-term incentives	(1)	(17)
	(1)	(17)
Created during the year		
Long-service awards	11	4
Short-term incentives	30	1
	41	5
Utilised during the year		
Long-service awards	_	(6)
Short-term incentives	_	_
	_	(6)
At 31 March		
Long-service awards	73	62
Short-term incentives	82	53
Total provisions	155	115
Less: Current portion	(88)	(57)
Non-current portion	67	58

36.

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.

	2022 Rm	2021 Rm
Movement in unfunded obligation:		
Benefit obligation at 1 April	62	64
Interest cost	6	6
Service cost	6	6
Actuarial (gain)/loss	(1)	(8)
Transfers	_	_
Benefits paid	_	(6)
Obligation at 31 March	73	62
The amounts recognised in the income statement are as follows:		
Interest cost	6	6
Current service cost	6	6
Actuarial (gain)/loss	(1)	(8)
	11	4
The principal actuarial assumptions used for accounting purposes are:		
Discount rate (%)	9.70	8.7
Inflation rate (%)	5.70	4.7
Salary increase rate (%)	6.20	5.2
	SA 85 – 90	SA 85 - 90
Pre-retirement mortality rate	(Light) table	(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	73	62
Experience adjustment on plan obligations	_	_

There are no plan assets in respect of the long-service award liability.

Due to the nature of the long-service award provisions, the timing of their utilisation is uncertain. The short-term incentives provision was utilised subsequent to year end in June 2022.

		2022 Rm	2021 Rm
37.	TRADE AND OTHER PAYABLES		
	Financial instruments		
	Trade and other payables	699	652
	Trade payables	196	190
	Accrued expenses	275	270
	Advance deposits	77	70
	Unallocated deposits	30	21
	Loan from RDI Hotel Group Limited ¹	33	_
	Capital expenditure payables	41	43
	Other payables	47	58
	Non-financial instruments	139	65
	VAT payable	36	_
	Leave pay liability	23	14
	Payroll-related payables	80	51
		838	717

¹ The loan relates to IHL Holdco, in which the groups holds a 25.9% shareholding. The loan is repayable on demand and bears interest at 6.5% per annum. Refer to note 20.

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:

	2022 Rm	
SA Rand	762	639
Nigerian Naira	14	18
US Dollar	17	16
Mozambican Metical	19	19
Tanzanian Shilling	3	8
Kenyan Shilling	1	1
Seychelles Rupee	15	5
Zambian Kwacha	6	10
United Arab Emirates Dirham	1	1
	838	717

	2022 Rm	2021 Rm
CASH GENERATED FROM OPERATIONS		
Loss before tax from operations	(164)	(1 130)
Adjusted for finance income and costs, share of profit of equity accounted entities, dividends received and non-cash movements:	, ,	, ,
Finance income	(15)	(33)
Finance costs	373	379
Share of profit/(loss) of associates and joint ventures	(26)	128
Amortisation and depreciation	365	407
Impairment charge for bad and doubtful debts, net of reversals	20	3
Operating equipment usage	12	11
Movement in provisions	39	(12)
Long-term incentive expense	10	14
Profit/(loss) on disposal of property, plant and equipment	1	(1)
Impairment of property, plant and equipment	94	237
Profit on sale of joint venture	_	(355)
Fair value adjustment on investment properties	(55)	99
Impairment in associate	_	15
Goodwill impairment	_	30
Inventory write-off	_	8
Translation impact on the income statement	4	(2)
Other non-cash moves and adjustments	(12)	1
Cash generated from/(utilised in) operations before working		
capital movements	646	(201)
Working capital movements		
Increase in inventories	(7)	(5)
(Increase)/decrease in trade and other receivables	(287)	165
Increase in payables and provisions	275	35
Cash generated from/(utilised in) operations	627	(6)
	2022	2021
	Rm	Rm
INCOME TAY BAID		
INCOME TAX PAID Not toy liability at 1. April	(4.4)	(100)
Net tax liability at 1 April	(44)	(100)
Current tax provided	(8)	12
Withholding tax	_	(1)
Currency translation	2	3
Net tax liability at 31 March	41	44
	(9)	(42)

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 R42 million (2021: R511 million), are as follows:

	Long term Rm	Short term Rm	Total Rm
Year ended 31 March 2022			
Balance at 1 April 2021	2 991	485	3 476
Borrowings raised	379	100	479
Borrowings repaid	(448)	-	(448)
Currency translation	(17)	-	(17)
Reclassification to long-term borrowings	585	(585)	_
Other	5	-	5
Balance at 31 March 2022	3 495	_	3 495
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 long-term borrowings	(385)	385	_
Other	2	_	2
Balance at 31 March 2021	2 991	485	3 476

The group extended debt facilities and corporate bonds maturing prior to 31 March 2023 by 12 months to ensure that solvency requirements are met and that the group can meet its obligations as they come due. In HPF, Note 11, maturing on 31 March 2023 (R600 million), was replaced with Note 14 on the same terms and conditions maturing on 31 March 2024. In addition, a term loan (R500 million fully utilised facility maturing on 31 August 2022) and an RCF facility (R500 million facility maturing on 19 December 2022 of which R200 million was utilised at 31 March 2022) were extended on the same terms and conditions to 31 August 2023 and 19 December 2023 respectively. The company extended its R600 million facility, of which R201 million was utilised at 31 March 2022, on the same terms and conditions to 30 June 2023. The group's Mozambican US Dollar-denominated facilities equating to R360 million and R27 million Mozambican Metical-denominated loan which was due in March 2022 have been refinanced for a further five and three years respectively. Refer to note 45.1(c).

40.2 Changes in finance lease liabilities

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

	Non-current portion 2022 Rm	Current portion 2022 Rm	Total 2022 Rm
Year ended 31 March 2022			
Balance at 1 April 2021	1 346	14	1 360
Transfer to current lease liability	(11)	11	_
Rent concessions	-	(4)	(4)
Principal elements of lease payments	-	(10)	(10)
Modification of lease contract	14	-	14
Balance at 31 March 2022	1 349	11	1 360

Total cash outflow of R112 million (2021: R89 million) relating to finance costs has been included in cash flows from operating activities.

40. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES continued

40.2 Changes in finance lease liabilities continued

	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

41. RELATED PARTIES

The group had no significant related party transactions during the period under review, nor entered into any new significant related party transactions during this period, other than the business interruption claim from Tsogosure Insurance Company Limited as mentioned below.

The group received insurance proceeds of R179 million from Tsogosure Insurance Company Limited, which includes R177 million relating to business interruption insurance as well as other insurance claims of R2 million. Insurance proceeds have been accounted for as other income and not included in group revenue for the period.

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.

	2022 Rm	2021 Rm
41.1 Transactions with related parties		
Hotel management fees and royalties received from Tsogo Sun Gaming	29	10
Management fees received from Tsogo Sun Gaming for shared services	4	5
Fees received from Tsogo Sun Gaming for administration services for hotels	15	13
Management fees paid to Tsogo Sun Gaming for shared services	(2)	(1)
Tenant recoveries by Tsogo Sun Gaming	(4)	(4)
Insurance premiums paid to Tsogo Sun Gaming	(10)	(30)
Insurance claims received or receivable from Tsogo Sun Gaming	179	11
Dividend received from associate – RBH	5	_
	216	4

41. RELATED PARTIES continued

		2022 Rm	2021 Rm
41.2	Amounts owing to/by related parties		
	Amounts receivable from Tsogo Sun Gaming Limited and its subsidiaries	6	12
	Loan due to fellow shareholder in associate - RDI	(33)	_
	Shareholder loans to associate – IHL Holdco	65	_
	Shareholder loans to associate – IHPL	_	32
		38	44

These loans have been disclosed as current assets or liabilities. These loans bear no interest with the exception of the loan due to fellow shareholder in associate, RDI, which bears interest at 6.5% per annum and is repayable on demand.

41.3 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:

41.3.1 Executive directors

	Basic remune- ration R'000	Benefits R'000	Short-term incentives R'000	Directors' fees from subsidiaries R'000	Long-term incentives R'000	Total paid R'000
MN von Aulock	6 203	258	_	_	_	6 461
L McDonald	2 197	166	-	-	-	2 363
Total remuneration*	8 400	424	-	_	-	8 824

^{*} The increase in remuneration paid is as a result of the increasing rate of pay paid to all employees as the group recovered from the impact of Covid-19 and began to trade cash positively on a monthly basis. Most employees returned to 100% salary with effect from February 2022.

	Basic remune- ration R'000	Benefits R'000	Short-term incentives R'000	Directors' fees from subsidiaries R'000	Long-term incentives R'000	Total paid R'000
MN von Aulock	2 216	146	_	_	_	2 362
L McDonald	1 613	118	_	_	_	1 731
Total remuneration	3 829	264	_	_	_	4 093

41. RELATED PARTIES continued

41.3 Key management compensation continued

41.3.2 Executive directors' LTIs

Details of unexpired awards granted to executive directors and prescribed officers prior to 1 April 2022 are set out below:

Fair value of SARs – executive directors and prescribed officers

Name	Award date	SARs awarded and still out- standing 2022	Award price R	Strike price R	Fair value of SARs awarded R'000	SARs vested and still out- standing	Vesting date	Expiry date
MN von Aulock	1 October 2018	10 893 353	4.13	4.03	9 180	10 893 353	30 September 2021	30 September 2024
	13 January 2021	1 142 857	1.49	1.50	819		13 January 2024	13 January 2027
	14 January 2022*	3 302 633	3.03	3.05	3 975		30 September 2024	30 September 2027
	14 January 2022*	3 302 632	3.03	3.05	4 128		30 September 2025	30 September 2027
	14 January 2022*	3 302 632	3.03	3.05	4 266		30 September 2026	30 September 2027
L McDonald	1 April 2017	584 037	5.14	5.14	156	584 037	31 March 2020	31 March 2023
	1 April 2018	324 907	4.62	4.57	231	324 907	31 March 2021	31 March 2024
	1 April 2019	1 603 856	4.24	3.99	1 409	1 603 856	31 March 2022	31 March 2025
	13 January 2021	1 142 857	1.49	1.50	819		13 January 2024	13 January 2027
	14 January 2022*	1 651 316	3.03	3.05	1 987		30 September 2024	30 September 2027
	14 January 2022*	1 651 316	3.03	3.05	2 064		30 September 2025	30 September 2027
	14 January 2022*	1 651 316	3.03	3.05	2 133		30 September 2026	30 September 2027

^{*} LTIs awarded on 14 January 2022 vest in three equal tranches on the third, fourth and fifth anniversary from 30 September 2021.

LTIs are equity settled and will therefore have a dilutionary impact on shareholders on settlement. Based on the closing share price on 31 March 2022 of R3.38 and the average TGO share price for the 12 months to 31 March 2022 of R3.02, 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 2022.

41. RELATED PARTIES continued

41.3 Key management compensation continued

41.3.3 Non-executive directors

	20	22	2021			
	Directors' fees paid by the company R'000	Total R'000	Directors' fees paid by the company R'000	Directors' fees paid by Hospitality R'000	Total R'000	
JA Copelyn*	339	339	216	_	216	
M Ahmed#	413	413	266	239	505	
J Awbrey [^]	_	-	_	136	136	
SC Gina#	317	317	203	132	335	
ML Molefi#	322	322	205	181	386	
T Mosololi^	_	-	_	136	136	
JG Ngcobo#	322	322	209	184	393	
JR Nicolella#	223	223	140	129	269	
CC September#	228	228	146	129	275	
D Smith [^]	-	-	_	136	136	
	2 164	2 164	1 385	1 402	2 787	

Fees are exclusive of VAT.

41.3.4 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 ²	504	287	_	_	791		
Total remuneration	504	287	_	_	791		

¹ Short-term incentive paid relates to the achievement against target for 2019.

41.4 Contingencies, commitments and guarantees

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

^{*} 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.

² R Nadasen resigned as COO on 31 July 2020.

	2022 Rm	2021 Rm
FUTURE CAPITAL EXPENDITURE		
Authorised by directors but not yet contracted for:		
Property, plant and equipment	184	39
Investment property	_	115
Intangible assets: software	2	11
	186	165
Authorised by directors and contracted for:		
Property, plant and equipment	18	5
Investment property	_	35
Intangible assets: software	_	1
	18	41

43. 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:

	2022 Rm	2021 Rm
Not later than one year	35	1
Later than one year and not later than five years	3	2
Later than five years	_	_
	38	3

44. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

44.1 On 26 May 2022, the company announced on SENS that it had concluded a Hotel Purchase Agreement with Tsogo Sun Gaming Limited and two of its subsidiaries (TSG) in terms of which the group will acquire the Southern Sun Emnotweni and StayEasy Emnotweni (Emnotweni Hotels) in Mbombela, Mpumalanga province from TSG for an aggregate purchase consideration of R141.6 million (VAT exclusive). In addition, the company and its subsidiary, Southern Sun Hotel Interests (Pty) Limited (SSHI), have concluded a Separation Agreement with TSG and its various subsidiaries, in terms of which the management and licensing agreements concluded with SSHI in respect of 15 hotels owned by TSG will be capable of termination, subject to payment of an aggregate termination fee of R398.8 million (VAT exclusive) (collectively, the Proposed Transaction).

The Proposed Transaction is subject to various suspensive conditions including shareholder approval and shareholders are referred to the relevant SENS announcement for further details. The Proposed Transaction agreements contain warranties, undertakings and breach provisions that are normal for transactions of their nature.

The successful implementation of the Proposed Transaction will result in the group receiving a net cash inflow of R257.2 million and acquiring the two Emnotweni Hotels, which are important for the group's distribution in the province. Refer to note 41.1 for details of the management fee impact on the group. The company believes this to be a beneficial transaction for the group and its shareholders. A circular setting out the terms of the Proposed Transaction was disseminated to shareholders on 20 July 2022. Due to the related party nature of the Proposed Transaction, it requires the approval of the company's shareholders (excluding TSG and its associates, including HCl and the HCl Foundation) by ordinary resolution at a special general meeting to be held on 18 August 2022.

44.2 Subsequent to year end the group has decided to dispose of its Southern Sun Ikoyi hotel in Nigeria. As announced on SENS, its wholly owned subsidiary Southern Sun Africa (SSA) entered into a Sale Agreement on 26 May 2022 with Kasada Albatross Holding (the Purchaser), which is a subsidiary of Kasada Hospitality Fund LP. In terms of the Sale Agreement, the group committed to dispose of its entire 75.55% shareholding and shareholder loan claims in Ikoyi Hotels Limited (Ikoyi) which owns the group's Southern Sun Ikoyi hotel in Ikoyi, Nigeria.

The value of the total assets and total liabilities of Ikoyi as at 31 March 2022 was US\$55.9 million and US\$14.9 million respectively and the group's 75.55% share of the net asset value equates to US\$31.0 million. The headline profit attributable to Ikoyi for the year was US\$0.7 million.

The aggregate disposal consideration per the agreement is US\$30.4 million, comprising US\$29.1 million for the shares and US\$1.3 million for the shareholder loan claims. The successful implementation of the disposal would result in the reduction of the group's US Dollar-denominated debt (Offshore Debt) through the deconsolidation of lkoyi's external debt of US\$12.8 million and provides SSA with sufficient cash resources to offset Offshore Debt in Mozambique amounting to US\$26.6 million, thereby eliminating the forex risk to the group. The Sale Agreement also provides for the Purchaser to release the group from its guarantee obligations in respect of the external debt of lkoyi.

The disposal is subject to the fulfilment (or waiver) of various conditions precedent, including the approval of the Federal Competition and Consumer Protection Commission in Nigeria. The Sale Agreement also provides for warranties, undertakings, indemnities and events of default that are normal for transactions of this nature. Further announcements will be made in due course updating shareholders on the status of the disposal.

45. FINANCIAL RISK MANAGEMENT

45.1 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.

45. FINANCIAL RISK MANAGEMENT continued

45.1 Financial risk factors continued

Risk management process continued

(a) Market risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

(i) Currency risk

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

The group is not exposed to significant foreign exchange cash flow risk as the group seeks to mitigate this exposure, where cost-effective, by raising its debt denominated in US Dollars in the offshore entities with cash generated in US Dollars to service the interest and capital repayments of those offshore operations where the functional currency of those entities is US Dollars. As a result, no forward cover contracts are required in respect of this debt. The group does not hedge currency exposures from the translation of profits earned in foreign currency subsidiaries, associates and joint ventures.

Foreign exchange risk also arises from exposure in the foreign operations due to trading transactions denominated in currencies other than the functional currency.

The following significant exchange rates against the SA Rand applied during the year:

	Averaç	ge rate	Reporting date closing rate		
	2022	2021	2022	2021	
US Dollar is equivalent to Euro is equivalent to	14.95 17.36	16.37 19.08	14.54 16.17	14.82 17.38	

A 10% strengthening of the functional currency against the following currencies at 31 March would have increased/(decreased) profit or loss by the amounts shown below due to foreign exchange gains or losses on foreign-denominated trade receivables, cash and cash equivalents and trade payables recorded in the functional currency of the foreign operations. This analysis assumes no hedging and that all other variables, in particular interest rates, remain constant. This analysis was performed on the same basis for 2021.

	2022 Rm	2021 Rm
Euro	(1)	_
Mozambican Metical	_	1
Nigerian Naira	(3)	_
US Dollar	(3)	_
Other	(7)	1

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.

45. FINANCIAL RISK MANAGEMENT continued

45.1 Financial risk factors continued

Risk management process continued

(a) Market risk continued

(ii) Interest rate risk

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

Hedge accounting is applied to the group's interest rate swaps. The group's primary interest rate risk arises from long-term borrowings (excluding bank overdrafts). Borrowings at variable rates expose the group to cash flow interest rate risk. Borrowings at fixed rates expose the group to fair value interest rate risk. In line with group policy, a portion of the group debt is hedged. Refer to note 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.

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 2022, 46% (2021: 46%) of consolidated gross borrowings and 57% (2021: 52%) 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 6.2% to 7.2% as at 31 March 2022 referenced against the three-month JIBAR of 4.4% (2021: 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%).

45. FINANCIAL RISK MANAGEMENT continued

45.1 Financial risk factors continued

Risk management process continued

(a) Market risk continued

(ii) Interest rate risk continued

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

	2022 Rm	2021 Rm
Linked to three-month JIBAR ¹	2 400	2 430
Linked to three-month US Dollar LIBOR ²	640	724
Linked to SAFEX	201	100
Linked to South Africa prime rate	230	200
Linked to Central Bank prime rate in Mozambique	27	26
	3 498	3 480

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.

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:

	2022 Rm	2021 Rm
Variable rate instruments		
Financial assets ¹	(489)	_
Financial liabilities	3 498	3 480
	3 009	3 480

¹ The financial assets represents the BI Insurance proceeds received and held on fixed deposit as well as group cash held in a call account due to improved trading.

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates would have increased/decreased pre-tax profit or loss by R31 million (2021: R35 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 2021.

(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.

² Developments in respect of the proposed reform/cessation of US Dollar LIBOR and the impact thereof on the group's LIBOR-linked borrowing facilities are actively monitored. Changes to the interest rate benchmark will be considered in conjunction with the surrounding facts and circumstances at the time and appropriate changes and resetting/ replacement of rates with the lenders will be negotiated and agreed. The group does not believe that LIBOR reform will have a material impact on the group's finance cost. The total outstanding balance of US Dollar-denominated loans linked to LIBOR as at 31 March 2022 amounts to R640 million.

45. FINANCIAL RISK MANAGEMENT continued

45.1 Financial risk factors continued

Risk management process continued

(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.

(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 2022, the group had 28% (2021: 29%) 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.

	2022 Rm	2021 Rm
Debt at 1 April ¹	(3 480)	(3 981)
Net (increase)/decrease in debt during the year	(18)	501
Debt at 31 March ¹	(3 498)	(3 480)
Credit facilities ¹	4 827	4 933
Headroom available	1 329	1 453

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 on page 171.

45. FINANCIAL RISK MANAGEMENT continued

45.1 Financial risk factors continued

Risk management process continued

(c) Liquidity risk continued

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:

		2022 facil	ity		2021 facili	ty
	Total Rm	Utilisation Rm	Available Rm	Total Rm	Utilisation Rm	Available Rm
Demand facilities (overdrafts)	20	_	20	20	_	20
Term facilities maturing 31 December 2021 ³	_	-	-	214	214	_
Term facilities maturing 31 March 2022 ³	_	_	_	252	175	77
Revolving credit facilities maturing 11 February 2023	320	_	320	326	171	155
Term facilities maturing 31 March 2024 ¹	600	600	_	600	600	_
RCF loan facility maturing 30 April 2023 ⁶	250	230	20	250	130	120
Overnight loan facilities maturing 30 June 2023 ²	600	201	399	610	200	410
Term facilities maturing 31 August 2023 ⁴	500	500	_	500	500	_
Revolving credit facilities maturing 19 December 2023 ⁵	500	200	300	500	200	300
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	363	93	270	371	_	371
Term facilities maturing 31 March 2025 ³	27	27	-	_	_	_
Term facilities maturing 22 December 2025	187	187	_	190	190	_
Term facilities maturing 31 July 2026 ³	360	360	-	_		_
	4 827	3 498	1 329	4 933	3 480	1 453

The group extended debt facilities and corporate bonds maturing prior to 31 March 2023 by 12 months to ensure that solvency requirements are met and that the group can meet its obligations as they come due.

¹ In HPF, Note 11, maturing on 31 March 2023 (R600 million), was replaced with Note 14 on the same terms and conditions maturing on 31 March 2024.

² The company extended its R600 million facility, of which R201 million was utilised at 31 March 2022, on the same terms and conditions to 30 June 2023.

³ The group's Mozambican US Dollar-denominated facilities equating to R360 million and R27 million MZN-denominated loan which was due in March 2022 have been refinanced for a further five and three years respectively.

⁴ A term loan, R500 million fully utilised facility maturing on 31 August 2022, was extended on the same terms and conditions to 31 August 2023.

⁵ A R500 million RCF facility maturing on 19 December 2022, of which R200 million was utilised at 31 March 2022, was extended on the same terms and conditions to 19 December 2023.

⁶ A R250 million RCF facility maturing on 30 April 2022, of which R230 million was utilised at 31 March 2022, was extended on the same terms and conditions to 30 April 2023.

45. FINANCIAL RISK MANAGEMENT continued

45.1 Financial risk factors continued

Risk management process continued

(c) Liquidity risk continued

The table below analyses the group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, inclusive of capital and interest:

	Less than 1 year Rm	Between 2 and 5 years Rm	Over 5 years Rm
At 31 March 2022			
Bank borrowings	155	1 968	_
Corporate bonds	103	1 826	-
Lease liabilities	135	666	1 745
Bank overdrafts ¹	42	-	-
Derivative financial instruments	9	4	-
Trade and other payables	699	-	-
	1 143	4 464	1 745
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

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.

45. FINANCIAL RISK MANAGEMENT continued

45.2 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:

	ъ В Amortised cost	த B Financial assets at FVPL	因 B Derivatives used for hedging	Uther financial liabilities at amortised cost	y Not categorised as a financial instrument	B Total	B Non-current	3 Current
At 31 March 2022			,					
Financial assets								
Non-current receivables	14	-	-	-	-	14	14	-
Trade and other receivables	402	-	-	-	68	470	_	470
Cash and cash equivalents	707	_	_		_	707	-	707
Financial liabilities								
Interest-bearing borrowings	-	-	-	3 537	-	3 537	3 495	42
Lease liabilities	-	-	-	1 360	-	1 360	1 349	11
Derivative financial instruments	_	-	13	-	100	13	4	9
Trade and other payables	_			699	139	838	_	838
At 31 March 2021								
Financial assets						4.4	- 4.4	
Non-current receivables Other financial assets	14	- 3	_	_	_	14 3	14	_
Trade and other receivables	296	- -	_	_	69	365	_	365
Cash and cash equivalents	918	_	_	_	-	918	_	918
Financial liabilities	0.0					0.0		
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

46. 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.

46. 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 45.

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.

As previously reported, lenders introduced revised covenants comprising Ebitda (Earnings before interest, income tax, depreciation, amortisation, IFRS 16 rent adjustments, long-term incentives and exceptional items – which definition is consistent with the funding agreements) and liquidity thresholds, measured quarterly. 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 company comfortably met the minimum Ebitda and liquidity thresholds for each quarterly measurement period in the 2022 financial year. As at 31 March 2022 headroom on the rolling 12-month Ebitda loss was R381 million and headroom on available facilities including cash on hand was R973 million.

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%.

At Hospitality level, lenders introduced a minimum liquidity covenant of R125 million in the prior year including available facilities and cash on hand. Similarly, Hospitality has met these minimum liquidity requirements and as at 31 March 2022 liquidity headroom was R422 million.

Revised financial covenants

Lenders have further approved the covenant waivers for September 2022 on the basis that the rolling Ebitda threshold be reduced to between R326 million (June 2022 measurement period) and R243 million (September 2022 measurement period) and that revised covenants continue to be measured on a quarterly basis at a company 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 re-assessed during the preparation of the group's five-year forecasts. As at 31 March 2022, the group has net cash and cash equivalents of R665 million, net of bank overdrafts (2021: R407 million). The group has R3.5 billion (2021: R3.5 billion) of interest-bearing debt (excluding capitalised lease liabilities) and access to R1.3 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 note 17 "Basis of preparation of cash flow forecasts" for further details. Based on the current improved trading levels the forecasts, which indicate some recovery in the corporate, conferencing and international segments during the 2022 calendar year, management believes that the company should meet these revised covenant levels.

46. CAPITAL RISK MANAGEMENT continued

Revised financial covenants continued

Global Credit Ratings downgraded Hospitality's long and short-term credit rating to BB+ $_{(ZA)/B(ZA)}$ respectively. Concurrently, the ratings assigned to the Senior Secured Notes issued by Hospitality have been downgraded to A- $_{(ZA)/BL}$ from A $_{(ZA)/BL}$. The outlook on all the ratings has been maintained on Rating Watch Negative. The downgrade to Hospitality reflects the uncertain environment in which it operates, as income remains constrained due to prolonged industry recovery.

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.

	2022 Rm	2021 Rm
Total borrowings (note 30)	3 537	3 987
Less: Cash and cash equivalents (note 27)	(707)	(918)
Net debt	2 830	3 069
Ebitdar (note 5)	590	(177)
Net debt:Ebitdar (times)	4.8	(17.4)
Tsogo Sun Hotels' (excluding HPF) rolling 12-month Ebitda 2022: <loss (2021:="" 018="" <loss="" million="" million)<="" of="" r1="" r330="" td=""><td>51</td><td>(416)</td></loss>	51	(416)
Tsogo Sun Hotels' (excluding HPF) liquidity including cash and cash equivalents 2022: >R500 million (2021: >R500 million)	1 473	1 220
Hospitality liquidity including cash and cash equivalents 2022: >R125 million (2021: >R125 million)	547	458

47. 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.

	2022 Rm	2021 Rm
Investment in RDI REIT	-	3

RDI REIT was delisted from the London Stock Exchange's main market on 6 May 2021. Refer to note 22.

47. FAIR VALUE ESTIMATION OF FINANCIAL INSTRUMENTS AND INVESTMENT

PROPERTY continued

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:

	2022 Rm	2021 Rm
Derivative financial instruments – interest rate swaps assets	1	_
Derivative financial instruments – interest rate swaps liability	(14)	(50)

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:

	2022 Rm	2021 Rm
Investment properties (note 17)	1 450	1 561
	1 450	1 561

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.

48. 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		profit/ for the	Share of profit/(loss) for the year 31 March		Accumulated non-controlling interests as at 31 March	
	Place of business	2022 %	2021 %	2022 Rm	2021 Rm	2022 Rm	2021 Rm	
HPF	South Africa	_	_	-	(67)	-	_	
Ikoyi Hotels Limited	Nigeria	24	24	3	(4)	159	156	
Southern Sun (Mozambique) Limitada	Mozambique	13	13	(5)	(7)	(29)	(24)	
Other non-material non-controlling interests				2	(8)	(33)	(35)	
				_	(86)	97	97	

48. SUBSIDIARIES HAVING MATERIAL NON-CONTROLLING INTERESTS continued

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

	lkoyi Hot HPF Limite			` ' '		
	2022 Rm	2021 Rm	2022 Rm	2021 Rm	2022 Rm	2021 Rm
Summarised balance sheets as at 31 March Non-current assets Current assets		9 614 264	799 35	822 17	696 9	730 15
Total assets	-	9 878	834	839	705	745
Non-current liabilities Current liabilities	- -	3 170 117	132 21	142 24	227 20	222 16
Total liabilities	-	3 287	153	166	247	238
Net assets	-	6 591	681	673	458	507
Summarised income statements for the year ended 31 March						
Revenue	-	245	104	35	95	81
(Loss)/profit before income tax Income tax credit/(expense)	_	(590) (493)	10 11	20 (6)	(35) (5)	(31) 5
(Loss)/profit for the year	_	(1 083)	21	14	(40)	(26)
Total comprehensive (loss)/income	_	(1 083)	21	14	(40)	(26)
Dividends paid to non-controlling interests	_	(1 000)		_	-	
Summarised cash flows for the year ended 31 March						
Cash generated from operations	-	(6)	31	(1)	15	119
Interest received	_	6	- (7)	- (0)	- (4.7)	(4.0)
Finance costs paid Income tax paid	_	(200)	(7)	(8) 9	(17) (10)	(18) 7
Dividends paid	_	(02)	_	_	-	_
Net cash generated from/(utilised in) operations	_	(232)	24	_	(12)	108
Net cash generated from investment activities	_	_	1	1	2	2
Net cash (utilised in)/generated from financing activities	-	80	(4)	(38)	(2)	(82)
Net increase/(decrease) in cash and cash equivalents	-	(152)	21	(37)	(12)	28
Foreign currency translation	-	_	(1)	33	15	(33)
Cash and cash equivalents at beginning of the year	-	662	18	22	6	11
Cash and cash equivalents at end of the year	_	510	38	18	9	6

49. SUBSIDIARY COMPANIES

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

	Issued share capital		Effective holding		Shares at cost net of impairment	
Subsidiary	2022 Rm	2021 Rm	2022 %	2021 %	2022 Rm	2021 Rm
Direct shareholding Tsogo Sun Investments Proprietary Limited	*	*	100	100	4 267	4 099
Southern Sun Hotel Interests Proprietary Limited Southern Sun Offshore Proprietary Limited Elsivert Proprietary Limited	1 061	1 061	100 100 100	100 100 100	2 713 1 930 75	2 713 1 620 75
Majormatic 194 Proprietary Limited Indirect shareholding	*	*	100	100	11	11
Hospitality Property Fund Limited Southern Sun Africa Ikovi Hotels Limited	578 - 3	578 *	100 100 76	100 100 76	4 790 397 *	4 790 397 *
Southern Sun (Mozambique) Limitada Southern Sun Middle East Investment Holdings	18	18	87	87	16	16
Proprietary Limited Reshub Proprietary Limited	*	*	100 100	100 100	*	*
					14 199	13 721

^{*} Amount less than R1 million.

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.

50. GOING CONCERN

The audited consolidated annual financial statements are prepared on the going-concern basis. Based on the cash flow forecasts, available cash resources and the other measures the group has taken or plans to take, management believes that the group has sufficient resources to continue operations as a going concern in a responsible and sustainable manner. The group monitors the covenants on an ongoing basis and does not expect to breach covenants.

Covid-19 status

On the assumption that Covid-19 regulations are not reintroduced and trading levels continue to improve in line with the trend since year end, there should be increasing demand for conferences, business and leisure travel with international and corporate take up during FY23H2. There is still a risk that a severe wave of infections could occur, however, the group's experience and learning throughout the pandemic means that management can quickly respond by deactivating hotels and reducing rostered staff to reduce cash burn to a minimum. Any capital expenditure will be further delayed as far as practicably possible.

50. GOING CONCERN continued

Financial capacity and covenants

As previously reported, lenders introduced revised covenants comprising Ebitda (Earnings before interest, income tax, depreciation, amortisation, IFRS 16 rent adjustments, long-term incentives and exceptional items – which definition is consistent with the funding agreements) and liquidity thresholds, measured quarterly. 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 company comfortably met the minimum Ebitda and liquidity thresholds for each quarterly measurement period in the 2022 financial year. As at 31 March 2022 headroom on the rolling 12-month Ebitda loss was R381 million and headroom on available facilities including cash on hand was R973 million. At Hospitality level, lenders introduced a minimum liquidity covenant of R125 million in the prior year including available facilities and cash on hand. Similarly, Hospitality has met these minimum liquidity requirements and as at 31 March 2022 liquidity headroom was R422 million.

Lenders have further approved the covenant waivers for September 2022 on the basis that the rolling Ebitda threshold be reduced to between R326 million (June 2022 measurement period) and R243 million (September 2022 measurement period) and that revised covenants continue to be measured on a quarterly basis at a company 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 five-year forecasts. As at 31 March 2022, the group has net cash and cash equivalents of R665 million, net of bank overdrafts (2021: R407 million). The group has R3.5 billion (2021: R3.5 billion) of interest-bearing debt (excluding capitalised lease liabilities) and access to R1.3 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 note 17 "Basis of preparation of cash flow forecasts" for further details. Based on the current improved trading levels the forecasts, which indicate some recovery in the corporate, conferencing and international segments during the 2022 calendar year, management believes that the company should meet these revised covenant levels.

The company comfortably met the revised covenants for the June 2022 measurement period generating Ebitdar of R141 million for the rolling 12-month period ended 30 June 2022, equating to Ebitdar headroom of R467 million. Similarly, liquidity headroom at the company and Hospitality level was R1.0 billion and R414 million respectively.

As at 30 June 2022, the group had net cash and cash equivalents of R495 million, net of bank overdrafts. The group had R3.4 billion of interest-bearing debt (excluding capitalised lease liabilities) and access to R1.6 billion in undrawn facilities (excluding cash resources on hand) to meet its obligations as they become due. Based on current trading levels and the progressive recovery of the hospitality industry, the group is not reliant on the proceeds from the gaming transaction or the sale of Southern Sun Ikoyi to continue as a going concern, however the successful implementation of these transactions will significantly reduce group debt.

Analysis of ordinary shareholders

as at 31 March 2022

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	18 084	86.41	1 743 747	0.12
1 001 – 10 000	1 797	8.59	6 356 212	0.43
10 001 – 100 000	568	2.71	18 886 126	1.28
100 001 – 1 000 000	340	1.62	125 957 063	8.52
Over 1 000 000	140	0.67	1 324 962 546	89.65
Total	20 929	100.00	1 477 905 694	100.00

Distribution of shareholders	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Assurance companies	27	0.13	22 627 465	1.53
Close corporations	25	0.12	1 314 633	0.09
Collective investment schemes	160	0.76	513 344 957	34.73
Control accounts	2	0.01	52	0.00
Custodians	15	0.07	2 097 204	0.14
Foundations and charitable funds	39	0.19	65 114 393	4.41
Hedge funds	7	0.03	9 287 457	0.63
Insurance companies	6	0.03	9 753 317	0.66
Investment partnerships	18	0.09	147 110	0.01
Managed funds	18	0.09	15 105 139	1.02
Medical aid funds	16	0.08	7 696 775	0.52
Organs of state	3	0.01	10 501 735	0.71
Private companies	117	0.56	473 220 987	32.02
Public companies	7	0.03	132 144 823	8.94
Public entities	1	0.01	287 446	0.02
Retail shareholders	19 975	95.44	40 877 556	2.77
Retirement benefit funds	331	1.58	153 442 579	10.38
Scrip lending	4	0.02	4 947 715	0.33
Share schemes	1	0.00	435 558	0.03
Stockbrokers and nominees	21	0.10	3 505 473	0.24
Trusts	131	0.63	12 052 719	0.82
Unclaimed scrip	5	0.02	601	0.00
Total	20 929	100.00	1 477 905 694	100.00

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

Shareholder type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Non-public shareholders	11	0.05	621 197 329	42.03
>10% HCl and its subsidiaries	4	0.02	600 008 966	40.60
Directors and associates	7	0.03	21 188 363	1.43
Public shareholders	20 918	99.95	856 708 365	57.97
Total	20 929	100.00	1 477 905 694	100.00

Fund managers with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Coronation Fund Managers	325 433 538	22.02
Allan Gray	213 554 778	14.45
PSG Asset Management	53 362 170	3.61
Total	592 350 486	40.08

Beneficial shareholders with a holding greater than 3% of the issued shares	Number of shares	of issued capital
TIHC Investments (RF) Proprietary Limited	415 182 027	28.09
Coronation Fund Managers	173 960 718	11.77
Allan Gray	150 269 199	10.17
Hosken Consolidated Investments Limited	128 297 782	8.68
HCI Foundation	54 675 666	3.70
PSG	53 357 170	3.61
Total	975 742 562	66.02

	Number of shareholdings
Total number of shareholdings	20 929
Total number of shares in issue	1 477 905 694

Share price performance

Opening price 1 April 2021	R2.18
Closing price 31 March 2022	R3.38
Closing high for period	R3.68
Closing low for period	R2.21
Number of shares in issue	1 477 905 694
Volume traded during period	350 877 174
Ratio of volume traded to shares issued	23.74
Rand value traded during the period	R1 059 828 703
Price/earnings ratio as at 31 March 2022	(9.97)
Earnings yield as at 31 March 2022	(10.03)
Dividend yield as at 31 March 2022	_
Market capitalisation at 31 March 2022	R4 995 321 246

Analysis of ordinary shareholders continued

as at 31 March 2022

	31 March 2022		31 March 2021					
	Direct beneficial	Indirect beneficial ¹	Associates	Total	Direct beneficial	Indirect beneficial ¹	Associates	Total
Executive directors								
MN von Aulock	_	5 590 903	-	5 590 903	_	5 159 451	_	5 159 451
L McDonald	46 377	260 188	-	306 565	46 377	247 688	_	294 065
Non-executive directors								_
JA Copelyn	_	14 855 338	_	14 855 338	_	14 855 338	_	14 855 338
JR Nicolella	-	-	59 479	59 479	_	_	59 479	59 479
Total	46 377	20 706 429	59 479	20 812 285	46 377	20 262 477	59 479	20 368 333

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.

² As announced on SENS, the following director increased his indirect beneficial shareholding in the company subsequent to year end:

	Date	Indirect beneficial
Executive directors		
MN von Aulock	4 July 2022	59 414
	5 July 2022	40 764
	20 July 2022	634 827

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

183

B-BBEE annual compliance report

BROAD-BASED BLACK ECONOMIC EMPOWERMENT COMMISSION

COMPLIANCE REPORT BY SPHERE OF GOVERNMENT/PUBLIC ENTITIES/ORGANS OF STATE

(in terms of Section 13G (1) of the Act)

SECTION A: DETAILS OF ENTITY

Name of entity/organisation: Tsogo Sun Hotels Limited t/a Southern Sun

Registration number: 2002/006356/06

Physical address: Palazzo Towers West, Montecasino Boulevard, Fourways, 2055

Telephone number: **011 510 7406**

Email address: candy.tothill@southernsun.com

Indicate type of entity/organisation: Hotel operators

Industry/sector: Tourism

Relevant code of good practice: Tourism

Name of verification agency: **Empowerdex**

Name of technical signatory: Patience Dozwa

SECTION B: INFORMATION AS VERIFIED BY THE BROAD-BASED BLACK ECONOMIC EMPOWERMENT VERIFICATION PROFESSIONAL AS PER SCORECARDS

Target score including	Bonus points	Actual score achieved
e.g. 25 points		27.00
e.g. 19 points		13.14
e.g. 20 points	0.37	17.03
e.g. 40 points	2.00	34.94
e.g. 5 points	3.00	8.00
e.g. 109 points	5.37	100.11
YES/NO and specify them	Yes, all priority elements achieved	
YES/NO and specify them	Yes	
	Level 1	
	e.g. 25 points e.g. 19 points e.g. 20 points e.g. 40 points e.g. 5 points e.g. 109 points YES/NO and specify them	including points e.g. 25 points e.g. 19 points e.g. 20 points 0.37 e.g. 40 points 2.00 e.g. 5 points 3.00 e.g. 109 points YES/NO and specify them Yes, all priority elen YES/NO and specify them Yes

^{*} Indicate how each element contributes to the outcome of the scorecard

SECTION C: FINANCIAL REPORT

1. BASIC ACCOUNTING DETAILS:

- a. Accounting officer's name: Laurelle McDonald
- b. Address: Palazzo Towers West, Montecasino Boulevard, Fourways, 2055
- c. Accounting policy: (are your accounts done weekly, monthly, other specify): Monthly
- d. Has the attached financial statements and annual report been approved by the entity? Y/N: Yes

2. PLEASE ATTACH THE FOLLOWING:

- a. COPY OF ANNUAL FINANCIAL STATEMENT INCLUDING BALANCE SHEET AND INCOME AND EXPENDITURE REPORT
- b. ANNUAL REPORT

Entity annual turnover: Rm 2 708

FORM: B-BBEE 1

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 trading as Southern Sun
CANSA	Cancer Association of South Africa
capex	Capital expenditure
CDP	Formerly the Carbon Disclosure Project
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operating 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
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 represented by LR van Onselen
Covid-19	An infectious disease caused by a newly discovered coronavirus, as defined by WHO
CPI	Consumer price index
	·

CSI	Corporate social investment
СТС	Cost to company
CVs	Curricula vitae
DCF	Discounted cash flow
directors	The directors of the company from time to time whose names appear in the 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
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
HIV	Human immunodeficiency virus
HOFs	Heads of function
Hospitality or HPF	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

Glossary and key terms continued

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
IHL Holdco	IHL Holdco Limited (registration number 2083505), a private company incorporated and registered in accordance with the laws of the British Virgin Islands
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</ir>	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
JSE Listings Requirements	The Listings Requirements of the JSE, as amended from time to time
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
LPG	Liquefied petroleum gas
LTV	Loan to value
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
SAR Plan	The Southern Sun 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
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

Glossary and key terms continued

tCO ₂ e	Tonnes of carbon dioxide equivalent, a measure of greenhouse gas
TGO shares	Ordinary shares of no par value in the share capital of the company
the group	Tsogo Sun Hotels, trading as Southern Sun and its subsidiaries
TIHC	TIHC Investments (RF) Proprietary Limited is a 100% held indirect subsidiary of HCI
ТМС	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 or TSG	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), or Southern Sun or the company	Tsogo Sun Hotels Limited trading as Southern Sun, 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

Corporate information and advisors



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 integrated annual report contains forward-looking statements and information in relation to the group. By its very nature, such forward-looking statements and information require the company to make assumptions that may not materialise or that may not be accurate. Such forward-looking information and statements involve known and unknown risks, uncertainties and other important factors beyond the control of the company that could cause the actual performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements. Past share performance cannot be relied on as a guide to future performance. Forward-looking statements speak only as at the date of this document and no statement is intended to be a profit forecast. Forward-looking statements are the responsibility of the directors and have not been reviewed and reported on by the external auditors in accordance with ISAE 3400 The Examination of Prospective Financial Information.

































