2020

Integrated annual report

TSOGO SUN
HOTELS

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Icons for further digital information within the report:

Further reading relevant within this report

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

www.tsogosun.com

Social platforms to link to us via other media:

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

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

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

ABOUT THIS REPORT

REPORTING APPROACH

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

We remain cognisant of the evolving COVID-19 crisis and strive to report transparently to our stakeholders within the constraints of the situation, as highlighted alongside and on page 10.

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')* and the International Integrated Reporting Council's ('IIRC') International <IR> Framework as applicable.

The group is continuously improving its combined assurance model. Assurance for elements of this integrated annual report was provided through a combination of external and internal sources which will become more formalised in line with future guidance from the IIRC.

SCOPE AND BOUNDARIES

The contents of this report relates to Tsogo Sun Hotels Limited ('Tsogo Sun Hotels' or 'TGO') for the 2020 financial year and beyond. The matters included address material issues for all our subsidiaries, associates and joint ventures. This report covers the year ended 31 March 2020 except where material transactions have occurred post-year end.

In order to provide shareholders with meaningful, like-for-like analysis of the group's performance, the *pro forma* financial information set out in Annexure 3 of the company's pre-listing statement issued to shareholders on 23 May 2019 has been used as the comparative set of results. Shareholders are referred to Annexure 4 of the pre-listing statement for the reporting accountants' report on the *pro forma* financial information. Digital copies of the pre-listing statement can be found on the group's website at **www.tsogosun.com/investors/circulars/2019**.

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

Non-financial disclosures, except for environmental disclosures, focus on the South African operations, which generate 87% of our income.

The scope and boundaries of environmental disclosures are defined on page 46.

REPORTING SUITE

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

BOARD APPROVAL

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

John Copelyn
Chairman

Marcel von Aulock
Chief Executive Officer (CEO)

14 August 2020

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

On 11 March 2020, the World Health Organization ('WHO') declared COVID-19 a pandemic. Shortly thereafter, on 15 March 2020, President Ramaphosa declared a national state of disaster, which included numerous, very necessary interventions in order to contain the spread of COVID-19 in South Africa. As a group, we are fully supportive of the President's actions and understand that this is a serious public health and economic crisis that requires a decisive and coordinated response from all spheres of society.

With the exception of airlines, the hospitality industry was the first to feel the devastating impact of COVID-19. With the acceleration in travel bans imposed by many countries, including South Africa and the other markets in which we operate, the group saw international demand retracting as early as the last week of February 2020. The initial international travel regulations imposed by the President were exacerbated by the ban on interprovincial travel announced on 23 March 2020 as part of the nationwide lockdown. This resulted in a material reduction in revenues for the month of March, which is normally a peak activity month for the group. As a result of the situation, our entire portfolio in South Africa, Africa and the Seychelles was deactivated, with the exception of those hotels designated as quarantine facilities or as accommodation for essential service providers and persons awaiting repatriation.

Since the implementation of the national lockdown on 27 March 2020, we have been in close communication with our lenders, employees, trading partners, suppliers, tenants and landlords in order to arrive at mutually sustainable operating solutions in these extraordinarily difficult times. The various measures put in place in response to the pandemic are discussed further in our leadership reports.

Our strategic objective of sustainability has never been more relevant. We appreciate the support of all our stakeholders as we navigate this turbulent time in the travel and tourism industry. We need to draw on the legacy of our 50-year heritage, which is undoubtedly characterised by our warm hospitality and people-centric culture. We see this time as an opportunity to optimise our business processes and operational structures so that we can emerge as a financially flexible and flat organisation that supervises our people less while promoting their increased involvement in the decision-making process.

Our 2020 integrated annual report as a whole reflects our performance for the 2020 financial year. While 2020 was partially impacted by COVID-19, we are very aware that the 2021 financial year will be the most difficult year in our history. Given our knowledge at this stage, we have indicated at appropriate points in this report, that COVID-19 will be a significant consideration in our approach, planning, stress testing, and the like. However, we have not reflected a revised outlook throughout the report as the effects of the pandemic will be dynamic and remain uncertain at the date of approving this report.

We welcome the recent announcements by President Ramaphosa of further relaxations to regulations restricting travel, the provision of hotel accommodation, restaurants and conferencing. The safety of our employees and guests remains paramount. In anticipation of the reactivation, the group has a number of health protocols and control measures in place, including employee training, personal protective equipment and hygiene resources, social distancing and screening of guests as well as increased sanitation and hygiene processes.

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

JOINT STATEMENT FROM THE CHAIRMAN AND CEO

INTRODUCTION AND WELCOME

On behalf of the Tsogo Sun Hotels team, welcome to our inaugural integrated annual report. This year, the group celebrated its 50th anniversary, as well as the successful separate listing of Tsogo Sun Hotels on the Johannesburg Stock Exchange.

John Copelyn
Non-Executive Chairman

Marcel von Aulock
Chief Executive Officer

While there have been many highlights for us as a business, as we write to you, the world remains in the grip of the COVID-19 pandemic.

The reality of the pandemic and the consequent lockdowns imposed to combat the spread of COVID-19 have been devastating. At its heart, this is a human crisis. We send our sincere condolences to those who have lost loved ones to the virus.

Economically, the lockdown implemented has had a severe impact on the South African economy as a whole. The travel and tourism industry has been particularly hard hit, and our group deactivated the vast majority of its hotels in the last quarter of the financial year.

ENSURING OUR SUSTAINABILITY

We understand that our operations contribute to the livelihoods of our wide base of stakeholders – from our employees and suppliers to our communities and investors. Decisive action was required and we reacted swiftly to safeguard our business.

Our immediate focus is on protecting the sustainability of the business and ensuring that we have the financial and operational resilience to survive the lockdown.

We immediately implemented health protocols and control measures to safeguard our employees. Following the deactivation of the majority of our portfolio, we engaged with employees to share the anticipated impact of the lockdown on our business. We consulted extensively with employees to reach an agreement about the necessary temporary layoffs of staff and, post-year-end, a skeletal operating structure was established.

To assist employees who were temporarily laid off, the group applied to the Unemployment Insurance Fund ('UIF') Temporary Employer/Employee Relief Scheme ('TERS') to supplement the reduced remuneration of employees. As developments unfold, the necessary adjustments to the basis of the layoff will be reviewed against operational requirements and we will remain committed to engaging honestly with staff in this evolving situation.

Ensuring adequate liquidity for the group will be critical. As at 31 March 2020, the group was well within lender covenant requirements and, going forward, lenders to Tsogo Sun Hotels and Hospitality approved the waiver of the September 2020 covenants, securing our short-term liquidity.

The group remains committed to improving our offering and delivering great experiences to our guests. We invest continuously in the capital expenditure ('capex') required to keep the hotels in optimal operating condition. While we invested in the appropriate planned capex during the year, as part of our COVID-19 response plan, the group suspended all capex. Only emergency capex, and repairs and maintenance, will be considered in order to preserve cash.

For more information on our strategic response, refer to page 10 for the strategy review.

DELIVERING FINANCIAL VALUE IN A CHALLENGING TIME

From a financial performance perspective, the business delivered solid results in an environment that was challenging before the arrival of COVID-19 in southern Africa. Total income was R4.5 billion (2019: R4.4 billion), which is 2% above the prior year. This was primarily due to growth in hotel rooms' revenue, and in food and beverage revenue, which was offset by a reduction in property rental income and other income. COVID-19 had a marked impact on the group's fourth quarter trading. The initial international travel regulations and the subsequent total ban on inter-provincial travel resulted in a significant decrease in revenue in March.

Managing costs remains of paramount importance and, despite the strict cost controls implemented during the year, the above-inflationary increases in administered costs, including property rates and utilities, continued to place pressure on our business.

The low revenue growth, coupled with cost pressures, meant that earnings before interest, tax, depreciation, amortisation, rentals and exceptional items ('Ebitdar') ended 9% down on the prior year at R1.4 billion (2019: R1.5 billion).

We fully expect the lockdown to impact our financial performance in the year ahead but we continue to take steps to minimise the impact as far as possible while engaging with government and relevant bodies to find a way to continue to operate safely. We can thus protect the livelihoods of our many stakeholders who depend on Tsogo Sun Hotels.

For more information on our financial performance, refer to page 24 of the chief financial officer's review.

ENSURING EFFECTIVE LEADERSHIP TO PROTECT VALUE

As a leadership team, we have focused on operating with ethics and responsibility, balancing the – at times – conflicting and competing needs of our stakeholders to ensure that we protect the viability of the business. In the crisis, engagement has been critical and we have collaborated with stakeholders across the spectrum to find ways to preserve value.

For more information on our governance, refer to page 62.

POST-YEAR-END DEVELOPMENTS

Hospitality formally terminated the lease with Marriott over the Arabella Hotel & Spa. In June 2020, Marriot announced that it would be terminating its relationship with three of Hospitality's hotels: The Mount Grace, The Edward and Hazyview Sun. These are iconic South African hotels with rich histories. The Mount Grace in Magaliesburg was developed by the Brand family and was the sister hotel to the Grace in Rosebank, which we acquired and restored in 2015 and now operate as 54 on Bath. Magaliesburg is a beautiful area and has great domestic and international tourism potential, as well as strong demand for conferencing, weddings and shorter family getaways with its close proximity to Johannesburg. The Edward is a landmark on the Durban beachfront where we already have a strong presence. The hotel has a 111-year history, beautiful facilities and will add something different to our portfolio in that node. Lastly, Hazyview is on the key tourist route through Mpumalanga on the doorstep of the Kruger National Park. The addition of this hotel in the area will complement our Sabi River Sun hotel, allowing us to broaden the offering we have for the local and foreign markets which will return to Kruger when circumstances improve. We remain committed to these properties and have full faith in their viability post the COVID-19 pandemic. We are delighted to bring them under the Tsogo Sun Hotels management portfolio and fully integrate them into our distribution and management network, once the conditions for their reactivation are achieved.

Arabella HOTEL, GOLF & SPA

THE EDWARD

MOUNT GRACE HOTEL & SPA

Hazyview Sun

JOINT STATEMENT FROM THE CHAIRMAN AND CEO continued

On 13 July 2020, we announced the sale of the group's 50% interest in the Maia Luxury Resort and Spa for aggregate proceeds of US$27.8m. Our intention since the listing has been to reduce our US Dollar denominated interest-bearing debt. COVID-19 has limited our ability to apply cash resources towards the settlement of this debt. The proceeds from the sale of this hotel assists us in achieving this objective and we believe that the disposal is in the best interest of the group at this time.

In uncertain times, the best investment you can make is in yourself. Hospitality has consistently traded below its net asset value despite owning a portfolio of valuable hotels, which we understand well given that the economic drivers are largely the same for South African hotels whether they are owned by Hospitality or Southern Sun Hotel Interests ('SSHI'). As announced, we have acquired additional HPB shares from Hospitality shareholders in exchange for shares in Tsogo Sun Hotels at an exchange ratio of 1.77 TGO shares for every 1 HPB share held. To preserve cash resources in order to withstand the impact of COVID-19, we consider it prudent to use ordinary shares in the company, as opposed to cash, for the purposes of acquiring additional Hospitality shares. At the date of writing, the group increased its shareholding in Hospitality to 75%.

OUTLOOK AND APPRECIATION

As we look ahead, we know that the worst is not yet behind us. In spite of this, as mentioned, there have been some positive developments subsequent to our year end, which we believe will stand the business in good stead once trading normalises.

We remain supportive of the government's efforts to halt the spread of the virus. As we have highlighted, no industry can survive an extended period without revenue. We welcome the opportunity to continue to engage with government and regulators to find ways to continue to open the economy as quickly as possible with due regard for safety.

On behalf of the entire leadership team, we extend our appreciation to our stakeholders for their support and collaboration as we all navigate this crisis. Thank you to our teams for your understanding and, while the future is uncertain, we remain committed to ensuring the sustainability of our operations. The short-term outlook is not positive and in the current circumstances it is nearly impossible to predict how the COVID-19 crisis will unfold.

We know, from 50 years of experience, that the legacy we leave behind is determined by the decisions we take today. We are committed to protecting the business and ensuring that we are able to deliver 50 more years of exceptional experiences to our guests.

John Copelyn
Non-Executive Chairman

Marcel von Aulock
Chief Executive Officer

GROUP OVERVIEW

OUR VISION

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

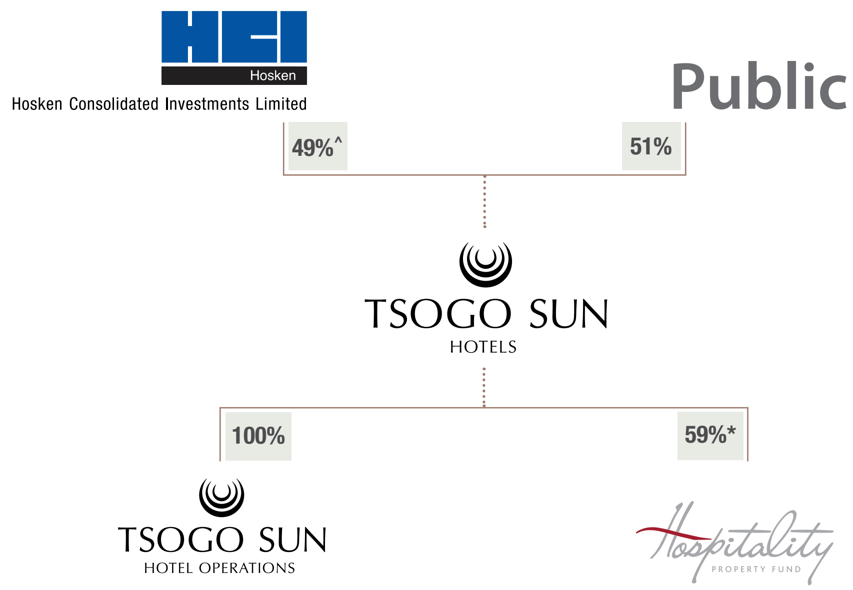
WHO WE ARE

With 50 years of excellence in providing a home away from home, Tsogo Sun Hotels has earned the trust of our guests, who find variety, quality, warmth and trusted service with flair at each of our destinations.

From functional to luxurious, from exciting to relaxing, Tsogo Sun Hotels offers a brand and a service to suit every traveller's needs.

With a portfolio of more than 110 hotels in South Africa, Africa, the Seychelles and the Middle East, an extensive selection of restaurants and bars, and a diverse collection of conference and banqueting facilities (including the renowned Sandton Convention Centre), Tsogo Sun Hotels offers unparalleled variety, footprint and scale.

OUR GROUP STRUCTURE



OUR OWNERS

Our key shareholder at 31 March 2020 was Hosken Consolidated Investments Limited ('HCI'), a JSE listed investment holding company that directly and indirectly owned 49% of the shares, excluding treasury shares.

The HCI shareholding is of particular importance to the sustainability of the group as it provides the bulk of the 75% effective black ownership at group level, while 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.

* *Increased to 75% post-year end.*
^ *Decreased to 47% post-year end.*

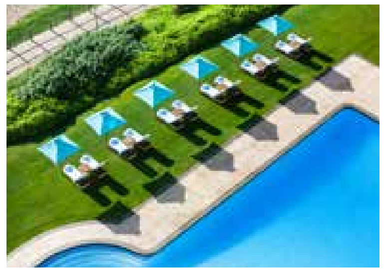
GROUP OVERVIEW continued

TSOGO SUN
THROUGH THE YEARS

1969

Where it all began

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.



1983

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.

1985

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.

1991

Southern Sun was delisted from the JSE and became a wholly owned subsidiary of SAB Limited. Southern Sun entered into a joint venture with Accor SA, the French hotel group, to develop the Formula1 and Formula Inn range of hotels in South Africa and the first of 23 hotels opened the next year.

1994

The mid-1990s saw a rejuvenation for Southern Sun as the hotel business was transformed through the introduction of the successful 'Jumbo Jet' strategy, which changed the portfolio to concentrate on mid-market and economy hotels rather than deluxe products. This, combined with the opening of the South African economy after the end of apartheid, saw a dramatic increase in occupancy rates and profitability.

1996

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.

1999

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

2003

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

2009 – 2011

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

2012 – 2014

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

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

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

2015 – 2017

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

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

2018 – 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.

50 YEARS
OF HOSPITALITY & ENTERTAINMENT
★★★★★

2020

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

STRATEGY AND PERFORMANCE HIGHLIGHTS

OUR STRATEGIC OBJECTIVES ARE:

SUSTAINABILITY

GROWTH

HOW WE CREATE LONG-TERM SUSTAINABLE VALUE

The five key pillars of our sustainability include:

DELIVER TO OUR BENEFICIARIES

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

- **Level 1** B-BBEE contributor
- Black ownership **75%**
- **R3.1 billion** value added to black economic empowered businesses and government
- **162** beneficiaries supported through Tsogo Sun Entrepreneurs programme

FINANCIAL STRENGTH AND DURABILITY

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

- Leverage ratio
  - Tsogo Sun Hotels **1.3 times**
  - Hospitality **3.2 times**
- Unutilised facilities + cash of **R1.7 billion**
- **2.9** years weighted average expiry of debt facilities
- **71%** of Hospitality'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

- **18 834** hotel rooms across all market segments
- **88%** hotel guest satisfaction

REGULATORY COMPLIANCE

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

- No significant regulation breaches

SKILLED HUMAN RESOURCES

Qualified, trained, talented and empowered people are required to deliver the Tsogo Sun Hotels' experience

- **6 596** direct employees
- **91%** of employees are African, Coloured and Indian and **56%** are women

A business has to stay in business to be able to take advantage of the commercial opportunities that are presented to it.

SUSTAINABILITY

GROWTH

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

ORGANIC GROWTH

Optimal operation of the group's capitals generates growth in cash flow and thus value

	2020	2019 Pro forma	% change
Income (Rm)	**4 475**	4 389	2
Ebitdar (Rm)	**1 352**	1 488	(9)
Ebitdar margin (%)	**30**	34	
Adjusted headline earnings per share (cents)	**26.2**	37.9	(31)
Free cash flow (Rm)	**484**	414	17
Maintenance capital expenditure (Rm)	**366**	384	(5)

INORGANIC GROWTH

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

- Investment activity expenditure of **R211 million** was incurred during the year on the acquisition of Southern Sun Pretoria and the Riverside Conference Centre.

STRATEGIC PRIORITIES AND GROWTH DRIVERS

SUSTAINABILITY

SKILLED HUMAN RESOURCES

- Adequate resources and skills
- Engaged workforce

DELIVER TO OUR BENEFICIARIES

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

FINANCIAL STRENGTH AND DURABILITY

- Judicious use of gearing and adequate facilities
- Own most of our assets through the controlling stake in Hospitality

PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE

- Adequate maintenance capex
- Strong development skills in-house
- Proactive marketing of products and brands
- Management of booking channels

REGULATORY COMPLIANCE

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

STRATEGIC PRIORITIES

ORGANIC

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

INORGANIC

- New projects

GROWTH

FUTURE GROWTH DRIVERS

ECONOMIC RECOVERY

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

ECONOMIC CYCLE

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

LOCATION

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

PORTFOLIO MANAGEMENT

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

INVESTMENT IN SA 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

STRATEGIC REVIEW AND IMPACT ON PRIORITIES

Due to the significant impact that COVID-19 had on the group and its operations, it is important, given the information available to us at the date of finalising this report, to review its impact on our strategic priorities and future growth prospects.

Strategic priorities are internal drivers that are largely known and can be directly influenced by management and our relationships with major stakeholders. Future growth prospects are largely externally driven, and while management has the ability to lobby government through industry bodies for the accelerated opening of the economy with due regard for safety protocols, our growth prospects are uncertain at this stage and depend largely on the recovery of the South African economy. Economists and analysts currently expect market conditions and socio-economic imbalances to push South Africa to an 'L-shaped' recession depicted by a steeper economic decline and a very prolonged recession. This deeper recession often accompanies credit rating downgrades, as we saw towards the end of March 2020. In conjunction with the national lockdown in response to COVID-19, the recession is likely to result in corporate defaults, bankruptcies and retrenchments, as companies grapple with access to capital and restructuring operations to fund and reduce cash burn. Companies that are agile and flexible in responding to the financial and operational pressures imposed by the pandemic will fare better.

The recovery of the hospitality industry specifically is expected to be slow due to the uncertainties around the health of travellers, and the negative economic impact on government, corporates and individuals leading to reduced spend on hotel accommodation and conferences.

POTENTIAL IMPACT ON STRATEGIC PRIORITIES AND FUTURE GROWTH DRIVERS

DELIVER TO OUR BENEFICIARIES

CAPITAL CAPACITY

Deliver to our beneficiaries

The HCI shareholding following the listing and unbundling was 49% in Tsogo Sun Hotels and it remains important from a B-BBEE perspective. As outlined in our pre-listing statement, the group intended to apply cash resources generated during the initial 15 months post-listing towards the settlement of our offshore division's US Dollar denominated interest-bearing debt. Given the anticipated extended period of minimal revenue, the directors considered it prudent to retain cash resources in order to ensure that the group is able to navigate this difficult period until trading resumes. With unutilised facilities and cash of R1.7 billion as at 31 March 2020, and with hotels beginning to operate, albeit under restrictions at this stage, we do not anticipate the need to launch a rights offer in order to fund our operations.

With the deactivation of the group's hotels, all community investment and sponsorship activities were suspended. Remote business support continued to be provided to registered beneficiaries of the Tsogo Sun Entrepreneurs programme.

The group is also seeking rent relief from landlords for the lockdown period and subsequent low demand periods. Negotiations in this regard are ongoing.

In addition, the group has negotiated reduced or extended payment terms with major suppliers, particularly those providing fixed cost services such as security and lift maintenance. Municipal rates and taxes are a material fixed monthly cost for the group and while we currently continue to meet these obligations, we are lobbying government through industry bodies to grant a deferral or payment holiday. Contractual variable costs with suppliers were reduced to nil until trading resumes by extending the period of the contracts.

FINANCIAL STRENGTH AND DURABILITY

CAPITAL CAPACITY

Financial strength and durability

Gearing levels for both Tsogo Sun Hotels and Tsogo Sun Gaming prior to the listing and unbundling were carefully considered, based on the respective businesses' risk profiles including cash flow generation, earnings volatility and cyclicality. Tsogo Sun Hotels retained two key debt funding packages:

1. Hospitality's net debt is R2.3 billion (2019: R1.9 billion). For as long as Hospitality remains a Real Estate Investment Trust ('REIT'), it is obliged to distribute at least 75% of its distributable earnings to its shareholders and has traditionally distributed 100% of earnings. Historically, capex has been funded through additional debt and consideration was given to retaining distributions in future, depending on the level of capex and the debt covenants within Hospitality.

   COVID-19 highlighted the shortcomings of a hospitality REIT in a crisis market. In this zero revenue environment, where Hospitality is increasing its debt burden and building an assessed loss through covering the fixed property-related costs of the hotels, such as administered costs, insurance and security, the preference is to retain cash resources – to settle debt – and retain profits – to utilise the assessed loss. As at 31 March 2020, Hospitality was well within lender covenant requirements:
   - Leverage ratio (net debt:Ebitda[1]) of 3.2 times against a maximum covenant requirement of no more than 3.5 times
   - Interest cover ratio of 3.7 times against a minimum covenant requirement of at least 2 times

2. The offshore division's US Dollar denominated net debt is R1.3 billion or US$72 million (2019: R1.1 billion or US$77 million), which is susceptible to foreign currency fluctuations. The debt is split between the group's offshore holding company in Mauritius, Southern Sun Africa and in-country packages, primarily in Mozambique (Southern Sun (Mozambique) Limitada) and Nigeria (Ikoyi Hotels Limited). This debt is guaranteed by the South African operations and is considered high, relative to the cash being generated by the offshore division. Again, our preference is to retain cash resources in the medium term as trading normalises in order to settle this debt and reduce our exposure.

   The inability to generate revenue during the lockdown period, together with the expected slow recovery once the hotels can open and operate, has made it clear that the group will not be able to meet its covenant requirements in terms of its funding agreements for the measurement period 30 September 2020 and 31 March 2021. Following negotiations with lenders, the group has secured:
   - The waiver of its covenant requirements for the measurement period after 30 September 2020
   - The capitalisation of bank funding interest to the group's revolving credit facilities until 30 September 2020

   At the date of the annual financial statements, the lenders are not able to provide waivers on the minimum covenant requirements for the measurement period ending 31 March 2021. This will only be considered after 30 September 2020 and management has no reason to believe that the necessary waivers will not be granted. However, given that the covenant waivers for 31 March 2021 have not been obtained, Hospitality is currently unable to meet the solvency and liquidity test and accordingly, no dividends can be legally declared.

[1] *Earnings before interest, taxation, depreciation and amortisation ('Ebitda').*

STRATEGIC REVIEW AND IMPACT ON PRIORITIES continued

PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE

PORTFOLIO MANAGEMENT

Product relevance to customer experience

The group has a history of continuous investment in our product in order to deliver great experiences to our guests. Capex consists mostly of maintenance and refurbishment capex required to keep the hotels in optimal operating condition. The group maintains a rolling five-year capex planning system to identify hotels requiring minor and major refurbishment, as well as plant and infrastructure requirements.

The maintenance capex programme on the hotel operations in the year amounts to R366 million (2019: R384 million) and includes major refurbishment spend at Westin Cape Town, Garden Court Hatfield, Southern Sun Ikoyi and Southern Sun Lusaka. In addition, the lifts at Southern Sun Cape Sun are undergoing replacement. The balance of the programme consists of ongoing refurbishments across hotels, annual unit-based capex (including operating equipment) and investment in information technology ('IT') hardware, primarily Wi-Fi related. Due to the size of the Westin and Southern Sun Lusaka refurbishments, the current capex programme is elevated and is expected to moderate in coming years. The group has a long-term target of maintenance capex not exceeding 25% of Ebitdar on a rolling basis. This excludes inorganic investments we may undertake to expand our operations.

As part of our COVID-19 action plan, the group suspended all capex with only emergency capex and repairs and maintenance to be considered in order to preserve cash.

REGULATORY COMPLIANCE

PORTFOLIO MANAGEMENT

Regulatory compliance

The South African regulatory environment continues to become more complex with the ongoing introduction of new legislation, rulings, practices and policies. The advent of COVID-19 has complicated this landscape further with numerous directives and practice notes released by the JSE providing guidance to issuers to protect investors and other stakeholders through enhanced financial and qualitative disclosures relating to the impact of COVID-19. The group continues to comply with these guidance notes where relevant.

The main regulatory impact on our business as a result of COVID-19 are the health and safety regulations introduced by government. With our culture of high customer health and safety standards, the group was well placed to comply with these regulations and worked closely with government and the Tourism Business Council of South Africa ('TBCSA') to develop the health and safety protocols for the tourism industry as a whole. Since we already have a high level of compliance in this area, the implementation of these protocols is not expected to require material capex spend.

SKILLED HUMAN RESOURCES

CAPITAL CAPACITY

Human resources

Our well-trained and engaged employees are key to our delivery of great experiences to our guests. Where our staff are employed at our properties that were repurposed for use as isolation and quarantine facilities, as well as to provide accommodation for health and essential workers, strict safety rules are adhered to and comprehensive training is provided.

Following the move to level 3 of the national lockdown and in anticipation of the reactivation of hotels, the group has a number of health protocols and control measures to safeguard our employees. These measures include employee training, personal protective equipment and hygiene resources, social distancing and screening as well as increased sanitation and hygiene processes. Tsogo Sun's digital learning platform provides COVID-19 modules that employees can access remotely to stay informed.

We understand that this is an extremely stressful time for our employees and we are committed to engaging with them openly and honestly. On 20 March 2020, the group made an internal announcement to all management and staff sharing the severe impact that COVID-19 and the national state of disaster are expected to have. We consulted with employees to reach an agreement on the terms and conditions for a temporary layoff of staff. Subsequently, at the end of March, a skeletal operating structure was established.

The group applied to the UIF TERS to supplement the reduced remuneration of employees who were temporarily laid off. As developments unfold, the necessary adjustments to the basis of the layoff will be reviewed against operational requirements. The group published a COVID-19 human resources policy to inform behaviour and safeguard our people's health at the workplace when business resumes.

The Tsogo Sun Group Medical Scheme responded swiftly to COVID-19, ensuring members and their beneficiaries receive the appropriate level of cover and communication during this period. However, it is still too early to determine the impact on the scheme.

ORGANIC GROWTH

ECONOMIC RECOVERY

INVESTMENT IN SA HOTELS

ECONOMIC CYCLE

EXPANSION IN OFFSHORE HOTELS

PORTFOLIO MANAGEMENT

CAPITAL CAPACITY

LOCATION

Organic growth

Based on current trading, we expect the recovery in occupancies to pre-COVID-19 levels to take at least 18 to 24 months. In response to the excess supply in the market, and as part of our phased reopening plan, the group has only reactivated half of its portfolio in phase 1 under level 3 of the national lockdown and this could be revised depending on demand. Phase 2 hotels will be reactivated once inter-provincial leisure travel is allowed based on anticipated demand.

The remaining hotels are not expected to be reactivated for an extended period of time, which are generally those that are reliant on international inbound travel and significant groups and conferencing business.

With excess supply in the market and a lack of demand, average room rates will be under pressure. We are thus focused on ensuring that we are the lowest cost operator in the market so that our hotels remain profitable even at the reduced pricing and occupancy levels. One benefit of the current market conditions is that there should be a respite in new rooms supply to the market for at least the next three to five years.

INORGANIC GROWTH

PORTFOLIO MANAGEMENT

Inorganic growth

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 short to medium term.

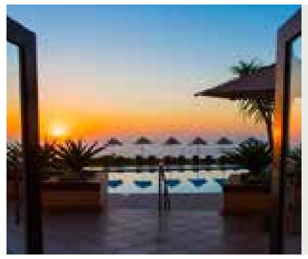
BUSINESS MODEL

OUR CAPITALS – RESOURCES AND RELATIONSHIPS

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

The capitals that generate these cash flows include:

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



Our intangible capitals such as licences, brands, trademarks, technology and systems, which provide seamless delivery of that experience

Our financial resources to pursue growth opportunities

Our quality relationships with key stakeholders

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

WE HAVE IDENTIFIED OUR MOST IMPORTANT CAPITALS

CAPITALS	UTILISATION OF THE CAPITALS	REFERENCE	PAGE
Manufactured	Significant focus is placed on the quality of the facilities and experiences offered at each of our hotels. To remain relevant a variety of quality experiences must be provided at appropriate price points across all market segments. Our hotels have a wide geographic distribution which is key to the group's competitive advantage. We have continuously invested in developing and maintaining our properties to keep them relevant and fresh.	Hotel footprint PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE GROWTH	20
Natural	Our utilisation of natural capital is predominantly driven by our requirement for optimally located properties upon which we have instituted property-specific environmental management systems focused mainly on energy, water, waste management and responsible procurement.	DELIVER TO OUR BENEFICIARIES	43
Human	People are at the core of delivering the Tsogo Sun Hotels' experience, both front and back of house. A pool of qualified, trained and talented people is required to deliver these experiences, supported by empowered management and relevant support services. Employee development and engagement remain focus areas to ensure we attract and retain the highest-calibre people to drive our strategy.	SKILLED HUMAN RESOURCES	55
Intellectual	Our brands underpin the quality experiences of our customers. We are consistently striving to innovate our physical product, technology, accessibility and brands to remain relevant to our customers. Our intellectual capital is largely driven by our people, processes and systems, market intelligence and specialist business partners.	PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE REGULATORY COMPLIANCE	50
Financial	Our ability to generate cash flows as well as access to well-priced debt and equity funding determines our ability to fund organic and inorganic growth.	CFO's review FINANCIAL STRENGTH AND DURABILITY	24
Social and relationship	Quality relationships with our key stakeholders are vital to the long-term sustainability of Tsogo Sun Hotels. Building trust and credibility with our key stakeholders is crucial to retaining our social and regulatory licence to operate.	Key relationships DELIVER TO OUR BENEFICIARIES REGULATORY COMPLIANCE	34

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

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.

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

PORTFOLIO PHILOSOPHY

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

TSOGO SUN
HOTELS

REAL ESTATE

1 LAND | 2 BUILDINGS

Hospitality PROPERTY FUND

MANAGEMENT OF HOTEL OPERATIONS

3 OPERATIONS | 4 MANAGEMENT

BRANDS

5 BRANDS

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

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

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

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

As the group's major property-owning subsidiary, Hospitality owns a total of 54 hotels in South Africa.

54 HOTELS South Africa

- 42 Leased and managed by the group
- 12 Leased and managed by external operators including Marriott and Radisson

Hospitality PROPERTY FUND

Outside of Hospitality, various group subsidiaries own and manage a further 29 hotels.

29 HOTELS

- 22 South Africa
- 7 Offshore

With 75% 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 higher returns on effort.

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, 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 include account management and product training for larger customers including sports bodies, government, state-owned entities, conference organisers and corporate clients. The long-standing relationships we have developed with organisations such as the South African Rugby Union, stem from our ability to handle complex travel requirements countrywide, during normal season and extraordinary tournament periods. Our revenue management team supports the sales team, providing a more cohesive outlook towards topline generation, particularly contracted and negotiated revenue streams which make up a material portion of our business. Closing the deal will always be a fine balancing act between price and volume and this has never been more important than in the difficult environment we are going to experience in coming years.

MARKETING

Marketing including core promotions like the Sunbreaks campaign, the summer sale and promotion of the rewards programme. Up to 35% of the group's rooms revenue is generated from rewards members illustrating the depth of the reach and the value offered by our extensive portfolio in South Africa.

INFORMATION TECHNOLOGY

IT services including sourcing and maintaining appropriate operating systems such as reservations, property management, sales and catering, the human resource management system (including payroll). These services also include procurement and support of hardware including physical and virtual private branch exchanges ('PABXs'), personal computer requirements, networking of hotel systems and Wi-Fi infrastructure.

DEVELOPMENT

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

HUMAN RESOURCE

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

This collectively makes up the management ('Manco') division's activities, through which the group operates its hotel portfolio.

BUSINESS MODEL continued

OPERATING MODEL continued

5 BRANDS

BRANDS

Tsogo Sun Hotels' key differentiator in South Africa is its wide distribution of quality hotel products. In addition, the delivery of consistent exceptional guest experience remains the focus at all of the hotels to differentiate in an often commoditised industry.

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

LUXURY

MAIA · PALAZZO · SANDTON SUN · INTERCONTINENTAL · 54 ON BATH · SUNCOAST TOWERS · BEVERLY HILLS

FULL SERVICE

Southern Sun HOTELS · RESORTS · Holiday Inn · Garden Court · SUN SQUARE

ECONOMY

stayeasy · hi HOTELS · SUN1

LUXURY PORTFOLIO

Each hotel in the luxury portfolio is individually branded and operated according to its own personality, derived from its location, design and community environment. These luxury hotels are typically graded as five-star hotels and are some of the most iconic properties in their locations including Sandton Sun at Sandton City, Palazzo at Montecasino, Beverly Hills in Umhlanga and 54 on Bath in Rosebank. We also operate two InterContinental branded hotels in Johannesburg under licence from the InterContinental Hotels Group plc ('IHG').

LOCATION: Sandton, Umhlanga, Rosebank, Fourways, Seychelles

☆☆☆☆☆

FULL SERVICE PORTFOLIO

Southern Sun Hotels and Resort hotels

Southern Sun Hotels is our core, full-service brand and is typically graded as four-star when applicable. The majority of these hotels are located in key urban nodes, servicing business and leisure travellers alike. The properties have substantial food and beverage operations as well as conference facilities. Resort properties are located in attractive tourist destinations such as Umhlanga, Plettenberg Bay, the Drakensberg and Mpumalanga and include a large Timeshare operation. During the year, the Crowne Plaza in Rosebank was rebranded as Southern Sun Rosebank leaving only Holiday Inn Sandton as the remaining IHG brand operated by the group within the Southern Sun Hotels category of branding. The final gem in this collection is the beautiful Paradise Sun on the Island of Praslin in the Seychelles.

LOCATION: Umhlanga, Cape Town, Durban, Plettenberg Bay, Drakensberg, Mpumalanga, Rosebank, Nigeria, Mozambique, Tanzania, Seychelles

☆☆☆☆

FULL SERVICE PORTFOLIO

Garden Court

A well-established and successful mid-market offering, spanning 20 hotels with 3 959 rooms. This brand includes large well-known hotels such as Garden Court Marine Parade and Garden Court Sandton City, which have both undergone a complete refurbishment in recent years, through to smaller properties such as Garden Court Newcastle, which was recently expanded by a further 40 rooms. Garden Court Kitwe in Zambia opened in 2018 and represents the first Garden Court outside of South Africa.

LOCATION: South Africa, Zambia | 20 HOTELS | 3 959 ROOMS

SunSquare

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

LOCATION: Montecasino, Suncoast, Cape Town City Bowl, Cape Town Gardens | Jeera, Zepi, Vigour & Verve FOOD AND BEVERAGE

ECONOMY

StayEasy

Catering to the economy segment, this brand has grown to 10 properties with 1 505 rooms. Offering great value and tasteful rooms, these hotels were developed in key business locations such as Century City and City Bowl in Cape Town, Eastgate, Pietermaritzburg and Pretoria. The group also has StayEasy products outside of South Africa with hotels in Lusaka, Zambia and Maputo, Mozambique. The Maputo hotel is the latest build and opened its doors to guests in 2018.

LOCATION: Cape Town, Eastgate, Pietermaritzburg, Pretoria, Zambia, Mozambique | 10 PROPERTIES | 1 505 ROOMS

hi Hotels

hi Hotels is the latest brand offering to be introduced by the group. These hotels consist of a modular design, with each room fully factory built. They are scalable in that we can deliver an attractive physical product with unique bedroom and public space facilities at a capital cost that makes the hotels highly feasible. The first hi Hotel opened its doors at Montecasino in February 2020. Although it was only open for a short six weeks before closing under the national lockdown, it achieved good results and we believe that the brand has strong potential for the future.

LOCATION: Montecasino | February 2020 OPENED

SUN1

The SUN1 brand comprises the portfolio of budget hotels acquired from Accor, which were originally built as Formula1 hotels in South Africa. This portfolio has undergone a substantial refurbishment in most of the properties post-acquisition and consists of 22 hotels situated countrywide. SUN1 offers well-appointed rooms sleeping up to three guests at a great price. SUN1 Southgate was recently expanded and, with 138 rooms, it is the largest SUN1 hotel.

LOCATION: Countrywide | 22 HOTELS | 1 741 ROOMS

BUSINESS MODEL continued

OPERATING MODEL continued

GEOGRAPHICAL FOOTPRINT

TSOGO SUN HOTELS OPERATED

99 HOTELS | 16 198 ROOMS

THIRD-PARTY OPERATED

12 HOTELS | 2 636 ROOMS

LOCATION

	GROUP REVENUE CONTRIBUTION[2]	GROUP EBITDAR CONTRIBUTION[2]
South Africa	87%	93%

NORTHERN CAPE
Kimberley

WESTERN CAPE
Cape Town
Caledon
Hermanus
Mossel Bay
Beaufort West

EASTERN CAPE
East London
Mthatha
Port Elizabeth

FREE STATE
Bloemfontein

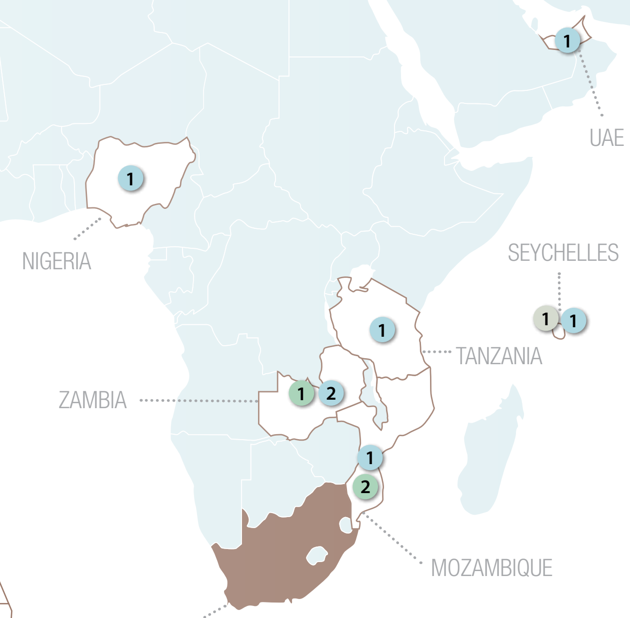
NORTH WEST
Rustenburg

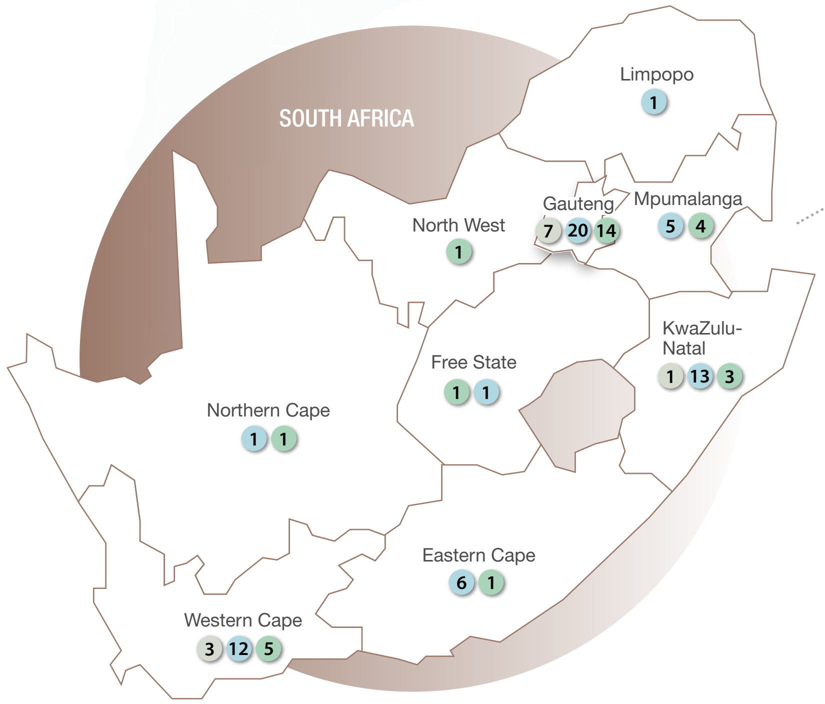
GAUTENG
Johannesburg
Pretoria
Vereeniging
Magaliesburg

LIMPOPO
Polokwane

MPUMALANGA
Mbombela
eMalahleni
Hazyview

KWAZULU-NATAL
Durban
Pietermaritzburg
Newcastle
Winterton
Umhlanga
Richards Bay
Ulundi





LOCATION

	GROUP REVENUE CONTRIBUTION[2]	GROUP EBITDAR CONTRIBUTION[2]
International markets	13%	7%

UNITED KINGDOM[1]

NIGERIA
Lagos

ZAMBIA
Lusaka
Kitwe

MOZAMBIQUE
Maputo
Tete

TANZANIA
Dar es Salaam

SEYCHELLES
Mahé
Praslin

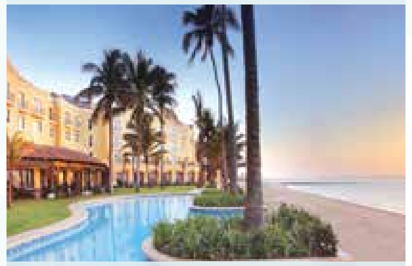
UNITED ARAB EMIRATES
Abu Dhabi

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

LUXURY BRANDS

INTERNAL BRANDS: MAIA, PALAZZO, 54 ON BATH, SUNCOAST TOWERS, SANDTON SUN, BEVERLY HILLS

EXTERNAL BRANDS: WESTIN HOTELS & RESORTS, INTERCONTINENTAL, Radisson BLU, AFRICAN PRIDE HOTELS



FULL SERVICE BRANDS

INTERNAL BRANDS: Southern Sun HOTELS, RESORTS, SUN SQUARE, Garden Court

EXTERNAL BRANDS: PROTEA HOTELS, Holiday Inn, arda | KOPANONG HOTEL & CONFERENCE CENTRE, Radisson BLU, CHAMPAGNE SPORTS RESORT, BIRCHWOOD

ECONOMY BRANDS

INTERNAL BRANDS: stayeasy, hi HOTELS, SUN1

26	33	29
COASTAL HOTELS	INLAND HOTELS	OTHER HOTELS

PORTFOLIO SEGMENTATION

As at 31 March 2020

	Owned/leased		Managed		Total		Group revenue contribution[2]	Group Ebitdar contribution[2]
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	%	%
TSOGO SUN OPERATED								
Manco[1]	**–**	**–**	**–**	**–**	**–**	**–**	**2**	**11**
Coastal	**19**	**5 193**	**7**	**659**	**26**	**5 852**	**42**	**34**
Luxury	1	89	–	–	1	89	2	1
Full service	15	4 500	7	659	22	5 159	37	26
Economy	3	604	–	–	3	604	3	7
Inland	**21**	**4 415**	**12**	**1 426**	**33**	**5 841**	**30**	**19**
Luxury	3	632	2	384	5	1 016	5	2
Full service	15	3 387	7	669	22	4 056	24	17
Economy	3	396	3	373	6	769	1	–
Other	**24**	**1 879**	**5**	**889**	**29**	**2 768**	**6**	**5**
Full service	2	138	5	889	7	1 027	2	1
Economy	22	1 741	–	–	22	1 741	4	4
South Africa	**64**	**11 487**	**24**	**2 974**	**88**	**14 461**	**80**	**70**
Offshore	**7**	**991**	**4**	**746**	**11**	**1 737**	**13**	**7**
Total 2020	**71**	**12 478**	**28**	**3 720**	**99**	**16 198**	**93**	**77**
Total 2019	69	11 648	32	4 563	101	16 211	92	77
THIRD-PARTY OPERATED								
Hospitality owned[3]	12	2 636	–	–	12	2 636		
Total 2020	**12**	**2 636**	**–**	**–**	**12**	**2 636**	**7**	**23**
Total 2019	12	2 636	–	–	12	2 636	8	23

[1] *Includes revenue generated by Manco and the elimination of internal management fees.*
[2] *As per the group segmental analysis.*
[3] *The chief operating decision maker ('CODM') reviews rental income net of rates and taxes expensed by the lessor for segmental reporting purposes.*

INVESTMENT CASE

WHY INVEST IN TSOGO SUN HOTELS?

Quality assets
•
Ownership
•
Customer-centric
•
Brand recognition
•
Financial strength
•
Community development
•
Centralised management structure

HIGH-QUALITY ASSETS IN KEY LOCATIONS

We operate high-quality hotels in which we invest significant amounts 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 an important market differentiator.

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 50-year heritage we have achieved strong recognition within both the corporate and consumer 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 to be made in our marketing efforts, reducing cost and improving brand alignment.

FINANCIAL STRENGTH AND DURABILITY

In order to withstand the impacts of macro-economic 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.

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 111 hotels operated by the group, we own or lease 83 (representing 80% of our total rooms) and manage 28 for third parties.

RESPONSIVE TO CUSTOMER NEEDS

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

The Tsogo Sun Hotels rewards programme and 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 top tier active rewards club members more effectively.

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 2020, the group's combined social investment in community development amounted to R11 million. This is the equivalent of 9% of net profit after tax and represents 8% 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.

CENTRALISED MANAGEMENT STRUCTURE AND HIGHLY EFFICIENT USE OF TECHNOLOGY

The scale of the group has enabled the implementation of an integrated approach across our hotels.

This approach maximises the use of our assets and resources under a unified management structure and within a common corporate identity. This allows us to enhance the experience we offer our guests across multiple properties, ensures consistency across our product offerings and assists the market to understand the scale and diversity of our operations.

Taking advantage of our scale, our strategy is to centralise administrative functions so as to realise efficiencies and ensure the consistent application of corporate policies throughout the business. Processes and systems are automated where appropriate, meaning that our portfolio can be expanded without any consequent need to increase administrative resources.

CHIEF FINANCIAL OFFICER'S REVIEW

This marks the group's inaugural integrated annual report subsequent to the company's unbundling from Tsogo Sun and listing on the main board of the JSE on 12 June 2019.

Laurelle McDonald
Chief Financial Officer

This has undoubtedly been one of the most challenging and disruptive periods in our 50-year history and this instability is likely to continue for at least the next 18 to 24 months. However, we see these challenges as an opportunity to rethink the way we do things and we hope to emerge from this crisis as a more efficient, agile group.

In order to provide shareholders with meaningful, like-for-like analysis of the group's performance, the *pro forma* financial information set out in Annexure 3 of the company's pre-listing statement issued to shareholders on 23 May 2019 has been used as the comparative set of results. Shareholders are referred to Annexure 4 of the pre-listing statement for the reporting accountants' report on the *pro forma* financial information.

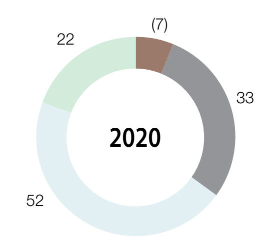
Digital copies of the pre-listing statement can be found on the group's website at **www.tsogosun.com/investors/circulars/2020**.

REVENUE
R4.5 billion ▲ 2%

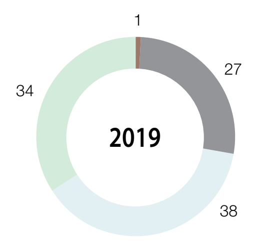
EBITDAR
R1.4 billion ▼ 9%

ADJUSTED EARNINGS
R278 million ▼ 31%

QUARTERLY CONTRIBUTION TO ADJUSTED EARNINGS (%)



QUARTERLY CONTRIBUTION TO ADJUSTED EARNINGS (%)



QUARTERLY PERFORMANCE REVIEW

The quarterly performance of key financial indicators as set out below reflect the seasonality of our business, which is weighted towards the summer season from October to March as well as the impact of COVID-19 and the subsequent national lockdown on the last quarter of the year in particular:

	Q1 Rm	Q2 Rm	Q3 Rm	Q4 Rm	Total Rm
Revenue					
2020 actual[1]	**961**	**1 112**	**1 229**	**943**	**4 245**
Change on 2019 *pro forma*	14	35	(30)	(153)	(134)
% change on 2019 *pro forma*	1	3	(2)	(14)	(3)
Ebitdar					
2020 actual[1]	**206**	**353**	**452**	**296**	**1 307**
Change on 2019 *pro forma*	(16)	(2)	(23)	(140)	(181)
% change on 2019 *pro forma*	(7)	(1)	(5)	(32)	(12)
Adjusted earnings					
2020 actual	**(18)**	**91**	**144**	**61**	**278**
Change on 2019 *pro forma*	(22)	(16)	(9)	(78)	(125)
% change on 2019 *pro forma*	*	(15)	(6)	(56)	(31)

[1] *Excludes the impact of the extension of the fixed and variable leases concluded over the InterContinental Sandton Towers, Sandton Sun and Garden Court Sandton City (collectively, the Sandton hotels) that became effective from 1 November 2019. The impact of these lease extensions is discussed under the income statement review on page 26.*

* *Percentage greater than 100%.*

Quarterly contribution to adjusted earnings

Trading during the first nine months of the financial year was impacted by the depressed local macro-economic environment, with demand by corporate and leisure groups as well as the transient traveller showing little sign of recovery.

The performance of the group's offshore division was equally disappointing due to declining corporate and leisure activity in Maputo, government changes in Tanzania, a reduction in South African travel to Nigeria following the xenophobic attacks, as well as a significant retraction in business confidence in Lusaka following proposed amendments to tax legislation.

In addition to the decline in demand from corporate and leisure travellers, the Paradise Sun hotel in the Seychelles was temporarily closed following storm surges that caused damage to the public areas.

Subsequently, in response to COVID-19, the closure of the Seychelles borders and those of its key markets, France and Germany, has meant that this hotel only traded for six months of the year.

COVID-19 had a marked impact on the group's fourth quarter trading with international demand retracting as early as the last week of February 2020.

The initial international travel regulations imposed by the President on 15 March 2020 and finally, the total ban on inter-provincial travel announced on 23 March 2020 as part of the nationwide lockdown resulted in a material reduction in revenues for the month of March, which is normally a peak activity month for the group.

The group's entire portfolio in South Africa, Africa and the Seychelles has been deactivated with the exception of those hotels designated as quarantine facilities or as accommodation for essential service providers and persons awaiting repatriation.

CHIEF FINANCIAL OFFICER'S REVIEW continued

SUMMARISED INCOME STATEMENT REVIEW

	2020 Rm	*Pro forma* 2019 Rm	Note
Income	4 475	4 389	1
Ebitdar	1 352	1 488	2
Long-term incentive ('LTI') expense	(17)	(13)	3
Property and equipment rentals	(84)	(208)	4
Property and equipment rentals	(210)	(208)	
Property and equipment rentals – IFRS 16	126	–	
Amortisation and depreciation	(348)	(306)	4
Amortisation and depreciation	(289)	(306)	
Amortisation and depreciation – IFRS 16	(59)	–	
Exceptional items	(1 669)	(581)	5
(Loss)/profit before interest and taxation	(766)	380	
Finance income	40	38	
Finance costs	(400)	(269)	6
Finance costs	(299)	(269)	
Finance costs – IFRS 16	(101)	–	
Share of (loss)/profit of associates and joint ventures	(3)	15	7
Income tax expense	(96)	(118)	8
(Loss)/profit for the period	(1 225)	46	
Non-controlling interests	329	(18)	9
Attributable earnings	(896)	28	10

1 INCOME

Total income for the year of R4.5 billion (2019: R4.4 billion) ended 2% above the prior year, with a 2% growth in hotel rooms' revenue and a 7% growth in food and beverage revenue. This growth was offset by a 7% reduction in property rental income and a 7% reduction in other income. Revenues were favourably impacted in the third quarter following the successful conclusion of the fixed and variable leases over the three Sandton hotels with effect from 1 November 2019, which together total 1 001 rooms and make up 5% of the group's total rooms' portfolio. In terms of the leases, after the deduction of management fees, 98% of hotel earnings accrues to the hotel owners as rent. It is worth noting that these leases are similar to those between Tsogo Sun Hotels and Hospitality. As a result, while the group consolidated the trading of these hotels on the income statement, the net impact on Ebitda is minimal. Excluding the impact of the Sandton hotels, revenue for the group's base portfolio declined by 3% for the year ended 31 March 2020.

2 EBITDAR

Despite strict cost controls during the year to counteract the above-inflationary increases in administered costs, including property rates and utilities, Ebitdar of R1.4 billion (2019: R1.5 billion) ended 9% down on the prior year. The decrease is primarily due to the shortfall in revenue as a result of the decline in demand which was further exacerbated by COVID-19. Excluding the impact of the Sandton hotels, Ebitdar for the group's base portfolio declined by 12% for the year ended 31 March 2020. The overall group Ebitdar margin of 30% has declined by 4pp from the prior year.

3 LTI EXPENSE

The long-term incentive expense in the income statement on the equity-settled incentive scheme of R17 million is R4 million up on the prior year *pro forma* charge of R13 million. The variance on the prior year is as a result of aligning the expense to the new equity-settled scheme that values the share-based payment (including dividend adjustments) by reference to the company's share price adjusted for management's best estimate of the appreciation units expected to vest and future performance of the group. The long-term incentive expense will increase by new grants made to employees and decrease by employee forfeitures.

4 PROPERTY AND EQUIPMENT RENTALS

Property rentals, excluding IFRS 16 adjustments, at R210 million (2019: R208 million) are 1% up on the prior year. Amortisation and depreciation, excluding IFRS 16 adjustments, was R289 million (2019: R306 million), which is 6% down on the prior year. This is mainly due to year end residual value adjustments on the Hospitality property portfolio that is recognised as property, plant and equipment on a group level. The net pre-tax impact of IFRS 16 on the group's income statement is a R34 million expense, with the majority of the adjustment relating to the leases over the SunSquare and StayEasy City Bowl, Garden Court Marine Parade and the Sandton hotels.

5 EXCEPTIONAL ITEMS

Exceptional losses for the year of R1.7 billion (2019: R581 million) mainly relate to:

- Fair value losses on the revaluation of externally managed investment properties in Hospitality of R888 million (2019: R445 million)
- Property, plant and equipment impairments of hotels in South Africa and offshore totalling R716 million (2019: R94 million)
- Restructuring costs of R40 million (2019: R8 million) that includes retrenchment costs relating to the unbundling
- The impairment of the group's investment in RBH of R17 million (2019: Rnil)

The majority of these impairments are due to management's assessment of the negative impact of COVID-19 on forecast cash flows for the financial years ending March 2021 and March 2022, as well as volatility in the bond market and increased in-country risk assessments that have had a material impact on discount rates across the portfolio. In South Africa in particular, the risk posed by COVID-19 compounded by the ratings downgrade, saw the 10Y bond yield increasing by 1.9% from 31 March 2019 (8.61%) to 31 March 2020 (10.51%).

Refer to pages 121 and 123 of the consolidated financial statements for the sensitivity analyses relating to impairments and fair value adjustments.

6 FINANCE COSTS

Finance costs, excluding IFRS 16 adjustments, of R299 million are R30 million above the prior year *pro forma* finance costs of R269 million due to the increase in debt to fund expansion and replacement capex including major hotel refurbishments during the year.

7 SHARE OF (LOSS)/PROFIT OF ASSOCIATES AND JOINT VENTURES

The share of loss of associates and joint ventures of R3 million (2019: R15 million profit) declined by R18 million on the prior year primarily due to fair value losses on investment properties owned by IHPL.

8 INCOME TAX EXPENSE

The effective tax rate for the year of 8.5% excludes the group's share of losses of associates and joint ventures and is impacted by:

- Fair value losses that are not deductible for tax purposes on investment property in Hospitality
- The pre-tax profits attributable to the Hospitality non-controlling interests due to its REIT tax status
- The offshore tax rate differentials

9 NON-CONTROLLING INTERESTS

Losses attributable to non-controlling interests of R329 million (2019: R18 million profit) increased by R347 million from the prior *pro forma* year, mainly due to the share of the R888 million fair value loss on investment property in Hospitality.

10 ATTRIBUTABLE EARNINGS

	2020		2019 *Pro forma*		
	Gross Rm	Net of tax Rm	Gross Rm	Net of tax Rm	% change
Attributable earnings		(896)	–	28	*
Loss on disposal of property, plant and equipment ('PP&E')	2	2	3	2	
Fair value adjustment of investment property	888	888	445	445	
Impairment of PP&E	716	664	94	67	
Impairment relating to RBH (associate)	17	17	–	–	
Share of associates' headline earnings adjustment	41	41	10	10	
Non-controlling interest effects of adjustments	(500)	(500)	(181)	(181)	
Headline earnings		216	–	371	(42)
Fair value adjustment on interest rate swaps	–	–	(2)	(1)	
Restructure costs	40	30	8	8	
Transaction costs	3	2	32	32	
Pre-opening costs	–	–	1	1	
Impairment of inventory	2	2	–	–	
Fair value adjustment on RDI REIT plc ('RDI') investment	1	1	–	–	
Derecognition deferred tax	30	30	–	–	
Share of associates' exceptional items	1	1	–	(1)	
Non-controlling interest effects of adjustments	(4)	(4)	(7)	(7)	
Adjusted headline earnings		278		403	(31)

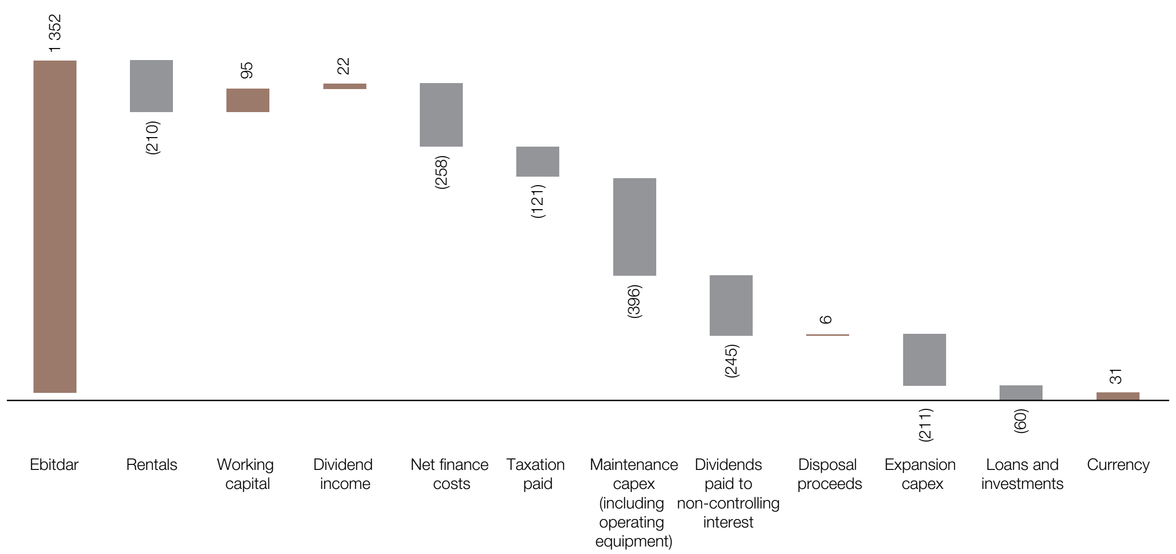
Group adjusted headline earnings for the year at R278 million (2019: R403 million) ended 31% down on the prior *pro forma* year. The adjustments to the current year include the reversal of the post-tax and non-controlling interest impacts of the exceptional losses noted above. The number of shares in issue remained flat on the prior comparative *pro forma* year and the resultant adjusted headline earnings per share is 31% down on the prior *pro forma* year at 26.2 cents (2019: 37.9 cents).

CHIEF FINANCIAL OFFICER'S REVIEW continued

LIQUIDITY, FUNDING CAPACITY AND COVENANTS

Free cash flow generated for the year of R484 million (2019: R414 million) increased by R70 million on the prior year, mainly due to the saving of finance costs on the treasury loan with Tsogo Sun Gaming. Cash outflows mainly consist of maintenance and expansion capex of R607 million group-wide, including major hotel refurbishments at The Westin for R70 million and Southern Sun Ridgeway in Lusaka for R73 million as well as the acquisition of Southern Sun Pretoria for R200 million.

CASH FLOW ANALYSIS FOR 2020 (Rm)



Interest-bearing debt net of cash at 31 March 2020 totalled R3.3 billion, which is R289 million above the 31 March 2019 balance of R3.0 billion, the detail of which is set out below:

	Share code	2020 Rm	2019 Rm
External debt – Offshore (US$-based)	TGO	**1 430**	1 224
Prepaid borrowing costs	TGO	**(3)**	(5)
External debt (Rand-based)	HPB	**2 550**	1 959
Prepaid borrowing costs	HPB	**(3)**	(3)
Gross IBD		**3 974**	3 175
Cash on hand	TGO	**(431)**	(117)
Cash on hand	HPB	**(291)**	(95)
Net IBD		**3 252**	2 963
Analysed as:	TGO	**996**	1 102
	HPB	**2 256**	1 861
Facility surplus including cash on hand		**1 662**	831
Cost of net debt – pre-tax (%)		**8.1**	8.5
– post-tax (%)		**6.1**	7.2

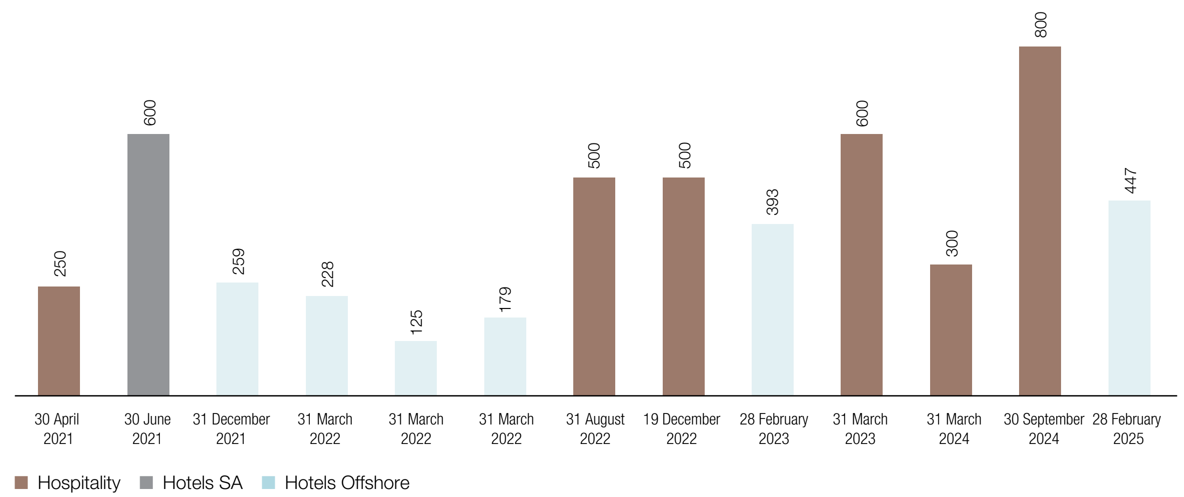
The group's liquidity and access to facilities are of paramount importance. As at 31 March 2020 the group was well within lender covenant requirements:

- Tsogo Sun Hotels' leverage ratio (net debt:Ebitda) is 1.3 times against a maximum covenant requirement of no more than 2.5 times
- Tsogo Sun Hotels' interest cover ratio is 12.2 times against a minimum covenant requirement of at least 3 times
- HPF's leverage ratio (net debt:Ebitda) is 3.2 times against a maximum covenant requirement of no more than 3.5 times
- HPF's interest cover ratio is 3.7 times against a minimum covenant requirement of at least 2 times

Lenders to both Tsogo Sun Hotels and Hospitality have approved the waiver of the September 2020 covenants, securing the group's access to sufficient short-term liquidity facilities. Shareholders are referred to note 48 of the consolidated financial statements for further details.

The average maturity profile of our debt is 2.9 years as at 31 March 2020. Subsequent to year end, Tsogo Sun Hotels increased its revolving credit facility from R300 million to R600 million and extended it by a year. The revised debt maturity profile is set out below:

DEBT MATURITY PROFILE (Rm)



GOING CONCERN

The consolidated financial statements are prepared on the going concern basis. Based on the cash flow forecasts, available cash resources and the other measures the group has taken or plans to take, 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 2020, the group has net cash and cash equivalents of R722 million (2019: R212 million). The group has R4.0 billion (2019: R3.2 billion) of interest-bearing debt (excluding capitalised lease liabilities) and access to sufficient undrawn short-term facilities to meet its obligations as they become due. In preparing the cash flow forecasts utilised to assess going concern, the impact of COVID-19 on the group's operations and liquidity was considered. The directors have assessed the cash flow forecasts together with the other actions taken or proposed by management and are of the view that the group has sufficient liquidity to meet its obligations and to counteract the expected losses that may result from the COVID-19 impact on the group's operations in the next financial year.

DIVIDEND

As outlined in the pre-listing statement, the group had intended to apply cash resources generated during the initial 15 months following the listing towards settling the offshore division's Dollar denominated interest-bearing debt. Given the anticipated extended period of minimal revenue, the directors considered it prudent to retain cash resources to ensure that the group is able to navigate this difficult period until trading resumes. Accordingly, the directors have not declared a final cash dividend for the year ended 31 March 2020.

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 48 of the consolidated financial statements, all of which are non-adjusting events and have no impact on the financial results for the year ended 31 March 2020.

APPRECIATION

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

Laurelle McDonald
Chief Financial Officer (CFO)

14 August 2020

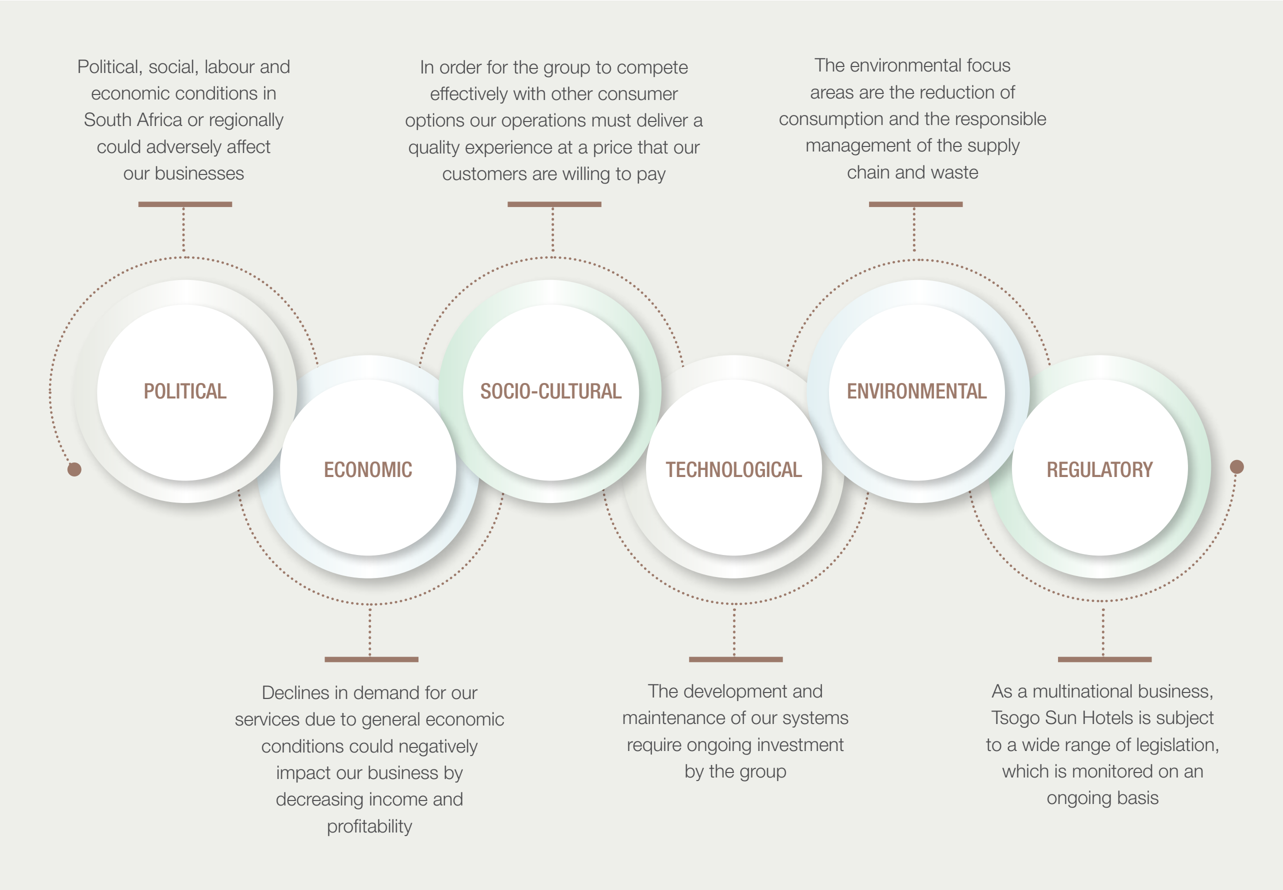
THE ENVIRONMENT IN WHICH WE OPERATE

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

Whilst 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.

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 has subsequently improved, and with minimal growth in hotel supply, market occupancies have been recovering since 2011 but stagnated and have ranged between 61% and 65% since 2012 to date.

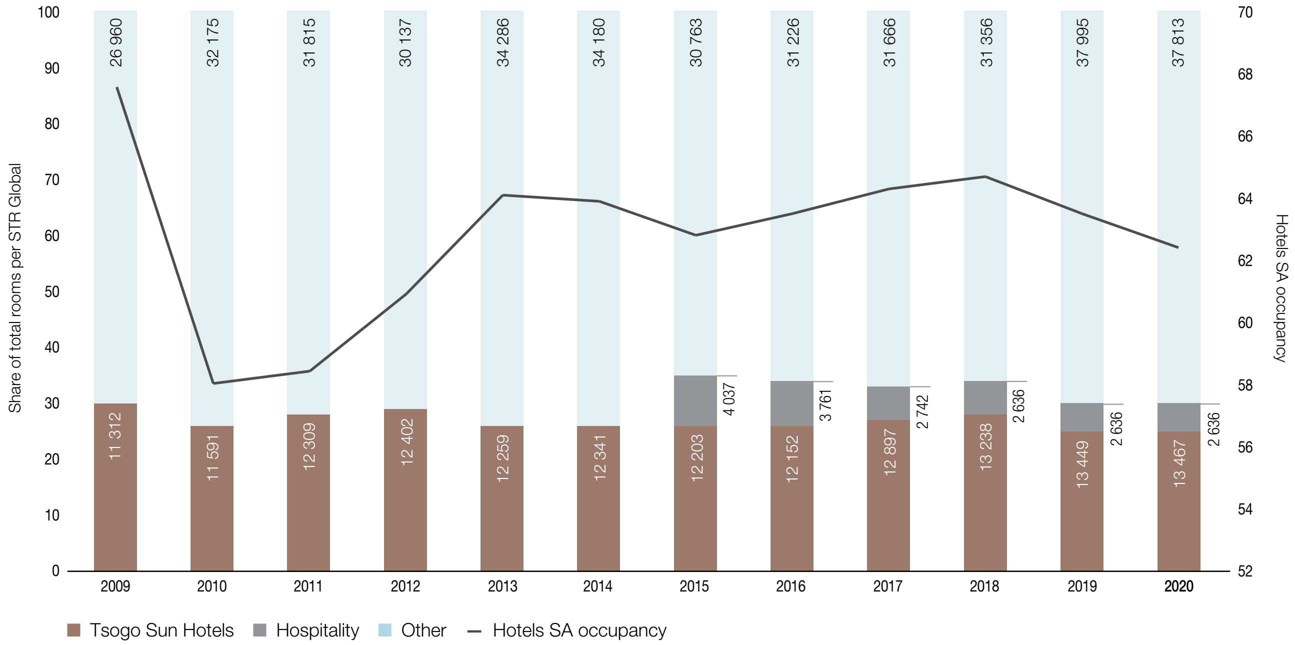


HOTELS SA OCCUPANCY

74%	58% ▼	61% ▲	65% ▲
2007	2011	2012	2018

The chart below shows the group's overall portfolio share relative to the STR Global statistics for South Africa over the last 12 years since the global financial crisis.

Portfolio share relative to STR Global statistics for South Africa (%)



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 though third-party operated hotels in Hospitality, remains around 30% of the formal market and a much smaller portion of the non-participating market.

Despite this large increase in available rooms stock, over a difficult time in the South African economy, the occupancies have been higher than they were at the height of the financial crisis in 2010. The advent of the COVID-19 pandemic will mean a period of significant over-supply. However, given the historic long-term growth of demand in the industry as the economy grows, we expect the market to rebalance in the long term.

Trading in the majority of the African cities outside South Africa where Tsogo Sun Hotels operate remained remarkably resilient through the economic downturn 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 tough trading conditions are anticipated. The markets are small and the addition of a new hotel has a more significant impact on the market.

THE ENVIRONMENT IN WHICH WE OPERATE continued

POLITICAL

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

The group is based in and derives the vast majority of its income from operations in South Africa. As such, the political conditions in South Africa have a significant influence on our business. South Africa faces many challenges in improving levels of social and economic development among its people. To the extent these challenges are not overcome, there may be a negative impact on the South African economy and, in turn, the group's results of operations.

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

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 technology preferences (such as the increased utilisation of mobile devices and social media) to the look and feel of the physical product, the location of buildings, concepts of restaurants and bar offerings and types of entertainment and travel patterns.

ECONOMIC

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

The group's reliance on the business and government traveller 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 its sensitivity to adverse conditions affecting travel to such areas. Any events or developments that reduce the demand for our services in these core urban centres could negatively impact our business. We are currently experiencing this with the ban on non-business-related inter-provincial travel to contain the spread of COVID-19.

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

ENVIRONMENTAL

Our business poses limited risk to the environment due to the service nature of the 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. Whilst we have undertaken numerous steps to reduce our electricity and water consumption through employing efficient operating methodologies, the price per unit of these utilities has increased dramatically and is worsened through the requirement to fund generating capacity (diesel generators) during load shedding. Municipalities have come under increasing pressure to raise independent funding and this has led to substantially higher property rates being imposed on the group's portfolio.

REGULATORY

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

B-BBEE

Under the laws, codes and regulations promulgated by the South African government to promote B-BBEE, the government awards procurement contracts, quotas, licences, permits and other rights based on numerous factors, including the B-BBEE status of applicants. We are committed to complying with these requirements, which are designed to redress historical social and economic inequalities and ensure socio-economic stability in South Africa. A company's B-BBEE status is an important factor considered by government and other public bodies in awarding contracts and may influence relationships with customers or suppliers as it contributes to their B-BBEE status. Given that government travellers comprise a core segment of our revenues, our Level 1 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, Kenya and the Seychelles have differing tax legislation by which the group must additionally abide.

Health and safety legislation

Current legislation in South Africa imposes significant health and safety regulations on the group's operations which will continue in the post COVID-19 environment. Health and safety is ingrained in our culture and we have a high standard of compliance in this area.

Consumer privacy and data protection legislation

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

OUR KEY STAKEHOLDERS

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

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

An overview of our key stakeholder groups, their interests and concerns and how we engage with them is provided in the table below.

STAKEHOLDER GROUP	WHY IT IS IMPORTANT FOR US TO ENGAGE	HOW WE ENGAGE WITH OUR STAKEHOLDERS	OUR STAKEHOLDERS' KEY INTERESTS	ASSOCIATED STRATEGIC PRIORITIES
Investors and funding institutions	Investors and funding institutions are the providers of capital necessary for our growth and we need transparent communication and to understand potential concerns	• JSE news services • Media releases and published results • Integrated annual reports and financial statements • Annual general meetings • Dedicated analyst and investor presentations • One-on-one meetings • Tsogo Sun Hotels' website	• Sustainable growth and returns on investment • 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 49 INORGANIC GROWTH Page 61 ORGANIC GROWTH Page 59
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 Federated Hospitality Association of Southern Africa ('Fedhasa'), Business Leadership South Africa, etc	• Taxation revenues • Compliance with legislation • Job creation • Investment in public and tourism infrastructure • Investment in disadvantaged communities • Advancing transformation • Social impacts • Reduction in energy and water consumption	DELIVER TO OUR BENEFICIARIES Page 43 REGULATORY COMPLIANCE Page 54

Interactions with our stakeholders are based on our values, included on page 08, which guide our behaviour ensuring our stakeholders know what to expect from us.

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 active Twitter and Facebook engagement • One-on-one interaction	• Quality product • Consistent quality experience • Simpler and quicker to deal with us • Value offerings • Long-term security of supply • Recognition for loyalty	PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE Page 50
Communities	Engagement assists us to focus our efforts on empowering local communities which contributes to our long-term viability	• Events and sponsorships • Media channels • Corporate social investment initiatives • Employee volunteering	• Investment in disadvantaged communities • Employment opportunities • Sponsorships	DELIVER TO OUR BENEFICIARIES Page 43
Employees	Our employees are core to delivering our guest experiences and we need to understand their needs, challenges and aspirations and for them to be aligned with our strategy	• Communication from executives • Internal communications and posters • Induction programmes • Ongoing training and education • Employee surveys • Performance management programmes • Anti-fraud, ethics and corruption hotline • Trade union representative meetings • Staff engagement programme 'livingTSOGO'	• Job security • Engagement • Performance management • Clear understanding of reward structures • Health and safety performance • Access to HIV counselling and wellness programmes • Career planning and skills development • Preferred employer	SKILLED HUMAN RESOURCES Page 55
Suppliers, tenants and business partners	Our suppliers, tenants and business partners enable us to deliver consistent guest experiences	• One-on-one meetings • Tender and procurement processes • Anti-fraud, ethics and corruption hotline • Supplier forums and showcases	• Timely payment and favourable terms • Fair treatment • B-BBEE compliance	DELIVER TO OUR BENEFICIARIES Page 43

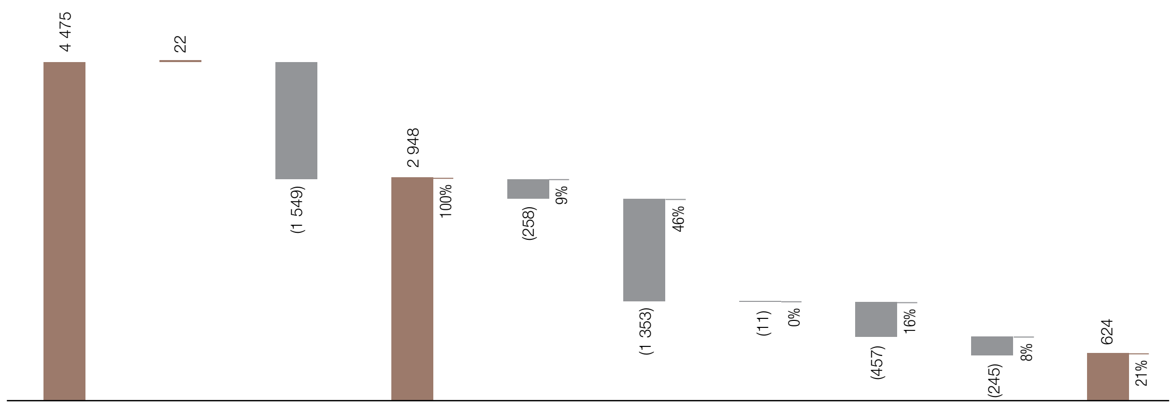
OUR KEY STAKEHOLDERS continued

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

- Returns for our shareholders and funding institutions
- Substantial income tax, value-added tax ('VAT'), employees' tax and property rates and taxes to national and provincial government
- Corporate social investment ('CSI') in the communities we serve
- Employment within the communities we serve
- Sustainable business for our national and local business partners and suppliers which creates wealth and additional employment
- Continuous investment to maintain and expand our portfolio of properties

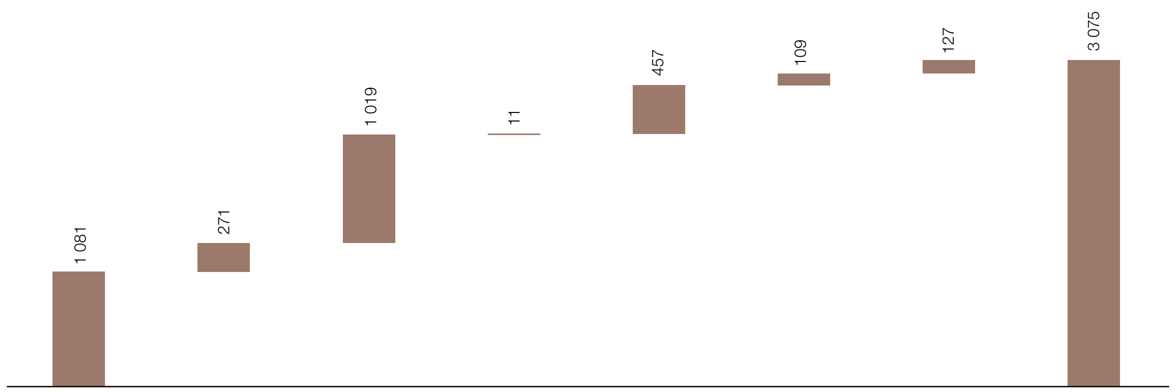
A substantial portion of the wealth generated by the group is spent with/distributed to black economically empowered businesses, previously disadvantaged individuals and government, the value of which for the year ended March 2020 is as follows:

VALUE ADDED FOR THE YEAR ENDED 31 MARCH 2020 (Rm)



	Cash derived from revenue	Dividends and interest received	Paid to suppliers for materials and services	Total cash value added	Funding institutions	Employees[1]	Corporate social investment	Taxation and property taxes	Shareholders	Net cash retained from operations for growth
2019	4 389	11	(1 446)	2 954 100%	(417) 14%	(1 331) 45%	(16) 1%	(369) 12%	(296) 10%	525 18%

VALUE ADDED TO BLACK ECONOMICALLY EMPOWERED BUSINESSES, PREVIOUSLY DISADVANTAGED INDIVIDUALS AND GOVERNMENT FOR THE YEAR ENDED 2020 (Rm)



	Paid to black economically empowered businesses for materials and services*	Funding institutions*	Employees[1]	Corporate social investment*	Taxation and property taxes	Shareholders*	Paid to black economically empowered businesses for capital expenditure*	Total black economically empowered businesses, PDIs and government contribution
2019	838	207	1 027	16	369	114	53	2 624

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

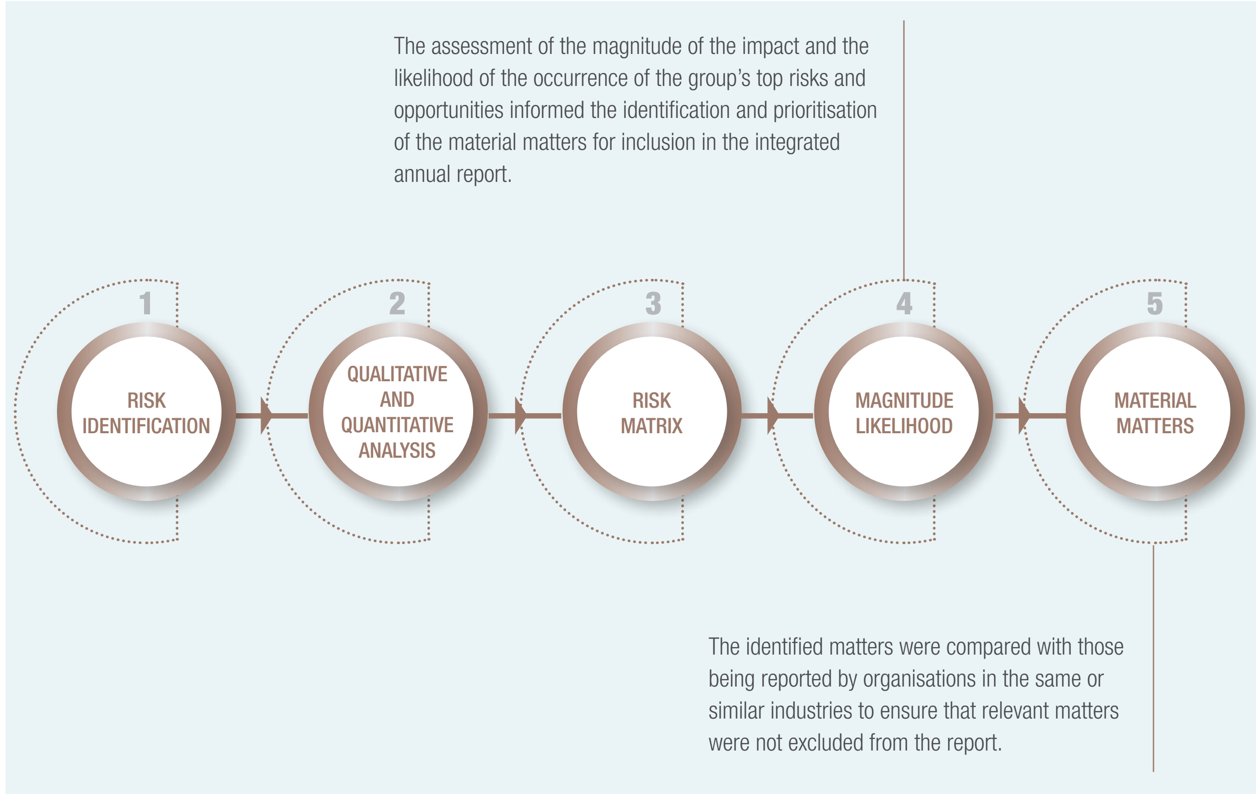
OUR MATERIAL RISKS AND OPPORTUNITIES

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

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

DETERMINATION OF MATERIALITY

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

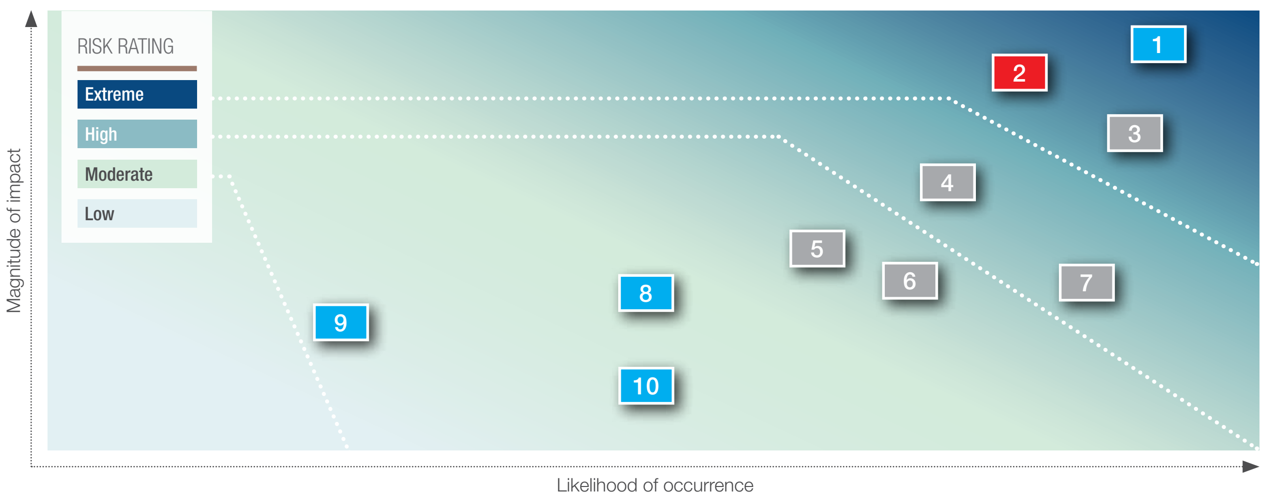


OUR MATERIAL RISKS AND OPPORTUNITIES continued

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 38 to 41.

TSOGO SUN HOTELS' RISK AND OPPORTUNITY LANDSCAPE



RISK MATTERS

1	Macro-economic environment	6	Capacity
2	Crime, safety, security and health	7	Local authority capability
3	Missed opportunities	8	Credit risk
4	Regulatory change and compliance	9	Human resources
5	Portfolio management and product relevance	10	Cyber, IT and information management

STRENGTH OF CURRENT RISK RESPONSES

Very good	Weak
Good	Unsatisfactory
Satisfactory	Uncontrollable

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

PRINCIPAL RISK LANDSCAPES

1 MACRO-ECONOMIC 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 macro-economic situation, the Moody's downgrade and the constrained growth in the government sector may lead to increased costs of funding, which leads to reduced income and lower profitability
- Exchange rate volatility impacts occupancy in foreign tourism, particularly business travel, leisure and the conferencing market
- The COVID-19 national lockdown has had a devastating impact on the local macro-economic environment. The closure of borders and persistent travel restrictions to curb infection rates have had a sever negative impact on our revenues and profitability

Risk responses

- Revise strategic priorities
- Review organisational structures
- Further focus on cost reduction to limit cash burn
- Renewed and focused marketing and promotions
- Reward programmes

Associated strategic opportunities

Strength of risk response: Good
Magnitude of impact: Severe
Likelihood of occurrence: Almost certain
Risk rating: Extreme

STRATEGIC OBJECTIVE

FINANCIAL STRENGTH AND DURABILITY
ORGANIC GROWTH

PRINCIPAL RISK LANDSCAPES

2 CRIME, SAFETY, SECURITY AND HEALTH

Specific risks we face

- Travellers' fears of exposure to contagious diseases, such as COVID-19, could reduce the number of people willing to fly or travel in future, particularly if new significant disease outbreaks occur or threaten to occur. Inter-provincial and international travel are vital to our business and the current travel restrictions have meant that occupancy levels remain extremely low
- With a number of our hotels located in urban city centres, where there is a perceived increased risk of infection, many customers may choose not to travel to these hotspots, further negatively impacting trading

Risk responses

- Phased reopening of hotels to actively manage the oversupply of hotel stock in the market
- Operate all hotels on a skeletal staff structure and reduce cost base to limit cash burn
- Implement enhanced health and safety procedures to assist in alleviating our guests' fears about travel and staying at our hotels

Associated strategic opportunities

Strength of risk response: Uncontrollable
Magnitude of impact: Major
Likelihood of occurrence: Almost certain
Risk rating: Extreme

STRATEGIC OBJECTIVE

FINANCIAL STRENGTH AND DURABILITY
ORGANIC GROWTH

3 MISSED OPPORTUNITIES

Specific risks we face

- The group may fail to identify acquisition opportunities or may pursue transactions that prove to be unsuccessful or strain or divert its resources
- From time to time, the group considers the acquisition of complementary businesses or assets where the opportunity is presented to do so at attractive prices. In the current environment, where cash resources and prudently managing debt are of paramount importance, it is more likely that the group will forgo attractive business opportunities unless alternative funding structures, such as the use of equity, for example, are thoroughly explored

Risk responses

- Proper and robust evaluation of all new opportunities
- Monitoring returns on new businesses
- Consider alternative financing structures to acquire attractive business opportunities given the scarcity of cash resources

Associated strategic opportunities

Strength of risk response: Satisfactory
Magnitude of impact: Significant
Likelihood of occurrence: Almost certain
Risk rating: Extreme

STRATEGIC OBJECTIVE

FINANCIAL STRENGTH AND DURABILITY
INORGANIC GROWTH

4 REGULATORY CHANGE AND COMPLIANCE

Specific risks we face

- As a multinational business, Tsogo Sun Hotels is subject to a wide range of legislation, which is monitored on an ongoing basis. Any breach of compliance with legislation could result in fines or sanctions that affect our profitability and may have adverse reputational consequences. Refer to page 54 for details relating to the group's regulatory compliance

Risk responses

- Submit comments to law makers through formal comment structures
- Robust compliance procedures
- Engage law makers through employer and industry bodies
- Litigate where required
- Comprehensive B-BBEE strategy

Associated strategic opportunities

Strength of risk response: Satisfactory
Magnitude of impact: Significant
Likelihood of occurrence: Likely
Risk rating: High

STRATEGIC OBJECTIVE

DELIVER TO OUR BENEFICIARIES
REGULATORY COMPLIANCE

OUR MATERIAL RISKS AND OPPORTUNITIES continued

PRINCIPAL RISK LANDSCAPES

5 PORTFOLIO MANAGEMENT AND PRODUCT RELEVANCE

Specific risks we face

- For our hotel businesses, ensuring the ability to adapt to stay relevant to consumers may require additional research and development and marketing, which would drive up costs, as well as capex and refurbishment expenses incurred to act on research findings. As such, the group may be required to assume development risk to enhance or protect the value of its portfolio base

Risk responses

- Overview of markets
- Interaction with local authorities
- Investment in facilities and maintenance capex to ensure relevance
- Market research to timeously spot trends
- Partnerships with other leisure suppliers
- Social media interaction

Associated strategic opportunities

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

STRATEGIC OBJECTIVE

PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE
ORGANIC GROWTH

6 CAPACITY

Specific risks we face

- The group's hotel properties are subject to leases or management contracts without guaranteed renewal or successful renegotiation
- In the absence of renewal options exercisable by the group, there can be no guarantee that all or any of the group's leases and management contracts will be renewed upon their expiry. There can also be no guarantee that the terms of any leases or management contracts that are renewed will be as favourable to the group as the terms currently in place

Risk responses

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

Associated strategic opportunities

Strength of risk response: Satisfactory
Magnitude of impact: Moderate
Likelihood of occurrence: Likely
Risk rating: Moderate

STRATEGIC OBJECTIVE

FINANCIAL STRENGTH AND DURABILITY
ORGANIC GROWTH

7 LOCAL AUTHORITY CAPABILITY

Specific risks we face

- Service delivery, limited infrastructure investment and funding challenges at South Africa's municipalities have compounded their capacity to supply water and electricity to ratepayers
- Inconsistent water supply and unreliable electricity provision affect the operational capability of hotels to provide consistent services to guests
- Municipalities and utility providers also increase rates, property taxes, water and electricity to fund their own shortfalls, placing an additional cost burden on the returns to shareholders

Risk responses

- Demand-side management programmes to reduce consumption
- Water handling/storage capacity for emergency supply
- Self-reliance on generators for emergency electricity supply

Associated strategic opportunities

Strength of risk response: Satisfactory
Magnitude of impact: Moderate
Likelihood of occurrence: Almost certain
Risk rating: High

STRATEGIC OBJECTIVE

PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE
ORGANIC GROWTH

PRINCIPAL RISK LANDSCAPES

8 CREDIT RISK

Specific risks we face

- An uncertain economic environment impacts our business
- A challenging economic climate impacts the risk of customer defaults

Risk responses

- Robust debtors' management programme
- Regularly monitor and identify non-serviceability of debtors

Associated strategic opportunities

Strength of risk response: Good
Magnitude of impact: Moderate
Likelihood of occurrence: Possible
Risk rating: Moderate

STRATEGIC OBJECTIVE

FINANCIAL STRENGTH AND DURABILITY
DELIVER TO OUR BENEFICIARIES

9 HUMAN RESOURCES

Specific risks we face

- The group's business is labour intensive and, therefore, its success largely depends on its ability to attract, train, motivate and retain a sufficient number of qualified and skilled employees to run its operations
- If the group cannot attract and retain a sufficient number of qualified employees, its ability to effectively compete with its peers and its operations, profitability, cash flows and financial condition could be materially affected

Risk responses

- Retention of staff through appropriate remuneration structures
- Engage with and empower staff
- Fast track and develop talented staff
- Performance-driven culture
- Focused employment equity strategy
- Labour rate parity

Associated strategic opportunities

Strength of risk response: Good
Magnitude of impact: Moderate
Likelihood of occurrence: Unlikely
Risk rating: Moderate

STRATEGIC OBJECTIVE

SKILLED HUMAN RESOURCES
DELIVER TO OUR BENEFICIARIES

10 CYBER, IT AND INFORMATION MANAGEMENT

Specific risks we face

- Our operations, including in particular online booking and hotel management systems, partially depend on our IT systems
- The performance and reliability of these systems and the group's technology are critical to its reputation and ability to attract, retain and service customers
- Any disruption in the group's ability to provide the use of its reservation system to customers, including as a result of software or hardware issues related to the reservation system, could result in customer dissatisfaction and harm our reputation and business

Risk responses

- Improved IT security and cyber awareness campaign
- Payment card industry standard compliance
- Website re-write complete and secure online payment gateway
- Increased IT auditing and assurance (internal and external)
- Backup IT systems for business critical systems generally in different geographies and restores tested bi-annually for core solutions
- Continuous maintenance of hardware and databases to ensure warranties remain in order
- Failovers and manual procedures to support any possible information technology downtime limits impact on the guest and reputation

Associated strategic opportunities

Strength of risk response: Good
Magnitude of impact: Moderate
Likelihood of occurrence: Possible
Risk rating: Moderate

STRATEGIC OBJECTIVE

PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE
REGULATORY COMPLIANCE

OUR STRATEGY IN ACTION

SUSTAINABILITY STRATEGY IN ACTION

The key pillars of our sustainability include delivering to our beneficiaries, financial strength and durability, maintained product relevance to customer experience, regulatory compliance and adequately skilled human resources.

In summary, a business has to stay in business to be able to take advantage of the commercial opportunities that are presented to it. Good businesses fail when they are fragile, inflexible, unethical or poorly managed.

	KEY PILLARS	MATERIAL RISKS
CSI OUTCOMES 253 education, health and welfare organisations supported by Tsogo Sun Hotels	DELIVER TO OUR BENEFICIARIES	• Regulatory change and compliance • Macro-economic environment
GROUP NET DEBT:EBITDAR 2.4 times	FINANCIAL STRENGTH AND DURABILITY	• Macro-economic climate • Regulatory change and compliance • Local authority capability • Capacity • Missed opportunities • Crime, security, safety and health • Credit risk
GUEST SATISFACTION 88%	PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE	• Macro-economic climate • Regulatory change and compliance • Local authority capability • Capacity • Missed opportunities • Crime, security, safety and health • Cyber, IT and information management
FINES IMPOSED FOR BREACHES OF LAW Nil	REGULATORY COMPLIANCE	• Regulatory change and compliance • Capacity • Cyber, IT and information management • Crime, security, safety and health
VERIFIED TRAINING SPEND 5.3% as a percentage of payroll	SKILLED HUMAN RESOURCES	• Regulatory change and compliance • Human resource • Crime, security, safety and health • Cyber, IT and information management

DELIVER 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. This is achieved through meaningful citizenship programmes and through direct and indirect equity ownership and employment.

2020 performance

Shareholders

As mentioned in the group overview on page 05, the nature of the HCI shareholding is of particular importance as it provides the bulk of the 75% broad-based empowered ownership at group level. HCI has provided a stable shareholder base for a number of years, which has allowed the group to grow and take advantage of opportunities. The balance of the shareholding is diverse with adequate liquidity.

Community

Tsogo Sun Hotels continues to be committed to uplifting and developing communities in need, spending a portion of our profits annually on social investment in three primary areas, namely community development, entrepreneurial development and the natural environment. We effectively harness our resources, geographic spread and experience to support initiatives that create a lasting and positive impact on the communities we operate in. However, with the deactivation of the group's hotels, all community investment and sponsorship activities were suspended at the end of March 2020. Remote business support continued to be provided to registered beneficiaries of the Tsogo Sun Entrepreneurs programme during the COVID-19 National Lockdown.

Community development

During the year, the group's social investment in community development amounted to R11 million, all of which is verified spend on B-BBEE socio-economic development. This is equal to 9% of net profit after tax and represents 8pp more than the tourism sector code target.

Tsogo Sun Hotels supports its local communities in education, health and welfare through financial donations and in-kind contributions (such as venues, accommodation, food, linen, furniture, equipment and prize letters). Over the past year, Tsogo Sun Hotels supported 253 non-profit organisations, schools, homes for the aged, orphanages, shelters, hospices and health facilities, and provided relief when disasters, such as the KwaZulu-Natal floods, occurred.

Ongoing tracking of all contributions is conducted to evaluate the benefit received by beneficiaries and the sustainability of the organisations supported, and to identify where emphasis needs to be adjusted for improved results.

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KEY PERFORMANCE INDICATORS

	2020	2019
Black ownership	**75%**	63%
Value added contribution to black economic empowered businesses, previously disadvantaged individuals and government	**R3 075 million**	R2 624 million
B-BBEE level	**Level 1**	Level 1
CSI outcomes	**Tsogo Sun Hotels supported 253 education, health and welfare organisations**	Tsogo Sun Group's sports, arts and learning academies supported 30 149 learners[(1)]
Enterprise and supplier development outcomes	**Tsogo Sun Entrepreneurs programme supported 162 beneficiaries**	Tsogo Sun Entrepreneurs programme supported 259 beneficiaries

[(1)] *Subsequent to the unbundling of Tsogo Sun Hotels in June 2019, the previously reported sports, arts and learning academies including the school coding and chess programmes were absorbed by Tsogo Sun Gaming.*

OUR STRATEGY IN ACTION continued

SUSTAINABILITY STRATEGY IN ACTION continued

Enterprise and supplier development
Through the Tsogo Sun Entrepreneurs programme, Tsogo Sun Hotels develops emerging enterprises with the potential to form part of our procurement pipeline. The programme currently provides business mentorship, leadership coaching and a range of business benefits to 162 enterprises in various industries across South Africa. A valuable part of the programme is the University of Cape Town's small business management course, funded by Tsogo Sun, in which all successfully inducted candidates are enrolled. Some success stories of the businesses supported by the programme are documented in a series of short films. The series called The Legacy Series is broadcast on the Tsogo Sun Entrepreneurs YouTube channel.

Tsogo Sun Hotels' spend on enterprise and supplier development for the year was R4.3 million, of which R660 000 was spent on enterprise development beneficiaries and R3.6 million on supplier development beneficiaries, representing 3.4% of net profit after tax, which is 0.1pp below the tourism sector code target.

Tsogo Sun Volunteers
Tsogo Sun Hotels' employee volunteer programme enables people employed by the group to actively give their time and expertise to those living in less fortunate circumstances. During the year, Tsogo Sun Volunteers demonstrated caring spirits around the country, in big and small ways, identifying needs and getting involved in initiatives that uplift the lives of others. Campaigns supported included Mandela Day, Reach for a Dream Slipper Day, Casual Day, Tekkie Tax Day, the CANSA Shavathon and PinkDrive breast cancer education and awareness.

Transformation
Tsogo Sun Hotels considers itself to be a pioneer in transformation and a leader in the empowerment of previously disadvantaged individuals, businesses and communities in South Africa. The group currently has a level 1 B-BBEE contributor status, measured against the dti's revised codes of good practice – tourism sector scorecard, and complies with the related guidelines.

The formal verification audits are performed annually by an accredited economic empowerment rating agency with the consolidated group results for the year ended 31 March as follows:

B-BBEE results	Target score on revised codes – tourism	2020	2019
Ownership	27	**27.0**	27.0
Management and control	19	**12.8**	12.2
Skills development	20	**17.2**	18.4
Enterprise and supplier development	40	**35.7**	38.1
Socio-economic development	5	**8.0**	8.0
Overall	111	**100.7**	103.7
Rating level		**Level 1**	Level 1

The group is proud to be a level 1 B-BBEE contributor with 135% procurement recognition status for 2019 and 2020 and we have worked hard to implement our empowerment strategy to achieve this. The group received 100.7 out of a total available 111 points on the tourism sector scorecard. Tsogo Sun Hotels' black ownership is verified at 75% and black women ownership is 41%.

Industry bodies
Tsogo Sun actively participates in business and industry bodies such as the TBCSA, the South African Tourism Board ('SATB'), the National Business Initiative, Proudly South African and the Fedhasa. Our participation includes management's time, effort and intellect. The group also forms relationships with national and regional tourism associations.

Tenants
The delivery of quality hospitality, dining and conferencing experiences is important to staying relevant in our market and satisfying our customers' diverse requirements. With a total of 113 tenants across Tsogo Sun Hotels' various properties, tenanting is a core focus area to ensure that our guests have access to the best office, retail, restaurant and entertainment-related offerings. Revised terms are being arranged with the group's tenants in response to COVID-19 National Lockdown regulations. These will be assessed and adjusted as the situation develops.

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

A growing portion of our procurement is centrally managed, which 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 vendors who are located in the same areas.

Tsogo Sun Hotels encourages diversity in its commercial associations, particularly through the involvement of previously disadvantaged individuals and local businesses. We support black-owned businesses in South Africa through a focused procurement strategy. Verified total procurement spend on black economically empowered businesses amounted to R1.5 billion during the year. The group's B-BBEE score for preferential procurement, which is measured within the enterprise and supplier development element, is 20.3 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 the environmental performance of our suppliers, which is considered as part of our procurement criteria during the supplier selection process.

In light of the National Lockdown regulations as a result of COVID-19 and the deactivation of the hotels at the end of March 2020, the group negotiated reduced or extended payment terms with major suppliers, particularly those providing fixed cost services such as security and lift maintenance. Municipal rates and taxes are a material fixed monthly cost for the group and, while we currently continue to meet these obligations, we are lobbying government through industry bodies to grant a deferral or payment holiday. Contractual variable costs with suppliers were reduced to nil until trading resumes by extending the period of the contracts.

Third-party owners
The group leases hotel properties and manages hotel businesses on behalf of third-party owners where it does not own the property or the business. Our significant management relationship is with Tsogo Sun Gaming for which we manage 17 hotels located within various casino precincts. The relationships are mutually beneficial with financial returns, access to additional properties for Tsogo Sun Hotels and enhanced returns to the owners through our management skill and distribution.

As mentioned in the strategic review on page 10, the group is seeking rent relief from landlords for the period of the lockdown and subsequent low demand periods. Negotiations in this regard are ongoing.

Environment
While our main business activities pose limited risks to the environment due to the service nature of the industry, we are subject to the general impacts of climate change, as evidenced by the severe water shortages in the Western Cape in 2018 as well as the recent storm surges that caused damage to the Paradise Sun in the Seychelles. The group recognises that using natural resources responsibly is important to its long-term sustainability. As such, the group is committed to reducing the impact that the business has on the environment and to encouraging guests to embrace greener behaviour for the wellbeing of the environment. Environmental management practices are also integrated into our operations. The group reports to the CDP and Water Disclosure Project as a subsidiary of HCI.

Our efforts to manage our business sustainably serve the interests of our communities and other stakeholders. To achieve this, our stated policy and commitment is to:

- Ensure that, at all times, we identify, evaluate and comply with local, regional and national environmental laws and regulations applicable to our operations within the areas 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 programmes and adopting a zero waste policy
- Strive to reduce consumption of natural resources by using energy, gas and water responsibly, and the identification and implementation of 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
- Provide support for the sustainable development of our communities

To ensure the objectives of our environmental programme are met, a property-specific environmental management system is in place at all of our hotels, aimed specifically at energy, water, waste management and responsible procurement. The system is holistically managed as part of the in-house Organisational Resilience Management Standard audit process, and is verified by the German quality body, DQS-UL Group.

OUR STRATEGY IN ACTION continued

SUSTAINABILITY STRATEGY IN ACTION continued

Scope and boundaries of emissions measurement
Scope 1 and 2 emissions are reported for all owned businesses located at properties owned or leased by the group in South Africa and offshore, excluding emissions relating to tenants. Tenant emissions at owned or leased properties, emissions at properties not owned but managed by the group, emissions from outside laundry services provided to the group and business travel emissions are reported in scope 3. Fugitive emissions, mainly from refrigerants, were not measured as they are not significant and there are no other emissions that are considered material.

Emissions measurement

Total emissions (tCO_2e)	2020	2019	% change on 2019	% change on like-for-like portfolio
Scope 1	**3 955**	3 675	8	5
Petrol and diesel (owned company vehicles)	**230**	271	(15)	(15)
Diesel consumed (owned businesses)	**1 546**	1 201	29	23
Liquefied petroleum gas ('LPG') and natural gas usage (owned businesses)	**2 179**	2 203	(1)	(2)
Scope 2	**83 187**	86 233	(4)	(9)
Energy consumed (owned businesses)	**83 187**	86 233	(4)	(9)
Scope 3	**69 019**	76 101	(9)	(3)
Energy consumed (tenants)	**37 883**	39 890	(5)	(5)
Energy consumed (managed properties)	**14 229**	19 204	(26)	(3)
Laundry services (outsourced)	**16 273**	16 121	1	1
Business travel	**634**	886	(28)	(28)
Total emissions (tCO_2e)	**156 161**	166 009	(6)	(6)

Electricity consumption creates 95% of scope 1 and 2 emissions hence its demand-side management remains a focus area for the group in reducing emissions. At group properties and properties managed by the group, 96% of scope 3 emissions from tenants also arise from electricity consumption.

Electricity
Scope 2 emissions from electricity consumption at the group's owned properties were 4% down on the prior year at 83 187tCO_2e, despite the inclusion of the three Sandton Consortium hotels (Sandton Sun, Sandton InterContinental Towers and Garden Court Sandton City) which were categorised as owned from November 2019. Excluding inorganic growth, emissions reduced by 9% on the prior year due to ongoing energy-saving initiatives and a significant decrease in trading volumes in the last quarter of the financial year. The installation of energy-efficient equipment continues where practical although much has been done since 2006. The majority of the consumption reductions are as a result of consumption measurement and behavioural change initiatives at the properties.

LPG and natural gas
LPG and natural gas are primarily used for cooking with limited space heating and water heating at three properties. Scope 1 emissions from the consumption of LPG and natural gas decreased by 1% to 2 179tCO_2e mainly due to reduced trading volumes and the resultant reduced restaurant covers during the year. Excluding inorganic growth, emissions reduced by 2% on the prior year.

Petrol and diesel – vehicles
Scope 1 emissions from the consumption of petrol and diesel in company-owned vehicles decreased by 15% to 230 tCO_2e due to tight expense control.

Diesel – stationary
Diesel is utilised for back-up electricity. Scope 1 emissions from the consumption of diesel increased by 29% to 1 546tCO_2e due to significant increased load shedding and supply interruptions during the year. Excluding inorganic growth, emissions increased by 23% on the prior year.

Scope 3 emissions
The 5% decrease in scope 3 emissions from tenants at group properties is mainly due to ongoing savings initiatives. The 26% reduction in scope 3 emissions from properties managed by the group is mainly due to the inclusion of the three Sandton Consortium properties for only seven months prior to being transferred to owned. The group utilises outsourced laundries at the majority of its owned and managed properties. Scope 3 emissions from laundry services were 1% up on the prior year consumption.

Water
Although supply interruptions due to poor municipal infrastructure continue to increase and medium-term water shortages are probable, the group does not have company-specific water risks. Contingency plans for the hotels in Cape Town, such as reverse osmosis of brackish water and boreholes with water treatment plants, are in place. However, realistically, a solution must be provided on an industrial scale by government as there is little point in the hotels having access to potable water if the region does not. The majority of the group's properties are in urban areas and use potable water provided by local municipalities (85% of consumption). Two resort properties use surface water for irrigation and two resort properties are fully reliant on river water. Water consumption at the group's owned properties increased by 4% to 1.4 million kilolitres during the year, mainly due to the inclusion of the Sandton Consortium properties offset by ongoing conservation and reduction measures at all properties.

Waste management
Our efforts to divert waste from landfill are in progress at most of our properties. These efforts include focusing on staff training and partnering with waste contractors who are committed to zero waste to landfill practices. In this regard, a trial project was conducted at a number of units with a system that uses a combination of enzymes and probiotics, resulting in the diversion of a significant amount of food waste to composting. All four-star and five-star guest amenities, such as bottled shampoos, conditioners and body washes, were also changed to 100% reground polyethylene terephthalate bottles, which are 100% recyclable. The reduction of waste starts with the purchasing policy, which will be under consideration in the following year, along with encouraging tenants at our properties to participate in our waste reduction and diversion from landfill strategy.

Biodiversity
The majority of our properties are in urban areas and are therefore not in close proximity to sensitive environments. There are four resort properties in rural environments where management of biodiversity is more important and 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, Tsogo Sun Hotels encourages local communities to adopt a responsible attitude towards the use of electricity and water and the management of waste. The group also champions opportunities to inform people about the importance of reducing their impact on the environment by organising clean-ups, tree planting and urban improvement projects.

During the year, Tsogo Sun Hotels partnered with the Miss Earth South Africa leadership development programme, which works to raise awareness and educate young South Africans about environmental issues. Through this partnership, about 180 different schools in underdeveloped areas across South Africa were engaged on subjects of environmental responsibility, climate change, food security and the green economy.

Looking ahead
Community development
Once normal trading has resumed, Tsogo Sun Hotels intends to continue supporting local communities in education, health and welfare through financial donations and in-kind contributions (such as venues, accommodation, food, linen, furniture, equipment and prize letters), and to monitor the impact thereof by tracking donations and measuring their benefits.

Enterprise and supplier development
The group's enterprise and supplier development programme, Tsogo Sun Entrepreneurs, will continue to actively address the need for business development support for emerging South African enterprises. With the one-year development course, the entrepreneur of the year award, provincial supplier showcase exhibitions, the annual entrepreneurs' conference, The Legacy Series and the alumni mentorship programme as its framework, the programme is well positioned to continue to serve the group's needs as well as those of the entrepreneurs that it supports, once normal trading resumes.

OUR STRATEGY IN ACTION continued

SUSTAINABILITY STRATEGY IN ACTION continued

Transformation
The group has met its target of achieving a level 1 B-BBEE contributor status for the fourth consecutive year and the future intention is to maintain this performance in the year ahead. We intend to do this through continued focus on all areas of empowerment, specifically where we have not yet exceeded the targets, such as in the elements of employment equity and skills development. From an operational point of view, this will involve paying close attention to maintaining the diversity of our workforce, developing their skills and those of potential new employees.

Environment
The focus during the year will continue to be on ensuring that the energy and water consumption management programmes remain in place with the objective of reducing consumption year on year, excluding the impact of increased capacity or additional operations. Through environmental education, the group will continue to influence stakeholders, such as communities, employees and customers, to take responsibility for their impact on the environment and positively change their behaviour by communicating about topics such as climate change.

The group is working towards minimising waste to landfill. Our focus during the 2020 financial year was on identifying partners who can assist in achieving this. We will continue to work on understanding our waste streams and identifying those that can 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 along with upgrading waste collection areas.

Tsogo Sun Citizenship

CARING ACROSS COMMUNITIES

Tsogo Sun Hotels supports its local communities in education, health and welfare through financial donations and in-kind contributions. During the year, the group supported 253 non-profit organisations, schools, homes for the aged, orphanages, shelters, hospices and health facilities, and provided relief when disasters occurred.

TSOGO SUN ENVIRONMENT

Environmental responsibility and the green economy are fundamental to Tsogo Sun Hotels' philosophy of citizenship. Through the group's environmental education programme, thousands of school children are taught to care for the planet and live in harmony with their natural surroundings.

TSOGO SUN ENTREPRENEURS

The Tsogo Sun entrepreneur of the year award winner for 2019/2020 is Tych Business Solutions, owned by Belinda Francis who received R100 000 from Tsogo Sun as a contribution towards her company's newly established division, which provides employment opportunities to people with disabilities.

TSOGO SUN VOLUNTEERS

Tsogo Sun Hotels encourages its people to give back to our communities by donating time to the many causes that the group supports. Through the Tsogo Sun Volunteers programme, employees participate in diverse projects that range from assisting at welfare shelters to organising beach clean-ups.

FINANCIAL STRENGTH AND DURABILITY

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

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

Approach
Debt levels are managed using the leverage ratio (net debt:Ebitda) and the group ensures availability of sufficient credit facilities with long-term maturities, providing additional liquidity in the event of a deterioration in economic conditions.

2020 performance
Net interest-bearing debt
Interest-bearing debt net of cash at 31 March 2020 totalled R3.3 billion, which comprises R2.6 billion debt funding in Hospitality and R1.4 billion US Dollar denominated debt funding in the offshore operations, offset by cash of R722 million group-wide.

Interest rate and currency risk management
The hotel group has hedged a significant proportion of debt facilities in Hospitality to maturity to lock in the low interest rate environment prior to the advent of COVID-19. However, the US Dollar denominated offshore debt facilities were unhedged from an interest rate perspective as hedging was measured on the group as a whole, and from a currency perspective due to the nature of the cash flows in the underlying operations. As at 31 March 2020, 49% of combined group net debt was hedged through fixed interest rate swaps. The weighted average effective interest rate for the year was 8.1%.

Currency illiquidity in Nigeria has restricted the ability to settle the US Dollar denominated loans but sufficient hard currency is received to settle interest on the debt. Offshore cash at year end was held approximately 76% in US Dollar, 11% in Nigerian Naira and 6% in Mozambican Metical with limited other local currency deposits.

Net debt:Ebitda as at 31 March 2020 was 3.2 times and 1.3 times for Hospitality and Tsogo Sun Hotels respectively with total unutilised net facilities (including available cash on hand) of R1.7 billion. The weighted average number of years to expiry of the debt facilities (including 364-day revolving credit facilities) was 2.9 years.

Looking ahead
The inability to generate revenue during lockdown, together with the expected slow recovery once the hotels can open and operate, made it clear the group will not be able to meet its covenant requirements in terms of its funding agreements for the measurement period 30 September 2020 and possibly 31 March 2021. Following negotiations with lenders, the group has secured:
- The waiver of its covenant requirements for the measurement period 30 September 2020 with the request for waiver of 31 March 2021 to be considered after 30 September 2020
- The capitalisation of bank funding interest to the group's revolving credit facilities until 30 September 2020

At the date of the annual financial statements, the lenders are not able to provide waivers on the minimum covenant requirements for the measurement period ending 31 March 2021. This will only be considered after 30 September 2020 and management has no reason to believe that the necessary waivers will not be granted.

KEY PERFORMANCE INDICATORS

	2020 Hospitality	2020 Tsogo Sun Hotels
Net debt:Ebitda (times)	3.2	1.3
Unutilised net facilities (including available cash on hand) (Rm)	691	971
Weighted average expiry of debt facilities (years)	3.2	2.6
Net debt hedged through fixed interest rate swaps (%)	71%	–

OUR STRATEGY IN ACTION continued

SUSTAINABILITY STRATEGY IN ACTION continued

PRODUCT RELEVANCE TO CUSTOMER EXPERIENCE

To provide the variety and quality of experiences expected by our clientèle 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 as simple as 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
- Branding that is critical to the way in which the group is viewed by its current and prospective customers

2020 performance

Product relevance

In order for us to deliver the hospitality, dining and eventing experiences that our customers desire, it is important that our physical product and service delivery are relevant to our customers at appropriate price points, are consistent in standard and delivery, provide the variety and quality of experiences that will encourage repeat visits and simplify how our customers do business with us. Consumer expectations range from technology preferences to the look and feel of the physical product, the location of buildings, concepts for restaurants, bar offerings and travel patterns.

The group seeks to respond dynamically to changing trends, refreshing hotel offerings to reflect contemporary tastes and embracing new technologies that will improve customer experience. We have therefore committed to significantly investing in the regular maintenance and refurbishment of our properties to keep experiences attractive and relevant to our customers. We maintain a rolling five-year capex planning system to identify hotels requiring minor and major refurbishment as well as plant and infrastructure replacements.

We believe that our properties offer a superior experience compared to our peers and other leisure activities. In order to preserve our market position and to attract existing and new guests to our hotels, we intend to continue our disciplined programme of investment to continually refresh the offerings and décor of our facilities. There were no material deviations from the relevant brand standards during the period under review.

Product development

Development of hotel real estate is a critical component of the business and our plans for organic growth. Over the past four years, approximately R1.4 billion was invested in the refurbishment and maintenance of the group's existing hotels, excluding the acquisition of new properties. However, as part of our COVID-19 action plan, the group has suspended all capex with only emergency capex and repairs and maintenance to be 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, construction and ongoing property maintenance of locations are the core skills required. Key personnel are employed on a permanent basis to deliver these core skills that safeguard and mentor this knowledge. These skills are augmented by a network of experienced professionals who have worked with the business for a number of years but who are regularly supplemented with new professional firms with the objective of introducing change and fresh ideas to established methods, concepts and systems.

Information Technology

The IT strategy, governance processes and all decision making form part of a coordinated and integrated process across relevant business functions. All strategies and decisions are developed in a collaborative manner with the business and are based on the demands of the industry we operate in. In most areas, we continue to utilise third-party packaged solutions, which are industry-specific, but have also developed numerous in-house applications and integrations to differentiate our service offerings. We believe suppliers are, in general, better positioned to carry out research and development and keep pace with industry changes and the rapid evolution of technology. However, we position ourselves to actively influence application development direction through direct participation and collaborative design with our suppliers. This approach optimises our technology investment and reduces redundancy. Due to continuous and responsible IT investment over the past few years, there are no legacy system issues. Our systems remain current and are all fully supported by relevant vendors and/or in-house staff.

The cloud property management system and booking engine, Mews, which was introduced in the SUN1 portfolio of hotels in 2018, has enabled far more integrated and simplified management and lends itself very well to the brand's limited on-site staff complement. The solution also supports a self-service environment for the guest and limits contact with individuals in the hotels, where it has added value. It is now being considered as an opportunity for other brands in our portfolio.

The group's digital platform continues to enable better customer engagement, relationship management and business management. The broadband Wi-Fi operating model was adjusted to take advantage of cost-saving opportunities and now offers uncapped bandwidth to guests, while still being a managed solution.

A cloud-based PABX (telephone solution) is being introduced as the traditional PABX's 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.

During the year, the group continued to make strides in the centralisation of its other systems, working towards hosting systems centrally, either on premises or in the cloud, which remains our preferred strategy. In this regard, the group now makes use of an online Microsoft 365 environment. In addition, a new payroll solution was introduced, namely Payspace, that is cloud-based and encourages employee self-service activities.

The group remains active with all major vendors to ensure they meet our needs and those of our guests, and to protect our investment. We directly engage with these key suppliers, defining new requirements and determining priorities.

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. Our environment requires major emphasis on information security, privacy, security, data protection, resilience, reliability and compliance with all relevant regulations. We have made significant progress in this area and have company-wide firewall and email/web protection solutions in place. Meeting international standards and local requirements remains an ongoing priority.

Our core technology differentiator is the manner in which we utilise and integrate the relevant features of our systems to streamline and optimise our operations and enhance customer experience.

Tsogo Sun brand portfolio management

The brand essence of 'creating great experiences' has become synonymous with brand delivery across the Tsogo Sun Hotels family of brands.

The clear categorisation of the brand portfolio enables ease of decision making in operations, particularly when considering the introduction of new brands. An exciting new select service hotel brand, hi Hotels, was introduced to the portfolio during the financial year with the first property, hi Monte, having opened at the Montecasino precinct in February 2020.

The integration of digital marketing with traditional marketing continued during the year and has resulted in the delivery of more consistent messages across the different channels and clearer, more seamless communication with customers.

The investment in the sunburst symbol continues to pay off with strong recognition and recall from the group's stakeholders.

KEY PERFORMANCE INDICATORS

	2020	2019
Rewards club membership contribution to hotel revenue	**36%**	35%
Guest satisfaction – hotels	**88%**	88%
Hotel property brand audits	**No material deviations from brand standards**	No material deviations from brand standards
Hygiene audits	**No significant issues noted**	No significant issues noted
Maintenance capital spend	**R366 million**	R384 million

OUR STRATEGY IN ACTION continued

SUSTAINABILITY STRATEGY IN ACTION continued

Customer satisfaction
The dynamic environment in which the group operates has resulted in a shift in the way brand reputation is managed. The group has welcomed the increase in customer interaction on digital platforms and has formalised a way of monitoring and managing online conversations.

Post-visit surveys remain an important channel to understand the voices of over 10 000 customers per month. The management of the survey data continues and it has allowed the business to gain deeper insights into understanding customer preferences and behaviour. This feedback is used to ensure optimal operational delivery.

Low-scoring statements are identified as burning issues and specialist project groups address them as a business priority. The overall guest satisfaction score measured through post-stay guest surveys averaged 88% (2019: 88%). The overall guest satisfaction score measured through online third-party review sites was 86% (2019: 85%).

The popularity of our brands and products, and the overall level of guest satisfaction demonstrated through these percentages, correlate with the high levels of engagement across various online and social media platforms used by Tsogo Sun Hotels to engage with members of the public comprising existing guests and prospective customers:
- Tsogosun.com – 1.2 million+ visits per month (2019: 1.1 million+ visits per month)
- Facebook – 1 052 495 likes (2019: 999 029)
- Twitter – 52 342 followers (2019: 49 751)
- Instagram – 82 400 followers (2019: 35 400)

However, in light of the COVID-19 restrictions on travel and the lockdown regulations, we anticipate a decline in these figures in the coming year.

Customer rewards programme
The Tsogo Sun Hotels rewards programme with SunRands currency is designed to encourage relationships of mutual value with customers by giving SunRands benefits to cardholders. The programme provides the group with information about trends across our customer base that enables us to improve our offering in response to changing consumer behaviour, and to meet the demands of active rewards programme members more effectively.

During the year, the focus areas were: growth in rewards programme membership, database hygiene, data profiling, bonus SunRands and e-vouchers for tactical, revenue driving promotions, and the targeted use of custom audience matches via digital media platforms.

As the group deactivated its hotels at the end of March 2020, customers were engaged on a by-exception basis and their preference was for bookings to be postponed rather than cancelled. SunRands expiries were suspended until normal trading resumes. Tiering upgrades are still provided but tier changes were suspended so that loyalty programme members could increase their points when hotels are reactivated after lockdown.

Rewards programme segmental analysis
Tsogo Sun Hotels had 164 347 active rewards cardholders during the year. The contribution to total hotel revenue for the year from active members of the rewards programme was 36%.

Earning criteria per segment, which was unchanged since the programme was introduced in 2014, was reviewed for Black and Platinum members during the year and therefore results for these two segments reflect a decrease since the previous year, while the Gold segment reflects an increase.

Rewards programme segment	2020 % active customers	2020 contribution %	2019 % active customers	2019 contribution %
Black	4	8	6	10
Platinum	11	9	14	10
Gold	85	19	80	15
Total	**100**	**36**	**100**	**35**

Guest and employee safety
Tsogo Sun Hotels recognises that the health, safety and wellbeing of customers and employees are of paramount importance. Life safety equipment and procedures are maintained at the highest quality and compliance 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 Tsogo Sun Hotels, including outsourced restaurants, undergo an independent audit every second or third month, which covers food safety practices and compliance to the group's standard, as well as legislated elements. Temperature control, personal hygiene, good manufacturing practices, product traceability and storage, cleaning programmes and pest control are included. Audits are strictly unannounced and include surface swabs, hand swabs and food samples, which are selected at random during the audits and assessed for micro-biological quality. No significant issues were noted.

While Tsogo Sun Hotels has always maintained the highest standards of cleanliness and hygiene, the group intensified these practices as a result of COVID-19, and the related health and safety regulations have been in place since March 2020. Special operating procedures were introduced together with specific protective measures for guest and employee safety. These were implemented with stringent COVID-19 protocols enforced and comprehensive training provided to employees in line with guidelines and hygiene policies of the WHO, the South African National Department of Health and the National Institute for Communicable Diseases.

The group's far-reaching health and safety measures have included monitoring all guests and employees through records and temperature screening, providing personal protective equipment to all employees, enforcing social distancing, providing hand sanitisers, maintenance of intensified hygiene and cleanliness regimens, and strict food handling procedures. All employees are trained in basic protective measures required as a first defence against COVID-19 in line with WHO recommendations. Protocols and procedures are in place should there be a suspected case among guests or employees at any of the group's properties.

Looking ahead
Customer rewards programmes
Database growth, repeat visits and incremental spend will remain a core focus of the Tsogo Sun Hotels' rewards programme. Data profiling will also remain a priority to improve our understanding of customer behaviour and purchasing patterns. Attention will also be paid to the protection of data, and alignment with local and international legislation and standards.

Information Technology
During the coming financial year, a number of cost efficiencies and legislative and enhanced service initiatives will be deployed, namely:
- Implementing an Amazon Web Service monitoring solution on our guest internet access points to improve the customer experience and provide world-class support of guest Wi-Fi solutions
- Maintaining the customer information system, which supports the GDPR and POPIA requirements. Further to this, we will continue working on business and IT processes to ensure compliance
- Deploying a new business intelligence solution and dashboard that incorporates additional operational measurements that are fit for purpose across a range of disciplines
- Further adoption and migration of IT solutions to the cloud that enable improved security and meet legislation requirements
- Further improvement of our information security maturity and implementing policies to support a best practice framework
- Continuing with the strategy of PABX in the cloud and on-net telephone service to reduce telephony costs

OUR STRATEGY IN ACTION continued

SUSTAINABILITY STRATEGY IN ACTION continued

REGULATORY COMPLIANCE

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

The South African regulatory environment continues to become more complex with the ongoing introduction of new legislation, rulings, practices and policies. The advent of COVID-19 has further complicated this landscape with numerous directives and practice notes released by the JSE, providing guidance to issuers on enhanced financial and qualitative disclosures relating to the impact of COVID-19 for the protection of investors and other stakeholders. The group continues to comply with these guidance notes where relevant.

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

2020 performance

Regulatory compliance

The South African trading environment is highly regulated and compliance with regulations is critical to our licence to trade. The broader trading environment is becoming increasingly complex and is governed by legislation and policies, most of it relatively new, relating to competition, customer protection, privacy, environmental, health and safety, money laundering, B-BBEE and labour issues. A number of statutes provide for monitoring and enforcement by regulatory bodies. The audit and risk committee is updated with all material changes to legislation and regulations twice a year and the board is updated quarterly.

Tsogo Sun Hotels complies with all applicable legislation in all countries in which 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.

KEY PERFORMANCE INDICATORS

	2020	2019
Fines imposed for other regulatory breaches	**Nil**	Nil
Fines imposed for breaches of law	**Nil**	Nil

SKILLED HUMAN RESOURCES

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

At guest level, 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 an 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, senior and junior, need to apply long-term thinking and avoid quick and unsustainable fixes.

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

2020 performance

Human capital management

We believe that the sustainable growth of our group 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 in which each employee can perform and grow to his or her fullest potential. We also strive to attract and retain the highest calibre staff while, at the same time, redressing historical imbalances where these might exist.

Job creation and employee stability

The group contributes approximately 6 596 direct jobs and 11 358 combined direct and indirect jobs (including 4 762 contract staff employed by third-party providers comprised predominantly of security, cleaning and landscaping services) where our operations are situated in South Africa.

Staff resignations reduced to 8.7% (2019: 8.9%), which remains at an acceptable level for the hospitality industry, and is testimony to the favourable employee engagement and values-based leadership approach across the group.

As mentioned in the strategic overview on page 10, the severe impact of COVID-19 and the national state of disaster are expected to directly affect the group's human capital, and its ability to sustain jobs and provide stability for employees.

Tsogo Sun Hotels consulted with employees ahead of the lockdown in March 2020 in order to reach an agreement on the terms and conditions applicable to a temporary layoff and/or reduced working time and subsequently, at the end of March, a skeletal operating structure was established. Employee remuneration was supplemented with the UIF TERS funds. The necessary adjustments to the basis of the layoff will be reviewed against operational requirements as developments unfold.

Employee development

The total value of both in-kind and financial training spend for the year is R103 million, which at 7.5% of payroll, has increased from the prior year. The group spent R90 million on training and development initiatives provided to black people during the year, which is 6.6% of payroll. Verified B-BBEE spend measured against the national black economically active population amounted to R72 million. This is the equivalent of 5.3% of payroll. The group's B-BBEE score for skills development is 17.3 out of 20. In the year the group employed 1 070 people on learnerships and provided 582 unemployed people with learnership opportunities. Of the unemployed people on learnerships, the group employed 59 people after they had completed their training.

KEY PERFORMANCE INDICATORS

	2020	2019
Management and control (revised codes) score	**12.8/19**	12.2/19
Verified training spend as a percentage of payroll	**5.3%**	5.1%
Staff resignations	**8.7%**	8.9%

OUR STRATEGY IN ACTION continued

SUSTAINABILITY STRATEGY IN ACTION continued

The group continued to ensure that the training of employees was aligned to the needs of the business, thereby contributing to improved performance in line with the business strategy. Management and leadership development programmes, coaching and mentoring programmes, job rotation and job shadowing were some of the many solutions used to develop talent for future roles across all levels of management. These opportunities for development and growth within the organisation were key contributors to improved performance and employee retention, especially within supervisory and management levels. Our online video learning platform provided employees with access to training at their convenience with assessments and sign off on full courses available in this way. The variety of learning offered provided opportunities for employees to build their curricula vitae ('CVs') and career paths. The group's accreditation as a training provider enabled it to develop and provide new learning programmes that improve the skills of employees and unemployed people in communities. With a focus on youth employment, Tsogo Sun Hotels has continued to support work integrated learning in the industry, ensuring learners could complete the practical component of their formal learning programmes, including Technical Vocational Education and Training qualifications, certificates, diplomas and bachelor of technology while gaining relevant work experience for future employment. Bursaries were given to BTech students to ensure that, after their graduation, they stay on to complete higher level qualifications.

Employee engagement

The group's employee engagement programme, called livingTSOGO, reflects the values, culture and behaviours common to the business. Employees participate in the components designed to bring the values to life, including livingTSOGO World, which incorporates the group's induction programme, and livingTSOGO Moments, which is a peer voting system that provides recognition and rewards employees for living the values. At the end of 2019, annual regional awards were presented to employees who received the most votes. During the year, a group of employees across levels, brands and departments worked to reinvigorate and update the values system. Through this process, 1 000 employees were engaged and had the opportunity to provide input into the values' behaviours and symbols.

In response to COVID-19 and its impact on our employees, Tsogo Sun Hotels provided comprehensive modules that employees could access remotely through our digital learning platform to keep informed and safe. Where staff are employed at properties repurposed for use as isolation and quarantine facilities, and to provide accommodation for health and essential workers, comprehensive training is provided and strict safety rules are adhered to. In preparation for re-opening, together with the implementation of strict health protocols and control measures, the group provides special training to employees to ensure that they are properly equipped to perform their duties in the circumstances.

Employee wellness

Tsogo Sun Hotels seeks to find ways to help our employees to manage their health and this past year the company hosted health programmes, ranging from running groups and exercise classes to preventative medical screening initiatives. These are in addition to the formal structures in place to support our healthy workforce such as employee clinics at certain properties, an employee assistance helpline, wellness days and executive medicals.

The Tsogo Sun Group Medical Scheme responded swiftly to COVID-19, ensuring members and their beneficiaries receive the appropriate level of cover and communication.

The company published a COVID-19 human resource policy to inform behaviour and safeguard our people's health in the workplace when business resumes.

Health and safety

The hospitality industry is a safe environment relative to many other industries. Tsogo Sun Hotels' properties 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.

No employee fatalities as a result of health and safety incidents occurred at any of our properties during the year. The average lost-time injury frequency rate decreased to 1.53 (2019: 1.55). This equates to the number of injuries that renders an employee unfit for duty for one shift or longer per 200 000 hours worked.

Unions

Tsogo Sun Hotels recognises the right to freedom of association of employees and we recognise that collective bargaining forms an integral part of labour relations. Of the 6 596 employees in the South African operations, 5 412 employees are eligible to join a union and 816 (15.1%) are members of a union.

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

Employment equity

The principles of empowerment and diversity are entrenched in the ethos of Tsogo Sun Hotels. The table below reflects our employment equity and includes South Africa only. It excludes the approximately 4 762 contract staff employed by third-party service providers and 1 076 staff employed outside of South Africa.

	South African male				South African female				Foreign nationals		
Employees	African	Indian	Coloured	White	African	Indian	Coloured	White	Male	Female	Total
Permanent											
Executives and management	163	62	33	140	179	68	58	153	19	2	**877**
Supervisory and skilled	808	94	88	46	972	125	158	116	15	10	**2 432**
General	226	8	16	4	103	7	19	3	4	1	**391**
Operational support											
Executives and management	–	–	–	1	–	–	–	–	1	–	**2**
Supervisory and skilled	464	10	15	5	682	11	23	6	10	4	**1 230**
General	640	1	29	6	921	4	33	2	18	10	**1 664**
Total 2020	2 301	175	181	202	2 857	215	291	280	67	27	**6 596**

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

The overall percentage of female employees is 55.6% of the workforce (2019: 55.0%).

We ensure that our workforce reflects our focused employment equity philosophy. In this regard, in accordance with our verified management and control B-BBEE results, black representation is 28% at senior management level, 53% at middle management level and 76% at junior management level. The representation of black employees throughout the group is 91%.

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

Looking ahead

Employee development

Focus will continue to be placed on growing employees within the organisation and equipping them with skills to improve performance and develop their careers as well as making continued efforts to nurture leadership potential. During lockdown all learning has been offered digitally and this focus will continue as online learning allows for cross-training and learning exposure across all levels. Employees can access all modules available on the platform and receive certificates on completion of courses. Managers' coaching remains a focus to ensure managers facilitate growth of their team members to assist them to reach their full potential in performance.

Employee engagement

Monthly recognition of employees through livingTSOGO Moments is ongoing, even during lockdown with limited hotels open. As part of the preparation for training required in order to properly and safely open hotels post lockdown, the group has provided a module on the livingTSOGO digital platform to re-engage employees returning to work and to encourage them to recognise their colleagues for living the values.

OUR STRATEGY IN ACTION continued

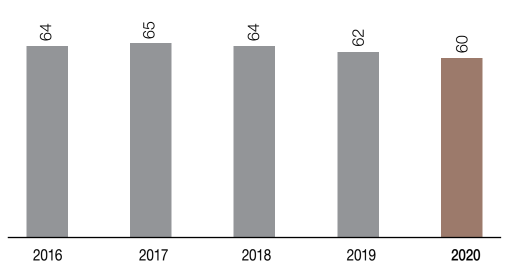
GROWTH STRATEGY IN ACTION

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

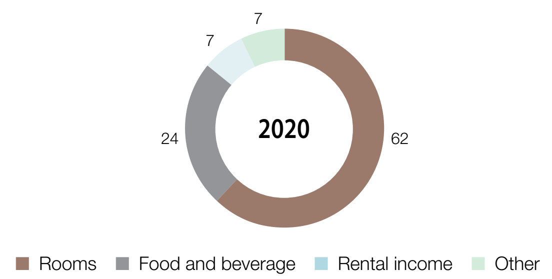
Growth in cash flow over time is generated through the optimal operation of the group's capitals (organic growth), and building the tangible and intangible asset base of the group through developing and acquiring new businesses (inorganic growth). It is only with sustainable and growing cash flows that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

	KEY PILLARS	MATERIAL RISKS
FREE CASH FLOW AT R484 million ▲ 17%	ORGANIC GROWTH	• Macro-economic environment • Crime, safety, security and health • Portfolio management and product relevance • Capacity • Local authority capability
INVESTMENT ACTIVITY EXPENDITURE OF R211 million	INORGANIC GROWTH	• Missed opportunities

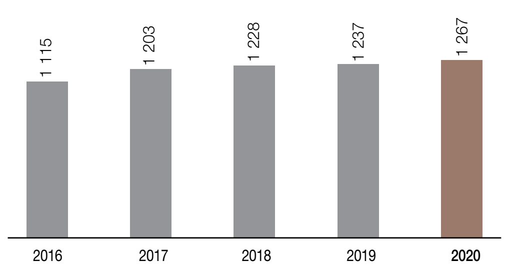
SOUTH AFRICAN OCCUPANCY* (%)



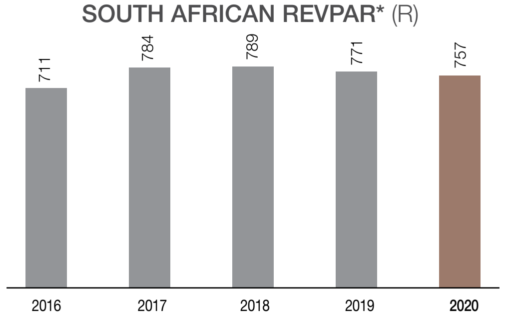
HOTELS REVENUE BY NATURE (%)



SOUTH AFRICAN AVERAGE RATE* (R)



SOUTH AFRICAN REVPAR* (R)



* South African hotel industry based on STR Global statistics.

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 macro-economic 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

	Income[1]		Ebitdar[2][3]		Ebitdar margin	
Year ended 31 March	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 %	2019 %
Manco	266	289	154	171	58	59
Rental income – Hospitality[5]	310	337	310	337	100	100
Internally managed	3 501	3 329	787	839	22	25
Coastal	1 885	1 906	463	505	25	26
Inland	1 344	1 150	262	253	20	22
Other[6]	272	273	62	81	23	30
Offshore	569	605	101	144	18	24
Internal management fees[4]	(183)	(181)	–	–	–	–
	4 463	4 379	1 352	1491	30	34

(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 to reconciliation of operating profit to Ebitdar on page 114.*
(3) *The adoption of IFRS 16 had no significant impact on Ebitdar.*
(4) *Included in Manco.*
(5) *Subsequent to the company's listing, the CODM refined its assessment of the operational segments to allow for comparability. The CODM now reviews rental income net of rates and taxes expensed by the lessor for segmental reporting purposes. Rates and taxes of R10 million relating to the 2019 financial year were reallocated from Manco to rental income.*
(6) *Internal management fees amounting to R13 million and relating to the 2019 financial year were reallocated from 'internally managed – other' to 'Manco'. This was done to ensure comparability and that the Ebitdar of the internally managed hotel properties is consistently reported post-management fees.*

KEY PERFORMANCE INDICATORS

	2020	2019
Organic income (reduction)	(3%)	(1%)
Organic Ebitdar (reduction)/growth	(12%)	7%
Free cash flow	R484 million	R414 million
Maintenance capex	R366 million	R384 million
Adjusted headline earnings per share ('HEPS') (reduction)	(31%)	(14%)

OUR STRATEGY IN ACTION continued

GROWTH STRATEGY IN ACTION continued

Operational review

Trading for the group's South African hotels for the year recorded system-wide Revpar flat on the prior year due to a 1% increase in average room rates to R1 105 offset by a 1.1pp decrease in occupancies from the prior year to 62.4% (2019: 63.5%).

The management activities of the South African hotels net of group corporate office costs (including HPF central costs) generated Ebitdar of R154 million (2019: R171 million) for the year, a 10% decrease on the prior year. This performance results from a R23 million decrease in management fee income due to the disappointing performance from the Sandton hotels and Sandton Convention Centre as well as the Tsogo Sun Gaming hotels, offset by a R6 million saving in corporate office costs. The segment's Ebitdar margin decreased by 1pp from the prior year to 58% (2019: 59%).

Rental income from the 12 externally managed hotel properties owned by HPF of R310 million (2019: R337 million) declined by R27 million from the prior year. This is largely due to the performance of Birchwood Hotel, which saw rental income decline by R12 million compared to the prior year. Given the portfolio's weighting towards the Cape Town and Gauteng markets and the decline in demand from the international, corporate and leisure segments, compounded by the impact of COVID-19, the balance of the portfolio also performed poorly particularly in the fourth quarter of the year.

Overall, revenue for the South African hotel portfolio owned and leased by the group ended 5% above the prior year at R3.5 billion (2019: R3.3 billion). However, excluding the impact of the Sandton hotels, revenue ended 1% below the prior year. The Cape region benefited from government and associated businesses during the state of the nation address in June 2019 as well as international group and associated businesses relating to the World Economic Forum. The KwaZulu-Natal, inland and other segments struggled in the first nine months of the year, largely due to a lack of government and corporate business as well as a decline in groups and conferencing due to a lack of large events at the Durban International Convention Centre. All regions were severely affected by the impact of COVID-19 in the fourth quarter, which is traditionally a peak trading period for the group. Despite strict cost controls, the shortfall in revenue has resulted in the Ebitdar for the internally managed segment decreasing by 6% on the prior year to R787 million (2019: R839 million) at a margin of 22% (2019: 25%). Excluding the Sandton hotels, Ebitdar for the internally managed segment declined by 12%.

Total income for the offshore division of hotels of R569 million (2019: R605 million) declined by 6% from the prior year. This was exacerbated by the closure of Southern Sun Mayfair, Nairobi, on 31 January 2020, following the end of the property lease period. Once-off closure costs (including termination benefits) of R8 million were incurred by the group and were included in exceptional items as restructuring costs. In US Dollar terms, revenue for the year declined by 14% compared to the prior year, offset by the favourable impact of the weakening of the Rand against the US Dollar. Ebitdar (pre-foreign exchange gains/losses) declined by 24% to R105 million (2019: R138 million). Foreign exchange losses of R4 million (2019: gains of R6 million) were incurred on the translation of offshore monetary items, principally between local country currencies and the US Dollar.

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

	31 March 2020	31 March 2019
Occupancy (%)	**59.3**	60.6
Average room rate (R)	**1 090**	1 064
Revpar (R)	**647**	645
Rooms available ('000)	**4 314**	4 239
Rooms sold ('000)	**2 560**	2 568
Rooms revenue (Rm)	**2 791**	2 732

Maintenance capital expenditure

The group invested R366 million on maintenance capex, including major hotel refurbishments at Westin of R70 million and R73 million at Southern Sun Ridgeway in Lusaka.

Looking ahead

Based on current trading levels, the recovery in occupancies to pre-COVID-19 levels is expected to take at least 18 to 24 months. In response to excess supply in the market, and as part of our phased reopening plan, the group only reactivated half of its portfolio in phase 1 under level 3 of the national lockdown, and this could change if demand warrants it. Phase 2 hotels will be reactivated once inter-provincial leisure travel is allowed, based on anticipated demand. The remaining hotels are not expected to be reactivated for an extended period of time. These hotels are generally those that are reliant on international inbound travel, large groups and conferencing business. With excess supply in the market and lack of demand, average room rates will be under pressure. We are focused on ensuring that we are the lowest cost operator in the market.

INORGANIC GROWTH

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

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

Investment activity expenditure

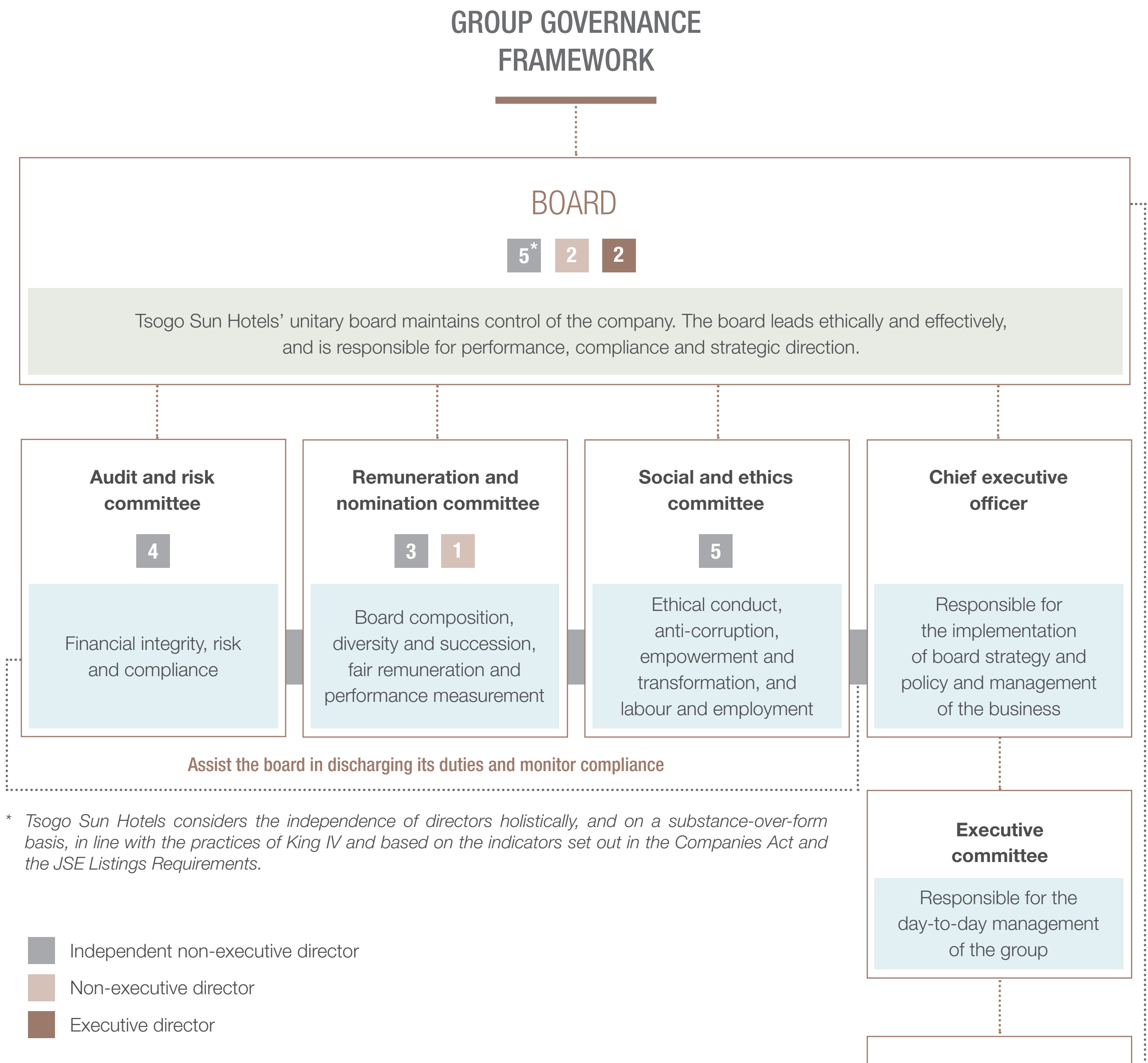
	31 March 2020 Rm	31 March 2019 Rm
Southern Sun Pretoria	**200**	–
Riverside Conference Centre	**11**	–
StayEasy Maputo	**–**	52
hi Hotels	**–**	10
Expansion capex	**211**	62
Investment activity expenditure	**211**	62

Looking ahead

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

CORPORATE GOVERNANCE OVERVIEW

Tsogo Sun Hotels is committed to high standards of corporate governance and has implemented a governance framework, which informs the manner in which business is conducted.



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

COMPLIANCE

The policies, practices and processes comprising the group's governance framework are based on its application of King IV, the Companies Act and the JSE Listings Requirements. The board is responsible for the group's corporate governance. Our King IV application register can be viewed on our website www.tsogosun.com/investors.

ORGANISATIONAL ETHICS AND RESPONSIBLE CITIZENSHIP

The board has ultimate responsibility for the ethical culture of Tsogo Sun Hotels, which flows through to management who is tasked to lead by example.

The company'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.

The social and ethics committee plays an important role in the implementation of anti-corruption and anti-fraud initiatives, as set out on page 67.

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.

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

The code of conduct provides guidance on matters such as conflicts of interest, acceptance and giving of donations and gifts, compliance with laws and the dissemination of confidential information. Ethics training is included in the group's induction programme.

The company 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 company'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 period under review, 19 whistleblowing incidents were reported to ethics hotlines. These included no serious incidents of governance failure and were dealt with appropriately by the human resources department.

The board believes that the group meets the definition of a 'responsible corporate citizen' as a result of the implementation of its corporate governance policies and the governance framework that oversees and monitors such implementation.

BOARD OF DIRECTORS

Composition

Tsogo Sun Hotels' unitary board met on six occasions during the year under review.

Membership of the board and analyses of its composition can be found on page 70.

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 the implementation of 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 has appointed a strong lead independent non-executive director to ensure that the necessary independence is upheld in the functioning of the board. The lead independent non-executive director leads in the absence of the Chairman and assists with the management of any actual or perceived conflicts of interest that may arise. The lead independent non-executive director leads the performance appraisal of the Chairman. 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 75.

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, delegating and monitoring their implementation by management
- Considering risks and opportunities in line with the company's agreed risk parameters and approving major issues, including the company's investment policies, acquisitions, disposals and reporting as well as monitoring operational performance
- Monitoring the company's performance
- Acting in the best interests of the company and being accountable to shareholders and other stakeholders

Tsogo Sun Hotels' board charter is reviewed regularly.

CORPORATE GOVERNANCE OVERVIEW continued

Diversity

The directors' varied backgrounds and experience, as set out in their CVs which can be found on Tsogo Sun Hotels' website at **www.tsogosun.com**, provide an appropriate mix of knowledge and expertise that is necessary to manage the business effectively.

Although Tsogo Sun Hotels has adopted a board diversification policy, which includes 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 in the appointment of new members.

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

Appointments and succession

Board appointments are conducted in a formal and transparent manner. Directors are assessed by the nomination committee and suitable candidates are recommended to the board for appointment. One-third of the non-executive directors retire annually at the annual general meeting ('AGM').

For the purpose of executive succession planning, Tsogo Sun Hotels seeks to appoint from within the company, and has access to a range of available resources, skills and expertise.

The following changes in board composition occurred during the reporting period:

- Petrus Jacobus Boshoff, Fidelis Vusi Dlamini and Ravi Nadasen resigned as non-executive directors on 10 May 2019
- John Anthony Copelyn and James Robert Nicolella were appointed as non-executive directors with effect from 10 May 2019
- Marcel von Aulock was appointed as executive director and CEO on 10 May 2019
- Lynette Moretlo Molefi, Mohamed Haroun Ahmed, Sipho Christopher Gina and Jabulani Geffrey Ngcobo were appointed as independent non-executive directors on 10 May 2019
- Cornelia Carol September was appointed as an independent non-executive director on 15 August 2019

Accountability and compliance

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

For further information, please refer to the remuneration policy on page 72 of the remuneration implementation report.

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

Board effectiveness

The Company Secretary of the group is Southern Sun Secretarial Services Proprietary Limited (represented by Mojalemang Jane Mahloele). The Company Secretary is responsible for the statutory administration of the group, ensures compliance and provides the board with guidance on all regulations and governance codes and policies.

The Company Secretary is not a director of the company and ensures that board and committee processes and procedures are implemented.

Directors have unrestricted access to the advice and services of the Company Secretary. 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 has determined that it is satisfied with the current competence, qualifications and experience of the Company Secretary.

COMMITTEES

The board has constituted the following committees to which it has delegated certain group responsibilities, as defined in their 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.

Over and above the regular responsibilities of the board and its committees, during the next financial year, as the full impact of COVID-19 takes effect, consideration will be given to the group's governance framework and the adequacy of existing policies and processes.

BOARD AND COMMITTEE MEETING ATTENDANCE

1 April 2019 to 31 March 2020	Board	Audit and risk committee	Social and ethics committee	Remuneration and nomination committee
Executive				
MN von Aulock ('CEO')	6/6			
L McDonald ('CFO')	6/6			
Independent non-executive				
MH Ahmed (lead independent)	6/6	2/2	1/1	1/1
SC Gina	6/6	2/2	1/1	
LM Molefi	6/6	2/2	1/1	0/1
JG Ngcobo	6/6	2/2	1/1	1/1
CC September	6/6		1/1+	
Non-executive				
JA Copelyn	6/6			1/1
JR Nicolella	6/6	0/1*	0/1^	

* *Resigned 15 August 2019.*
^ *Resigned 11 November 2019.*
+ *Appointed 11 November 2019.*

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.*

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

- Providing independent oversight of the effectiveness of the company's assurance functions and services
- Ensuring that appropriate financial reporting procedures are established and are operating
- Ensuring that 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 company
- Making recommendations to shareholders regarding the appointment or reappointment of the independent external auditor following 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
- Approval of the internal and external audit plans and audit fees
- Approving non-audit services
- Approving accounting policies
- Reviewing insurance, treasury and taxation matters
- Carrying out 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 company's finance function as set out on page 81 of the consolidated annual financial statements for the year ended 31 March 2020
- Ensuring that an effective risk management process is in place to identify and monitor the management of key risks and opportunities in relation 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 in relation 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

The board has concluded that the audit and risk committee members had the necessary financial literacy, skills and experience to execute their duties effectively during the period under review and make worthwhile contributions to the audit and risk committee's deliberations. The board recommends the members of the reconstituted audit and risk committee for reappointment at the AGM to be held on 20 October 2020.

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

The audit and risk committee has:

- Confirmed that Tsogo Sun Hotels has established appropriate and adequate financial reporting procedures
- Monitored compliance with the group's risk management policy and confirmed that Tsogo Sun Hotels has complied with the policy in all material aspects

Non-audit services approved throughout the year include mainly tax advisory services.

The audit and risk committee met twice during the period under review. Ad hoc meetings are held as required to consider special business. The Chairman of the board, CEO, CFO, external auditor, internal auditor and senior management from the group's risk and IT departments attend all meetings of the audit and risk committee by invitation in order to contribute pertinent insights and information.

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

The audit and risk committee report can be found on page 81 of the consolidated annual financial statements for the year ended 31 March 2020.

KEY FOCUS AREAS ADDRESSED DURING THE 2020 FINANCIAL YEAR	KEY FOCUS AREAS TO BE ADDRESSED DURING THE 2021 FINANCIAL YEAR
• Overseeing the adoption of new IFRS accounting statements • Considering Tsogo Sun Hotels' financial reporting, taking into consideration the JSE's 2019 Report on the Proactive Monitoring of Financial Statements, IFRS 9 and IFRS 15 Thematic Report 2019, and activities of the Financial Reporting Investigation Panel in 2019 • Reviewing impairment assessments of property, plant and equipment and valuations of investment properties considering the impact of COVID-19 and resulting market volatility	• Monitor the implementation of new IFRS and the impact of future standards • Consider the implications of the JSE's 2020 Report on the Proactive Monitoring of Financial Statements and implement recommendations where appropriate • Continue to monitor the control environment in light of the group's proposed flatter organisational structure, and the challenging operating environment with focus on the fraud and cyber-crime environments • Monitor insurance renewal terms and claims emanating from COVID-19

SOCIAL AND ETHICS COMMITTEE

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

^ *Independent non-executive.*

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

- Progress in the alignment of the group's practices to the requirements of the revised B-BBEE codes
- Disputes with government or regulators
- Regulatory compliance
- Anti-bribery and anti-corruption
- Responsible tourism
- Preferential procurement, socio-economic development and enterprise and supplier development
- 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 attention of the board to matters within its mandate as required and reports to shareholders at the company's AGM.

The social and ethics committee meets a minimum of twice a year. However, as a result of the timing of the group's listing in June 2019, only one meeting took place in the 2020 financial year. *Ad hoc* meetings are held as required to consider special business.

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

KEY FOCUS AREA ADDRESSED DURING THE 2020 FINANCIAL YEAR	KEY FOCUS AREAS TO BE ADDRESSED DURING THE 2021 FINANCIAL YEAR
• Ensuring that stakeholder engagement is appropriate for the size and nature of the organisation	• Attend to all matters within its mandate as prescribed by the South African Companies Act and management's activities in relation thereto • Monitor customer and employee health and safety with a view to ongoing improvements in response to COVID-19 • Monitor employee engagement levels and respond appropriately

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.*

The remuneration and nomination committee is chaired by an independent non-executive director. The committee oversees the setting and implementation of the remuneration policy for the group, and ensures that the policy and remuneration implementation report are tabled every year to shareholders at the company's AGM for separate non-binding advisory votes.

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

The committee ensures that the board has the appropriate composition and balance of skills for it to execute its duties effectively. It ensures that the appointment of directors is transparent and made on merit through a formal process, which includes the identification and evaluation of potential candidates for appointment to the board. The committee considers and applies the company'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. However, as a result of the timing of the group's listing in June 2019, only one meeting took place in the 2020 financial 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 has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

The remuneration policy and remuneration implementation report can be found on page 72.

KEY FOCUS AREA ADDRESSED DURING THE 2020 FINANCIAL YEAR	KEY FOCUS AREAS TO BE ADDRESSED DURING THE 2021 FINANCIAL YEAR
• Inclusion of a malus and clawback provision on short and long-term incentives in the remuneration policy for material misstatements of financial statements or errors in calculations leading to the overpayment of incentives to executive directors (refer to the remuneration implementation report on page 74 for further information)	• To conduct an internal evaluation of the board and its committees • To review the remuneration (including short and long-term incentives) of employees in the context of the furlough implemented in order to address the impact of COVID-19 and respond accordingly

RISK AND OPPORTUNITY

The company treats risk as integral to the way 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 the achievement of 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. Risks and opportunities are reviewed by the internal risk committee at least annually, and 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 take advantage of opportunities. Significant risks identified are communicated to the board together with recommended actions.

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

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

Internal controls

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

Internal controls therefore provide reasonable but not absolute assurance against material misstatement or loss. The implementation and operation of these systems is the responsibility of management, and 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 staff, regular reporting and monitoring of performance and effective control over Tsogo Sun Hotels' investments.

Internal audit

The group's internal audit function is performed by a professional firm that reports directly to the CFO and the Chairman of the audit and risk committee. Internal audit forms part of the combined assurance framework. The internal auditor carries out control-based audits based on the annual internal audit plan, as required by the external auditor and as approved by the audit and risk committee. The focus of internal audit in the past financial year was on human resources, payroll, treasury and internal financial controls.

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

IT GOVERNANCE

The board is accountable for IT governance. The IT governance charter was updated in February 2019 and was reported as part of the CFO's audit pack. It takes into account the requirements of King IV, globally accepted standards and good practice, together with the performance and sustainability objectives of the group.

Furthermore, the charter includes controls around:
- Change, risk management and documented registers
- Information security policy, procedures and registers
- Compliance, including GDPR and POPIA, which is being expanded in the 2021 financial year

During the year, the central IT department's focus areas within the group were:
- Implementing a NextGen payroll and human resources solution, eliminating the risk of the previous end-of-life solution
- Updating guest internet infrastructure and software to support the growing functionality required by our guests
- Sourcing improved information security services and solutions to enhance our security maturity to minimise the risk of cyber-attacks
- Re-engineering our IT service offering within the group to ensure resources are streamlined and more cost-effective
- Detailed review of IT costs and streamlined expenses to be more cost-effective for the group
- Continued upgrade of operating systems, databases and solutions to ensure their sustainability and longevity

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 2020*^

EXECUTIVE DIRECTORS

Marcel Nikolaus von Aulock (46)
Chief Executive Officer
CA(SA)

Appointed:
10 May 2019

Laurelle McDonald (38)
Chief Financial Officer
CA(SA)

Appointed:
30 September 2011

NON-EXECUTIVE DIRECTORS

John Anthony Copelyn (70)
Chairman and non-executive director
BA (Hons), BProc

Appointed:
10 May 2019

James Robert (Rob) Nicolella (51)
Non-executive director
CA(SA), PLD

Appointed:
10 May 2019

* Refer to page 64 of the governance report for detailed information on the changes in the board's composition during the reporting period.

^ Summarised CVs can be found on page 168 of the notice of AGM and on Tsogo Sun Hotels' website at **www.tsogosun.com/investors**.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Appointed:
10 May 2019

Lynette Moretlo Molefi (51)
Independent non-executive director
BSc, MB ChB

Appointed:
10 May 2019

Sipho Chris Gina (61)
Independent non-executive director
Dip (Labour Law)

Appointed:
10 May 2019

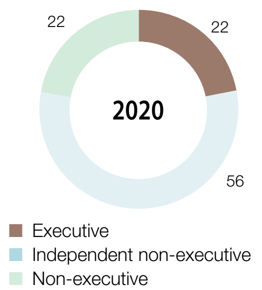
Jabulani Geffrey Ngcobo (69)
Independent non-executive director

Appointed:
10 May 2019

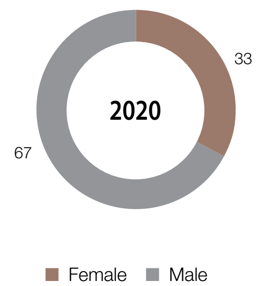
Cornelia Carol September (61)
Independent non-executive director
PGDip (Economics Policy)
Masters in Technology Management

Appointed:
15 August 2019

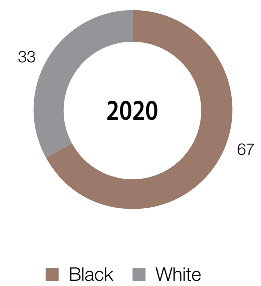
BOARD MEMBERSHIP (%)



GENDER DIVERSITY (%)



RACIAL DIVERSITY (%)



REMUNERATION POLICY AND REMUNERATION IMPLEMENTATION REPORT

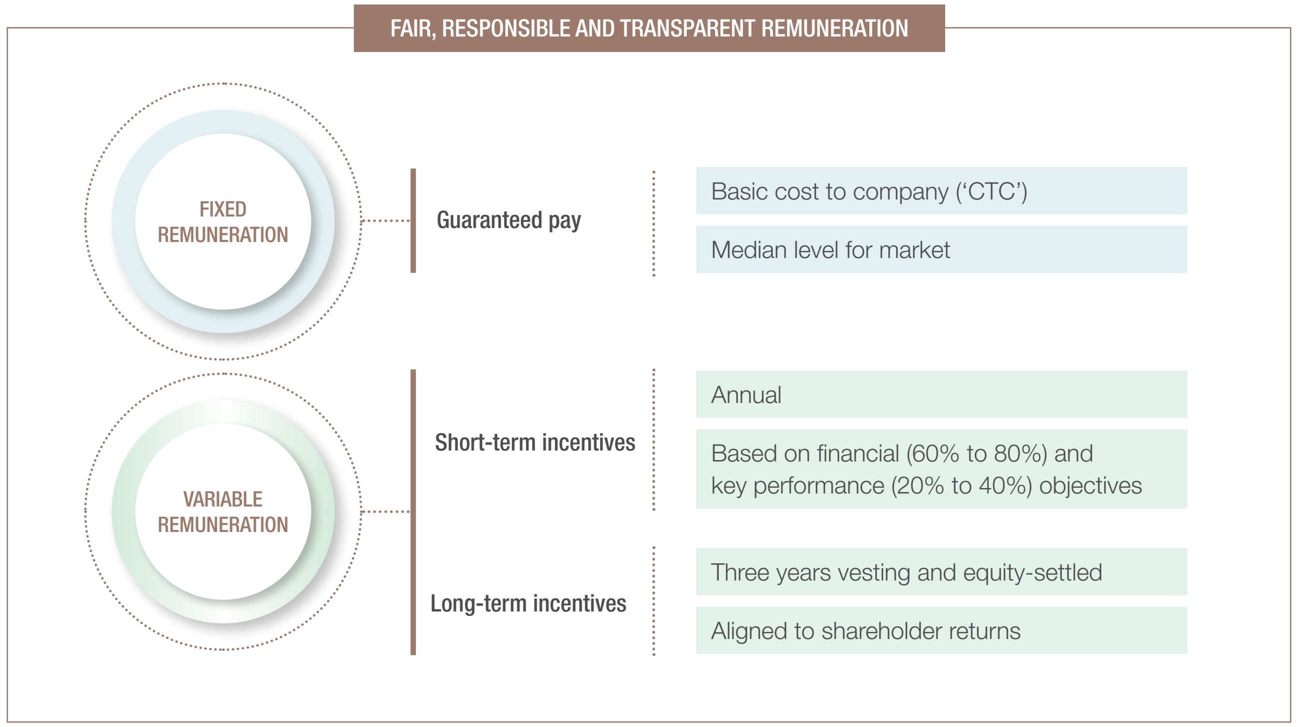
REMUNERATION PHILOSOPHY

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

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

REMUNERATION POLICY

Tsogo Sun Hotels' job evaluation and grading philosophy and contracts of employment have remained consistent with those in place prior to its unbundling from the Tsogo Sun Group.



The remuneration committee approves the fixed and variable mix of the remuneration structure, which differs based on employee level.

Basic salaries and a 13th cheque are guaranteed for employees other than executive directors and management, and the cost of benefits are shared between the employee and the employer on a 50:50 basis. Basic salaries for executive directors and management are guaranteed and are structured on a CTC basis.

Tsogo Sun Hotels seeks to remunerate responsibly, fairly and transparently and seeks to achieve a balance of short-term and long-term incentives as part of a complete remuneration package that will motivate short-term returns and long-term value creation for shareholders.

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')

In order to allow for elements over which executive directors and management could exercise direct control and to keep management motivated towards achieving improved returns for shareholders, the board has split the STI targets into three components: Ebitdar and adjusted earnings targets (collectively, 'financial achievement'), personal key performance objectives ("personal achievement") and relative revenue growth ('relative growth'). Executive directors and management participate in STIs, which are based on financial achievement, relative growth and personal achievement in proportions ranging respectively from 60:25:15 at the most senior level to 35:25:40 at the lowest management participant level. Executive directors have a larger portion of their potential total remuneration subject to the achievement of financial targets.

Relative growth is determined by comparing actual revenue growth year on year (as measured by Revpar) in Tsogo Sun Hotels with appropriate comparator performance and makes up 25% of the overall target weighting. The financial achievement target is weighted between Ebitdar and adjusted earnings apportioned relative to the contribution made at either a group, divisional, regional or hotel level, or any combination thereof as appropriate. At an executive management level, financial achievement is weighted 50% Ebitdar and 50% adjusted earnings against the target approved by the remuneration and nomination committee.

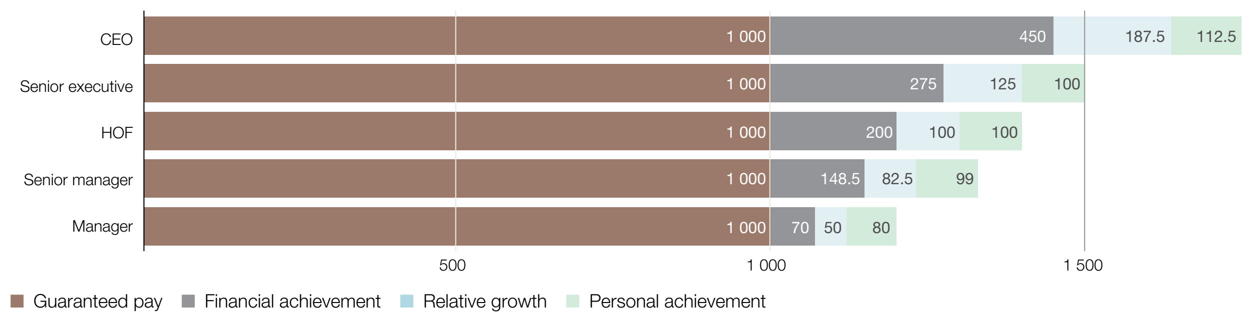
The financial achievement targets are set based on the budget approved by the board. The targets are adjusted for material structural changes during the year to ensure they remain fair. Any adjustments to the targets are recommended by the remuneration committee and approved by the board. The financial 'threshold' target is set at 90% of the approved target with a score of 0% and 'stretch' target is set at 115% of the approved target with a score of 100%, with interpolation between these points. This means that in order for participants to meet the financial performance target, the group's actual performance must be within 90% of targeted Ebitdar and adjusted earnings and is capped at 115% of targeted Ebitdar and adjusted earnings.

In order to ensure that the achievement of short-term financial performance is not at the expense of future opportunities, key performance objectives, over which there is influence, are agreed upfront annually between the STI participant and his or her immediate manager. The objectives vary depending on the role the employee has within the organisation and would include elements such as growth, customer satisfaction, regulatory compliance, leadership, internal controls and cost control.

An evaluation of personal achievement against the objectives is completed at the end of the year and a 'bell curve' approach is applied to the scores as provided in the rules of the scheme.

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

STI ACHIEVEMENT BY MANAGEMENT LEVEL (R'000)



REMUNERATION POLICY AND REMUNERATION IMPLEMENTATION REPORT continued

LONG-TERM INCENTIVES (‘LTIs’)

On listing, Tsogo Sun Hotels adopted an equity-settled share incentive scheme, the Tsogo Sun Hotels Share Appreciation Rights Plan (‘SAR plan’), in which selected key senior employees of the group are eligible to participate 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:

(1) For new awards:
- To provide employees with the opportunity to receive shares in Tsogo Sun Hotels (TGO shares) through the award of SARs, settled in TGO shares. The SAR plan will be primarily used as an incentive to participants to deliver on our business strategy over the long term
- To provide participants with the opportunity to share in the success of the group, recognising the contributions made by these employees and providing alignment between the participants and shareholders

(2) For replacement awards:
- As a result of the unbundling, employees of Tsogo Sun Hotels were given the option to elect to exchange their rights held under the Tsogo Sun Group Long Term Incentive Plan (‘Tsogo Sun LTIP’) for replacement awards under the SAR plan
- The exchange and replacement was regulated under the rules of the Tsogo Sun LTIP and the specifics were confirmed in a replacement award letter provided to the participants
- To ensure ease of administration and sound governance following the unbundling, the group assumes the obligation to settle the replacement awards and the rules of the SAR plan will therefore be used to facilitate this settlement. In addition, the ongoing administration of the replacement awards will be performed by the board, on recommendation of the remuneration and nomination committee in terms of the rules of the SAR plan

Key features of the SAR plan

Share appreciation rights (‘SARs’) are allocated annually (‘award date’) to eligible employees as recommended by the remuneration and nomination committee and approved by the board. Each SAR confers the right on the holder to receive TGO shares equal to the appreciation of the awarded 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.

The number of annual SARs awarded to participants will primarily be based on the participant’s annual salary, level, performance, retention and attraction considerations, as well as market benchmarks. Annual allocations will be benchmarked and set to a market-related level of remuneration whilst considering the overall affordability thereof to the group.

The exercise price will be adjusted to take into account dividends (being a distribution as defined in the Companies Act and includes dividends in cash or in specie and the unbundling of an asset or share) that have been declared and paid at the time of exercise.

The vesting of SARs is subject to the participants’ satisfaction of the employment condition, being continued employment with the group for a period of three years after the award date. SARs will therefore vest on the third anniversary of their award date and will lapse, and accordingly not be capable of surrender for settlement in TGO shares upon the sixth anniversary of their award date.

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

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

MALUS AND CLAWBACK

The group understands the need for increased alignment between executive management and shareholders particularly in executive remuneration schemes operated by the group, and the growing emphasis on executive accountability. In response, the remuneration and nomination committee proposed a malus and clawback clause which was approved by the board for inclusion in both the STI scheme and the SAR plan. In terms of this clause, clawbacks may be implemented by the board for material misstatements of financial statements or errors in calculations that led to the overpayment of incentives to executives. Clawbacks may be implemented from all gains derived from any short-term or long-term incentive 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 2020

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

Non-executive directors’ terms of appointment

Non-executive directors are not subject to any other fixed terms of employment other than the conditions contained in the company’s MOI and, as such, no service contracts have been entered into with the company. Tsogo Sun Hotels’ remuneration for non-executive directors consists of either:
- A basic annual fee for board, audit and risk committee and social and ethics committee membership
- A per meeting attendance fee for members of the remuneration and nomination committee

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

EXECUTIVE DIRECTORS’ AND PUBLIC OFFICER’S EMOLUMENTS

	2020				2019			
	MN von Aulock R’000	L McDonald R’000	R Nadasen R’000	Total R’000	MN von Aulock[1] R’000	L McDonald R’000	R Nadasen R’000	Total R’000
Salaries	7 358	2 428	2 588	12 374	5 191	1 627	2 450	9 268
Benefits	594	436	523	1 553	435	324	483	1 242
Current year STI accrued	1 712	504	546	2 762	2 678	1 000	986	4 664
Fair value of equity-settled SARs[2]	9 180	3 426	3 507	16 113	–	–	–	–
IFRS 2 charge on vested equity-settled SARs transferred to share-based payment reserve	–	(1 631)	(1 723)	(3 354)	–	–	–	–
Total single figure of remuneration	18 844	5 163	5 441	29 448	8 304	2 951	3 919	15 174
Fair value of unvested equity-settled SARs[2]	(5 741)	(1 086)	(926)	(7 753)	–	–	–	–
Settlement of cash-based LTI	–	–	216	216	–	350	–	350
Financial statement remuneration	13 103	4 077	4 731	21 911	8 304	3 301	3 919	15 524
Current year STI not settled	(1 712)	(504)	(546)	(2 762)	(2 678)	(1 000)	(986)	(4 664)
Prior year STI settled	2 678	1 000	986	4 664	–	469	1 063	1 532
Current year IFRS 2 charge on equity-settled SARs	(3 439)	(709)	(858)	(5 006)	–	–	–	–
Total cash equivalent value of remuneration	10 630	3 864	4 313	18 807	5 626	2 770	3 996	12 392

(1) *Marcel von Aulock joined the group as CEO with effect from 1 June 2018 and the table reflects his remuneration from this date.*

(2) *Reflects the fair value of all replacement SARs (vested and unvested) awarded on the conversion date, being 12 June 2019. Refer to page 76 for detail on the replacement awards granted on the conversion from the Tsogo Sun LTIP to the SAR plan.*

Achievement of STIs in FY2020	Financial weighted score %	Relative growth weighted score %	Personal weighted score %	Total score %	Bonus accrued R’000
MN von Aulock	–	4.7	10.0	14.7	1 712
L McDonald	–	4.7	13.3	18.0	504
R Nadasen	–	4.7	13.3	18.0	546

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 committee, but payment thereof deferred until such time that it would be appropriate and responsible for payment to be made.

REMUNERATION POLICY AND REMUNERATION IMPLEMENTATION REPORT continued

CONVERSION TO THE SAR PLAN AND REPLACEMENT AWARDS GRANTED

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

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

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

Replacement award date	Replacement SARs awarded and still outstanding 2020	Replacement award price on conversion date	Strike price[1]	Replacement SARs vested and still outstanding 2020	Fair value of SARs on replacement award date[1] R'000	Vesting date	Expiry date
MN von Aulock							
1 October 2018[2]	10 893 353	4.13	4.03	–	9 180	30 September 2021	30 September 2024
L McDonald							
1 April 2014	–	4.22	4.22	592 805	544	31 March 2017	31 March 2020
1 April 2015	–	4.50	4.50	444 129	370	31 March 2018	31 March 2021
1 April 2016	–	4.01	4.01	747 218	716	31 March 2019	31 March 2022
1 April 2017	–	5.14	5.14	584 037	156	31 March 2020	31 March 2023
1 April 2018	324 907	4.62	4.57	–	231	31 March 2021	31 March 2024
1 April 2019	1 603 856	4.24	3.99	–	1 409	31 March 2022	31 March 2025
R Nadasen							
1 April 2014	–	4.22	4.22	592 805	544	31 March 2017	31 March 2020
1 April 2015	–	4.50	4.50	555 165	463	31 March 2018	31 March 2021
1 April 2016	–	4.01	4.01	747 218	716	31 March 2019	31 March 2022
1 April 2017	–	5.14	5.14	681 375	182	31 March 2020	31 March 2023
1 October 2017	255 913	3.91	3.86	–	220	30 September 2020	30 September 2023
1 April 2018	866 425	4.62	4.57	–	616	31 March 2021	31 March 2024
1 April 2019	872 685	4.24	3.99	–	766	31 March 2022	31 March 2025

(1) *Calculated using a Black Scholes model at conversion date. Please refer to note 37.2 of the consolidated financial statements for details on the valuation assumptions applied on conversion.*
(2) *No top-up award was allocated to Mr von Aulock during the 2020 financial year as requested by Mr von Aulock.*

LTIs are equity-settled and will therefore have a dilutionary impact to shareholders on settlement. Based on the seven-day VWAP as at 31 March 2020 of R1.38 and the average TGO share price for the 12 months to 31 March 2020 of R3.75, 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 2020.

Refer to note 37.2 of the consolidated annual financial statements for further information.

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 has reduced to nil post-year end. The CFO, COO, heads of function and managers' pay levels were initially reduced by 40% in April 2020 and by 60% from May 2020 to date. These salary rates will be continuously assessed against trading levels and cash generation and adjusted accordingly depending on affordability. LTI awards are normally granted in May of every year at the 7-day VWAP to 31 March, however the 1 April 2020 award has been deferred and will be reassessed at the next remuneration and nomination committee meeting.

NON-EXECUTIVE DIRECTORS' FEES

Non-executive directors 2020	Directors' fees paid by the company R'000	Directors' fees paid by Hospitality R'000	Total R'000
JA Copelyn	418	77	495
M Ahmed	453	492	945
JR Nicolella	275	226	501
SC Gina	355	234	589
ML Molefi	361	318	679
JG Ngcobo	361	318	679
CC September	206	170	376
	2 429	**1 835**	**4 264**

Fees are exclusive of VAT.

All non-executive directors were appointed to the board of Tsogo Sun Hotels in preparation for the listing and with effect from 10 May 2019 and accordingly earned no fees in the 2019 comparative year.

VOTING RESULTS AT THE 2019 AGM

At the AGM held on 17 October 2019, the non-binding advisory endorsement of the company's remuneration policy and remuneration implementation report received less than 75% support from shareholders with 68.3% of votes. The company requested shareholders to engage with the chairmen of the board and remuneration and nomination committee at meetings in Cape Town and Johannesburg. However, no shareholders were in attendance at either meeting. In the absence of feedback, the remuneration and nomination committee has attempted to simplify the disclosure of the group's remuneration policy and implementation in this report and we welcome any shareholder feedback which can be addressed to our Company Secretary at companysecretaryTGO@tsogosun.com.

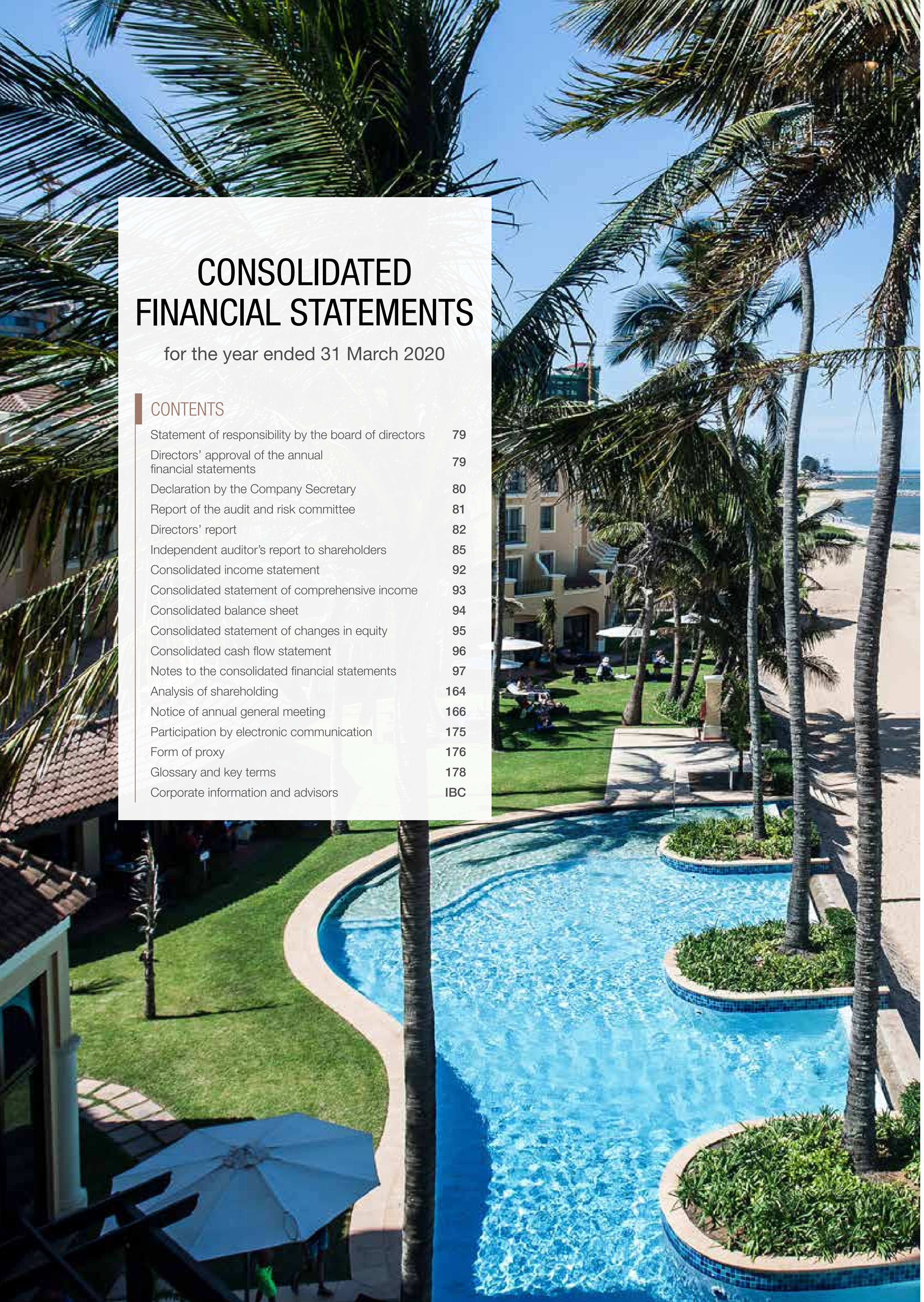
In the event that the remuneration policy or remuneration implementation report, or both, are voted against by more than 25% of the votes cast at any AGM of the company, the remuneration and nomination committee will continue to engage with shareholders within 30 days of the AGM to ascertain the reasons 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 2020 financial year were approved by shareholders at the 2019 AGM and remained unchanged from those proposed in the pre-listing statement and are in line with dynamics and the increasingly heavy demands being made on board members.

The remuneration and nomination committee has not proposed an increase in non-executive directors' fees from those approved by shareholders at the AGM held on 17 October 2019. Furthermore, non-executive directors' fees were reduced by 40% for the month of April 2020 and by 60% for the months thereafter and may be adjusted upwards or downwards, based on an assessment of what the company is likely to be able to afford during the time that the business is impacted by the COVID-19 pandemic.

The board has approved both recommendations made by the remuneration and nomination committee and shareholders are referred to page 170 of the Notice of AGM for the proposed non-executive directors' fees for the 2021 financial year.



CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2020

CONTENTS

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The company's directors are required by the Companies Act of South Africa to maintain adequate accounting records and to prepare financial statements for each financial year which fairly present the state of affairs of the group at the end of the financial year and of the results of operations and cash flows for the year. In preparing the accompanying annual financial statements, the Listings Requirements of the JSE together with International Financial Reporting Standards ('IFRS') have been followed, suitable accounting policies have been used, applied consistently, and reasonable and prudent judgements and estimates have been made. Any changes to accounting policies are approved by the board of directors and the effects thereof are fully explained in the annual financial statements. The annual financial statements incorporate full and responsible disclosure. The directors have oversight for the information included in the integrated annual report and are responsible for both its accuracy and its consistency with the annual financial statements.

The directors have reviewed the group's budgets and cash flow forecasts for the year to 31 March 2021. 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 annual financial statements. The group's independent auditors, PricewaterhouseCoopers Inc., have audited the annual financial statements and their unqualified report appears on page 85. 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's policy on business conduct, which covers ethical behaviour, compliance with legislation and sound accounting practice, underpins its internal financial control process. The control systems include written accounting and control policies and procedures, clearly defined lines of accountability and delegation of authority, and comprehensive financial reporting and analysis against approved budgets. The responsibility for operating these systems is delegated by the directors who confirm that they have reviewed the effectiveness thereof.

The directors consider that the systems are appropriately designed to provide reasonable, but not absolute, assurance that assets are safeguarded against material loss or unauthorised use and that transactions are properly authorised and recorded.

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

COMPETENCE OF THE COMPANY SECRETARY

The board of directors has also considered and satisfied itself of the appropriateness of the competence, qualifications and expertise of the Company Secretary, Southern Sun Secretarial Services Proprietary Limited. The board of directors confirms that Southern Sun Secretarial Services Proprietary Limited is not a director of the company, the company reports directly to the Chief Executive Officer ('CEO') and therefore it is considered to maintain an arm's length relationship with the board of directors.

DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2020

The preparation of the financial statements set out on page 92 to page 163 have been supervised by the Chief Financial Officer ('CFO'), L McDonald CA(SA). These annual financial statements were approved by the board of directors on 14 August 2020 and are signed on its behalf by:

Marcel von Aulock
Chief Executive Officer

Laurelle McDonald
Chief Financial Officer

DECLARATION BY THE COMPANY SECRETARY

for the year ended 31 March 2020

In terms of section 88(2)(e) of the Companies Act of South Africa ('the Act'), I confirm that for the year ended 31 March 2020, Tsogo Sun Hotels Limited has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Act and that all such returns and notices are true, correct and up to date.

Moja Mohloele
Company Secretary

14 August 2020

REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 31 March 2020

COMMITTEE MANDATE AND TERMS OF REFERENCE

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

STATUTORY DUTIES

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

- evaluated the independence and effectiveness of the 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. as independent auditors to continue in office. Mr P Calicchio is the individual registered auditor and member of the aforegoing firm who undertakes the audit. PricewaterhouseCoopers Inc. has been the auditors of the group for 51 years;
- 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;
- considered and pre-approved all material audit and non-audit services provided by the external auditors, ensuring that the independence of the external auditors is not compromised;
- reviewed and assessed the group's risk identification, measurement and control systems and their implementation;
- reviewed and approved the group accounting policies (refer note 1 to the annual financial statements);
- considered all significant transactions and accounting matters that occurred during the year and evaluated whether the accounting treatment is 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;
- 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 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 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 ANNUAL FINANCIAL STATEMENTS

The committee has evaluated the consolidated financial statements of Tsogo Sun Hotels Limited for the year ended 31 March 2020 and based on the information provided to the committee, the committee recommends the adoption of the annual financial statements by the board.

Mohamed Ahmed
Chairperson: Audit and risk committee

14 August 2020

DIRECTORS' REPORT

for the year ended 31 March 2020

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 R1.2 billion (2019: R80 million).

3. SUBSEQUENT EVENTS

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 48 of these consolidated financial statements, all of which are non-adjusting events and have no impact on the financial results for the year ended 31 March 2020.

The COVID-19 pandemic and subsequent lockdown of the economy on 27 March 2020, and particularly the hospitality sector, has had a profound impact on the group. The measures taken by government to limit the spread of COVID-19 and the resultant inability for travellers to travel internationally and inter-provincially will limit the demand for hotel rooms, which will impact the group's revenue streams significantly for the 2021 financial year. Hotel trading is therefore expected to remain under pressure until the outlook on the South African economy improves.

Although the impact of COVID-19 is expected to have a longer-term impact on the hospitality industry and the group, management is not able to quantify the full impact at the date of this report. It is expected that the recovery of the industry will be slow due to the uncertainties around the health of travellers, and the negative economic impact on government, corporates and individuals to spend on hotel accommodation and conferences.

United Resorts and Hotels Limited disposal

The group has entered into a sale of shares and loans agreement with MH Limited, part of the Minor Hotels Group, dated 13 July 2020 in terms of which Southern Sun Africa ('SSA') will dispose of its entire 50% beneficial interest comprising shares and loan claims against United Resorts and Hotels Limited for aggregate proceeds of US$27.8 million being approximately R465 million.

Acquisition of additional shares in Hospitality Property Fund

The group acquired additional ordinary shares in Hospitality Property Fund Ltd. An ordinary resolution was proposed in terms of section 60 of the Companies Act to allow the board to acquire assets in exchange for ordinary shares in the group. On 10 July 2020, this ordinary resolution was duly approved by the group's shareholders entitled to exercise more than 50% of the voting rights exercisable thereon. The group has entered into share for share agreements with Allan Gray Proprietary Limited (acting for and on behalf of numerous of their clients under discretionary mandates), and numerous clients of each of Aylett & Co Proprietary Limited, Prudential Investment Managers (South Africa) Proprietary Limited and Bateleur Capital Proprietary Limited (each of whom acted on behalf of their clients under discretionary mandates) to acquire, in aggregate, 46 137 907 Hospitality shares from their respective clients, constituting 7.98% of Hospitality's issued share capital. The shares were acquired in exchange for the issue and allotment of 81 664 082 Tsogo Sun Hotels ordinary shares at an exchange ratio of 1.77 Tsogo Sun Hotels shares for every 1 Hospitality share acquired.

The group has also entered into share for share agreements with the trustees of the HCI Foundation and with Elsitime Proprietary Limited to acquire in aggregate 33 367 919 Hospitality shares constituting 5.8% of Hospitality's issued share capital. These shares will be acquired in exchange for the issue and allotment of 59 061 217 Tsogo Sun Hotels ordinary shares at an exchange ratio of 1.77 Tsogo Sun Hotels shares for every 1 Hospitality share acquired, which is the same exchange ratio as applied to previous transactions concluded with other Hospitality shareholders since 3 July 2020, including the transactions notified to shareholders on SENS on 20 July 2020. The effective date of these transactions is expected to be on or about 19 August 2020 at which point Tsogo Sun Hotels' shareholding in Hospitality will increase to 75%. Marcel von Aulock and Laurelle McDonald hold 75% and 25% respectively of the issued share capital of Elsitime Proprietary Limited.

4. GOING CONCERN

The consolidated financial statements are prepared on the going concern basis. Based on the cash flow forecasts, available cash resources and the other measures the group has taken or plans to take, 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 2020, the group has net cash and cash equivalents of R722 million (2019: R212 million). The group has R4.0 billion (2019: R3.2 billion) of interest-bearing debt (excluding capitalised lease liabilities) and access to sufficient undrawn short-term 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. The board of directors of the company has assessed the cash flow forecasts together with the other actions taken or proposed by management and is of the view that the group has sufficient liquidity to meet its obligations and to counteract the expected losses that may result from the COVID-19 impact on the group's operations in the next financial year.

The recoverable amount for property, plant and equipment has been determined by calculating the value in use using a discounted cash flow model. The impact of COVID-19 on the cash flow forecasts reduced the value in use and the property, plant and equipment was impaired by R716 million. Refer to note 16 of the financial statements. Equally, the cash flow forecasts impacted the fair value of the investment properties negatively and consequently a fair value adjustment of R888 million was recognised. Refer to note 18 of the financial statements.

5. OTHER SIGNIFICANT TRANSACTIONS

5.1 Expansion-related expenditure

Southern Sun Pretoria

Effective 1 October 2019, the group entered into an agreement with Ozmik Property Investments Proprietary Limited, to acquire the Southern Sun Pretoria hotel building for R200 million. The Southern Sun Pretoria hotel was operated by the group and the property leased. The building acquired has been recognised in property, plant and equipment.

Riverside Conference Centre

Tsogo Sun Hotels entered into an agreement to acquire the Riverside Conference Centre in Durban that can accommodate day conference delegates of up to 400 people for a consideration of R27 million of which R8 million was related to acquiring the conferencing business and R19 million relates to the acquisition of the conference property. An initial payment of R11 million was made in May 2019 which includes the acquisition of the conferencing business as well as a R3 million prepayment towards the acquisition of the property. Refer note 44 for more detail regarding the business acquisition.

5.2 Maintenance capex spend

Tsogo Sun Hotels spent R169 million on refurbishment at six of the hotels. A further R158 million was spent on maintenance capex.

6. SHARE CAPITAL

Tsogo Sun Hotels (known previously as Southern Sun Hotels Proprietary Limited), incorporated as a private company and converted to a public company on 15 May 2019 in accordance with the laws of South Africa and which shares were listed on the JSE. The pre-listing authorised share capital of Tsogo Sun Hotels is 2 000 000 000 ordinary no par value shares and the issued share capital of the company is 1 060 895 712 ordinary no par value shares remained unchanged after the listing date, with a stated capital of R4.6 billion.

Tsogo Sun distributed all of the TGO Shares, comprising 100% of the issued share capital of Tsogo Sun Hotels, to Tsogo Sun Shareholders in the ratio of one TGO Share for every Tsogo Sun Share held, in terms of section 46 of the Income Tax Act, section 46 of the Companies Act and the Listings Requirements as part of the unbundling.

The JSE agreed to the listing of the entire issued share capital of Tsogo Sun Hotels in the 'Hotels' sector on the Main Board of the JSE with effect from the commencement of trade on Wednesday, 12 June 2019.

7. DIVIDENDS

As outlined in the pre-listing statement, the group had intended to apply cash resources generated during the initial 15 months post the listing towards the settlement of the offshore division's Dollar denominated interest-bearing debt. Given the anticipated extended period of minimal revenue due to the COVID-19 pandemic, the directors considered it prudent to retain cash resources in order to ensure that the group is able to navigate this difficult period until trading resumes. Accordingly, the directors have not declared a final cash dividend for the year ended 31 March 2020.

DIRECTORS' REPORT continued

for the year ended 31 March 2020

8. ASSOCIATES, JOINT VENTURES AND SUBSIDIARIES

Refer notes 21 and 22 of the consolidated annual financial statements for details of associates and joint ventures respectively, note 52 of the consolidated annual financial statements for details of subsidiary companies with material non-controlling interests and note 53 to the consolidated annual financial statements for details of subsidiaries.

9. DIRECTORATE

The following are the directors of the company:

	Appointed	Resigned
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	
J Booysen		10 May 2019
PJ Boshoff		10 May 2019
FV Dlamini		10 May 2019
RB Huddy		10 May 2019
R Nadasen		10 May 2019

10. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

No material contracts in which the directors have an interest were entered into during the year under review. Refer note 45.3 of the consolidated annual financial statements for details of the group's key management compensation.

11. COMPANY SECRETARY

Southern Sun Secretarial Services Proprietary Limited

Business address:	**Postal address:**
Palazzo Towers West	Private Bag X200
Montecasino Boulevard, Fourways, 2055	Bryanston, 2021

12. AUDITORS

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

13. MAJOR SHAREHOLDERS AND SHAREHOLDER ANALYSIS

The company's ultimate majority shareholder is Hosken Consolidated Investments Limited ('HCI') (a company listed on the JSE) which, at the balance sheet date, directly and indirectly owned 49.4% (2019: 49.3%) of the company's issued share capital (excluding treasury shares). HCI directly owned 10.1% (2019: 9.7%) and is the majority shareholder of Tsogo Investment Holding Company Proprietary Limited ('TIHC') and TIHC directly owned 39.3% (2019: 39.3%) of Tsogo Sun Hotels. These percentage shareholdings exclude treasury shares.

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 and its subsidiaries (together the Group) as at 31 March 2020, 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 92 to 163 comprise:

- the consolidated balance sheet as at 31 March 2020;
- 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.

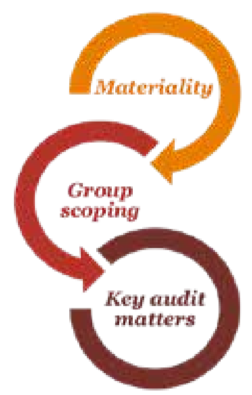
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

OUR AUDIT APPROACH

Overview



Overall group materiality

- R32.1 million, which represents 5% of the average consolidated profit/loss before 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 in operation 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 significant components based on their financial significance and risk 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 procedures have been performed on these components.

Key audit matters

- Valuation of investment properties at year end of R4.15 billion; and
- Impairment of property, plant and equipment of R716 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.

INDEPENDENT AUDITOR'S REPORT continued

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	R32.1 million.
How we determined it	5% of the average consolidated profit/loss before 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 the consolidated profit/loss before 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 profit over the past three years was used due to the performance of the Group over the past three years being volatile and comprising both profits and losses. Profit before taxation was adjusted to exclude the fair value gains and losses on investment property; impairments of property, plant and equipment; impairments of investments in associates; and interest on intercompany loans, as these are not considered to be part 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 based on their financial significance and risk to the Group results as well as on all components with centralised functions.

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

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 audit teams throughout the year and maintained group involvement at operational levels.

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

Key audit matters

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

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of Investment Properties at year end of R4.15 billion The majority of the Group's investment properties comprise hotel properties. At 31 March 2020, the carrying value of the Group's total investment property portfolio was R4,149 million representing a R732 million decrease compared to the prior year (refer to note 18 *'Investment properties'* to the consolidated financial statements). This overall decrease comprises a decrease in the fair value of the hotel properties of R888 million and a decrease of R4 million due to a disposal of investment property, offset by an increase of R160 million in capital expenditure. The Group's accounting policy is to measure investment properties at fair value using the discounted cash flow approach. The 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 impact of Covid-19 and the associated impact on the hospitality industry has resulted in changes to the expected growth rate and cash flows. Cash flows are expected to decrease significantly in year one and two. These have resulted in a decrease in the fair value of the hotel properties. The following assumptions are key in determining the fair value: • The discount rate applied by management; • Net cash flows; and • The expected growth rate which drives the exit capitalisation rate assumption. The valuation accounting policy applied during the year requires properties to be externally valued by a qualified real estate appraiser ('the appraiser'), which was performed on the entire portfolio of investment properties. We considered the valuation of the investment properties to be a matter of most significance to our current year audit due to the following: • significant judgements made by management in determining the net cash flows, growth rate, exit capitalisation and discount rates; and • the magnitude of the balance of the investment properties recorded in the consolidated balance sheet as at 31 March 2020.	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; and • board approval of the valuations obtained. We tested capital expenditure incurred and capitalised on existing investment properties, by agreeing the consideration amounts capitalised to underlying documents, in order to assess whether the capitalisation criteria had appropriately been met. No exceptions were noted. In respect of the appraiser (management's expert), we: • considered his objectivity, independence and expertise by inspecting the external appraiser's valuation reports for a statement of independence and compliance with generally accepted valuation standards; and • confirmed the external appraiser's affiliation with the relevant professional body. On a sample basis we tested the fair values in the appraiser's valuation reports by performing the following procedures: • utilising our internal property valuation expertise, we assessed the appropriateness of the valuation methodology used; • we evaluated the cash flows in year one and two of the valuation. The cash flows were expected to be significantly affected by the restrictions as a result of Covid-19. Based on our work performed, we accepted the impact that management has projected; • we evaluated the cash flows in the valuations from year three to assess the reasonableness of the expected cash flows with reference to historical cash flows; • we assessed the reasonableness of the growth, exit capitalisation and discount rates used in the valuations by independently calculating a range of rates which would be considered reasonable against similar properties; and • we determined a range of acceptable valuations of a sample of hotels based on industry benchmarks and noted that the valuations prepared by the appraiser fell within these ranges. We agreed all of the fair values in the final valuation reports to the fair values recorded in the Group's accounting records as at 31 March 2020.

INDEPENDENT AUDITOR'S REPORT continued

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Impairment of Property, Plant and Equipment of R716 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 2020, the carrying value of the Group's PPE amounted to R7.6 billion after recognition of a total impairment loss related to land and buildings of R716 million. Of the total impairment loss, R377 million related to hotel properties in the offshore operations and R339 million related to hotel properties in the South African operations. Refer to note 16 *'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 recoverable amount for each hotel has been determined by calculating the higher of the value in use and the fair value less costs to sell. The value in use was calculated using a discounted cash flow approach (DCF) based on the net cash flows of the underlying hotels. 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 calculation of the discount rates by use of the risk premium. The fair value less costs to sell was calculated using a DCF approach by discounting the forecasted cash flows using the assumptions mentioned above, and after considering the capital expenditure requirements and deducting the costs to sell.	We updated our understanding of and tested the relevant controls related to the budgeting process, which included controls in relation to the following: • setting, approval and review of budgets by the Group; and • approval of budgets by the Board of Directors. We assessed the reliability of the Group's budgets included in the business plans (which form the basis of the cash flow forecasts), by comparing prior period budgets to actual results, and accepted management's budgeting techniques applied. We tested the reasonability of the Covid-19 related and other adjustments made to the approved budgets by evaluating the adjusted prices and expected demand, taking into account the trading environment and regulatory requirements at the time and based on discussions held with management. We accepted the adjustments made, based on our assessment above. We further assessed whether there were any impairment indicators for all 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 and found the methodology used by management to be in line with industry practice; • We tested the cash flows in year one and two of the valuation. The cash flows were expected to be significantly affected by the restrictions as a result of Covid-19. Based on our work performed, we accepted the impact that management has projected; and • We evaluated the cash flows in the valuations from year three to assess the reasonableness of the expected cash flows with reference to historical cash flows. 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 CPI growth in the hotel industry. We compared the rate applied by management to our independently determined rates and found management's rates to be within our range of rates. • we assessed the reasonableness of the discount rates used in the valuations by independently calculating a range of rates which would be considered reasonable against comparable companies in the hotel industry, adjusted for the Group's target capital structure. We compared our range of rates to the rates applied by management. We found management's rates to be within our independently computed range of rates.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Impairment of Property, Plant and Equipment of R716 million continued Based on management's impairment assessments, as a result of the downward medium-term trading expectations due to the current economic environment and negative impact of the global Covid-19 pandemic, the carrying values of the hotel properties were impaired during the year. The impairment of property, plant and equipment is considered to be a matter of most significance to our current year audit 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 2020.	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 tested the sensitivity analyses performed by management to determine the degree by which the key assumptions needed to change in order to trigger impairment, by comparing the changes in the discount rates, terminal growth rates and forecasted cash flows disclosed by management to our independently determined range of assumptions. We found management's assumptions applied in the sensitivity analysis to be within our determined range of assumptions.

INDEPENDENT AUDITOR'S REPORT continued

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Tsogo Sun Hotels Integrated Annual Report 2020" and "Tsogo Sun Hotels Limited annual financial statements for the year ended March 31, 2020", which includes the Directors' Report, 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 51 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Pietro Calicchio
Registered Auditor

Johannesburg

14 August 2020

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March

	Notes	2020 Rm	2019 Rm
Rooms revenue	7	2 791	2 732
Food and beverage revenue	7	1 063	990
Property rental income	7	331	357
Other revenue	7	290	310
Income		4 475	4 389
Property and equipment rentals	8	(97)	(222)
Amortisation and depreciation	9	(348)	(306)
Employee costs	10	(1 321)	(1 145)
Other operating expenses	11	(1 871)	(1 785)
Impairment of property, plant and equipment	16	(716)	(94)
Fair value adjustment of investment properties	18	(888)	(445)
Operating (loss)/profit		(766)	392
Finance income	12	40	38
Finance costs	13	(400)	(455)
Share of (loss)/profit of associates and joint ventures	21,22	(3)	15
Loss before income tax		(1 129)	(10)
Income tax expense	14	(96)	(70)
Loss for the year		(1 225)	(80)
Loss attributable to:			
Equity holders of the company		(896)	(98)
Non-controlling interests		(329)	18
		(1 225)	(80)
Basic and diluted earnings attributable to the ordinary equity holders of the company per share (cents)			
Number of shares in issue (million)		1 061	1 061
Weighted number of shares in issue (million)		1 061	22
Basic and diluted loss per share (cents)		(84.5)	(450.4)

The accounting policies and notes on page 97 to page 163 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March

	Notes	2020 Rm	2019 Rm
Loss for the year		(1 225)	(80)
Other comprehensive income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss:		221	174
Cash flow hedges	35	(50)	4
Currency translation adjustments		256	171
Income tax relating to items that may subsequently be reclassified to profit or loss		15	(1)
Items that may not be reclassified subsequently to profit or loss:		2	2
Remeasurements of post-employment defined benefit liability	33	3	3
Income tax relating to items that may not subsequently be reclassified to profit or loss		(1)	(1)
Total comprehensive (loss)/income for the year		(1 002)	96
Total comprehensive (loss)/income attributable to:			
Equity holders of the company		(660)	75
Non-controlling interests		(342)	21
		(1 002)	96

The accounting policies and notes on page 97 to page 163 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 March

	Notes	2020 Rm	2019 Rm
ASSETS			
Non-current assets			
Property, plant and equipment	16	**7 554**	7 684
Right-of-use assets	17	**799**	–
Investment properties	18	**4 149**	4 881
Goodwill	19	**354**	354
Other intangible assets	20	**56**	50
Investments in associates	21	**446**	488
Investments in joint ventures	22	**124**	120
Post-employment benefit liability	33	**4**	1
Non-current receivables	24	**14**	6
Other financial assets	23	**2**	–
Deferred income tax assets	25	**84**	52
Total non-current assets		**13 586**	13 636
Current assets			
Inventories	26	**58**	46
Trade and other receivables	27	**454**	458
Other current assets	45	**3**	39
Cash and cash equivalents	28	**1 281**	407
Total current assets		**1 796**	950
Total assets		**15 382**	14 586
EQUITY			
Capital and reserves attributable to equity holders of the company			
Ordinary share capital and premium	30	**4 642**	4 642
Other reserves	31	**599**	289
Retained earnings		**1 102**	2 059
Total shareholders' equity		**6 343**	6 990
Non-controlling interests		**2 352**	2 939
Total equity		**8 695**	9 929
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings	32	**3 974**	2 885
Lease liabilities	34	**1 024**	–
Derivative financial instruments	35	**50**	–
Deferred income tax liabilities	25	**175**	212
Long-term incentive liabilities	37	**–**	5
Deferred revenue	36	**37**	34
Provisions	38	**58**	51
Other non-current liabilities	39	**–**	186
Total non-current liabilities		**5 318**	3 373
Current liabilities			
Interest-bearing borrowings	32	**559**	485
Lease liabilities	34	**13**	–
Trade and other payables	40	**622**	631
Deferred revenue	36	**75**	70
Current income tax liabilities		**100**	98
Total current liabilities		**1 369**	1 284
Total liabilities		**6 687**	4 657
Total equity and liabilities		**15 382**	14 586

The accounting policies and notes on page 97 to page 163 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March

		Attributable 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 2018		1 923	118	2 160	4 201	3 209	7 410
Total comprehensive income		–	171	(96)	75	21	96
Loss for the year		–	–	(98)	(98)	18	(80)
Cash flow hedges net of tax		–	2	–	2	1	3
Currency translation adjustment		–	169	–	169	2	171
Remeasurements of post-employment defined benefit liability net of tax	33	–	–	2	2	–	2
Issue of shares		2 719	–	–	2 719		2 719
Ordinary dividends		–	–	(5)	(5)	(291)	(296)
Balance at 31 March 2019		**4 642**	**289**	**2 059**	**6 990**	**2 939**	**9 929**
Change in accounting policy – adoption of IFRS 16 *Leases*[2]	1(b)	**–**	**–**	**(63)**	**(63)**	**–**	**(63)**
Restated balance at 1 April 2019		**4 642**	**289**	**1 996**	**6 927**	**2 939**	**9 866**
Total comprehensive loss		**–**	**234**	**(894)**	**(660)**	**(342)**	**(1 002)**
Loss for the year		**–**	**–**	**(896)**	**(896)**	**(329)**	**(1 225)**
Cash flow hedges, net of tax		**–**	**(21)**	**–**	**(21)**	**(14)**	**(35)**
Currency translation adjustment		**–**	**255**	**–**	**255**	**1**	**256**
Remeasurements of post-employment defined benefit liability net of tax	33	**–**	**–**	**2**	**2**	**–**	**2**
Shareholders' redemption provision		**–**	**24**	**–**	**24**	**–**	**24**
Share-based payments conversion	37	**–**	**35**	**–**	**35**	**–**	**35**
Share-based payments charge	37	**–**	**17**	**–**	**17**	**–**	**17**
Ordinary dividends		**–**	**–**	**–**	**–**	**(245)**	**(245)**
Balance at 31 March 2020		**4 642**	**599**	**1 102**	**6 343**	**2 352**	**8 695**

(1) *Refer note 31 for details of other reserves.*
(2) *Refer note 1(b).*

The accounting policies and notes on page 97 to page 163 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March

	Notes	2020 Rm	2019 Rm
Cash flows from operating activities			
Cash generated from operations	41	**1 321**	1 311
Finance income		**40**	37
Finance costs		**(394)**	(459)
Income tax paid	42	**(121)**	(79)
Dividends paid to shareholders	15	**–**	(5)
Dividends paid to non-controlling interests		**(245)**	(291)
Dividends received		**22**	11
Net cash generated from operating activities		**623**	525
Cash flows from investment activities			
Purchase of property, plant and equipment		**(329)**	(304)
Proceeds from disposals of property, plant and equipment		**–**	36
Additions to investment properties	18	**(160)**	(160)
Proceeds from disposal of investment property		**3**	–
Purchase of intangible assets	20	**(6)**	(16)
Acquisition of business – intellectual property	44	**(8)**	–
Additions to investment in associates	21	**(8)**	–
Other loans granted		**(29)**	–
Net cash utilised for investment activities		**(537)**	(444)
Cash flows from financing activities			
Borrowings raised	43.1	**2 179**	174
Borrowings repaid	43.1	**(1 651)**	(145)
Principal elements of lease payments	43.2	**(128)**	–
Cash proceeds from issue of shares		**–**	2 225
Other current liabilities repaid		**(7)**	(2 366)
Net cash generated from/(utilised for) financing activities		**393**	(112)
Net increase/(decrease) in cash and cash equivalents		**479**	(31)
Cash and cash equivalents at beginning of the year, net of bank overdrafts		**212**	225
Foreign currency translation		**31**	18
Cash and cash equivalents at end of the year, net of bank overdrafts	28	**722**	212

The accounting policies and notes on page 97 to page 163 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED 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 2019:

- IFRS 9 *Financial Instruments* amendment;
- IFRS 16 *Leases*;
- IAS 19 *Employee Benefits* amendment;
- IAS 28 *Investments in Associates and Joint Ventures* amendment;
- Annual improvements to IFRS Standards 2015 – 2017 *Cycle*; and
- IFRIC 23 *Uncertainty over Income Tax Treatments*.

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 2019, the most significant accounting pronouncement for the group being IFRS 16 *Leases*.

The adoption of IFRS 16 was applied retrospectively without restating comparative figures. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019 as an adjustment to the opening balance of retained earnings at the date of initial application. The net impact on retained earnings at 1 April 2019 was a decrease of R63 million and is discussed below. No other pronouncements had any material impact on the group.

Where the group is a lessee

(i) Adjustments recognised on adoption of IFRS 16

The standard affected the way the group previously accounted for its operating leases being mostly various hotel property leases. Lease rental contracts include some hotel property leases typically for fixed periods of 15 years to 99 years, but may have extension options as described below. Up to, and including the 2019 financial year, as a lessee under IAS 17, the group classified leases as operating or finance leases based on its assessment of whether the leases transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the group. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease. The group had no finance leases at 31 March 2019.

In the 30 September 2019 interim results, the group reported right-of-use assets and lease liabilities at transition date of 1 April 2019 as R673 million and R950 million respectively. Due to the refinement of the discount rate, the right-of-use assets and lease liabilities at 1 April 2019 have been adjusted to R690 million and R957 million respectively. The resulting impact on earnings for the six-month period to 30 September 2019 was not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(b) New and amended standards adopted by the group continued

Where the group is a lessee continued

(i) Adjustments recognised on adoption of IFRS 16

Per IFRS 16, right-of-use assets were measured on transition as if the new rules had always been applied, discounted using respective incremental borrowing rates as of 1 April 2019 and providing for depreciation from commencement date of the lease until transition date. The recognised right-of-use assets are made up as follows:

	31 March 2020 Rm	1 April 2019 Rm
Property	**799**	690
Right-of-use assets recognised under IFRS 16	**799**	690

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the respective incremental borrowing rate as of 1 April 2019. The group’s respective weighted average incremental borrowing rates applied to the lease liabilities on 1 April 2019 ranged between 9.75% and 10.25%

Reconciliation of outstanding commitments under non-cancellable operating lease agreements as at 31 March 2019 to lease liability recognised as at 1 April 2019:

	Rm
Outstanding commitments at 31 March 2019 under IAS 17, undiscounted	1 951
Discounting adjustment using the respective incremental borrowing rates mentioned above	(973)
Outstanding commitments at 31 March 2019 under IAS 17, discounted	978
Less: Leases not capitalised	
Short-term leases	(18)
Low-value leases	(3)
Lease liability recognised under IFRS 16 as at 1 April 2019	957
Analysed as:	
Non-current portion	943
Current portion	14
	957
Other balance sheet impacts are:	
Retained earnings decrease	63
Deferred tax assets increase	268
Deferred tax liabilities increase	(245)
Straight-lining provision decreased	186

The following amounts have been included in the income statement relating to leases:

	2020 Rm
Depreciation charge of right-of-use assets – property	**(59)**
Interest expense (included in finance cost)	**(101)**
Also, property rentals reduced by	**126**

Effective 1 October 2019, the group entered into an agreement with Ozmik Property Investments Proprietary Limited, to acquire the Southern Sun Pretoria hotel building for R200 million. The Southern Sun Pretoria hotel was operated by the group and the property leased, as such this property was included in the scope of IFRS 16 and the lease liability that was raised on transition has now been settled. The building acquired has been recognised in property, plant and equipment.

The adoption of IFRS 16 had no significant impact on the group’s segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(b) New and amended standards adopted by the group continued

Practical expedients applied by the group on transition

The group applied the practical expedient per IFRS 16 C3 in that the IFRS 16 definition of a lease would only be applied to assess whether contracts entered into after the date of initial application (1 April 2019) are, or contain, leases, and electing not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made by applying IAS 17 and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. Hence, all contracts previously assessed not to contain leases were not reassessed. The group also applied the following expedients on transition:

- recognition exemptions for short-term leases (a lease that, at the commencement date, has a lease term of 12 months or less);
- recognition exemptions for leases of low-value items (mainly small items of office equipment and furniture); and
- relied on its existing onerous lease contract assessments as an alternative to performing impairment reviews on right-of-use assets as at 1 April 2019.

The group’s accounting for leases under IFRS 16

Under IFRS 16, from 1 April 2019 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 depreciated over the lease term on a straight-line basis.

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

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability; and
- any lease payments made at or before the commencement date, less any lease incentives received.

The lease payments are discounted using the interest rate implicit in the lease, if that rate cannot be readily determined, the group uses its respective incremental borrowing rates. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.

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. The group excludes the initial direct costs related to the lease initiation upon recognition of the right-of-use asset.

The lease liability is subsequently measured at amortised cost. 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.

Variable lease payments

Variable lease payments included in other operating expenses: Some property leases contain variable payment terms that are linked to gross revenue or Ebitdar. These payments are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs and are not included in the measurement of the lease liabilities.

Modification of a lease

When the group modifies the terms of a lease or reassesses the estimates without increasing the scope of the lease, that results in changes to future payments, 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 date of reassessment or modification. 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.

When the group modifies the terms of a lease resulting in an increase in scope, the group accounts for these modifications as a separate new lease. The accounting treatment is when the lease term for an existing lease is subsequently modified.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(b) New and amended standards adopted by the group continued

Where the group is a lessor

(ii) Adjustments recognised on adoption of IFRS 16

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. The group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

(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 the 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 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 financial statements from the date control commences until the date control ceases. Increases in fair value of assets that occur on the group obtaining control, for nil consideration, of an entity previously accounted for as an associate or joint venture is transferred to a reserve called 'Surplus arising on change in control'.

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

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 financial statements. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(d) Basis of consolidation and business combinations continued

(ii) Transactions with non-controlling interests

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

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

(iii) Associates and joint ventures

Associates are entities over which the group has directly or indirectly significant influence but not control, generally accompanying a shareholding of 20% to 50%, where significant influence is the ability to influence the financial and operating policies of the entity. A joint venture is an entity over which the group contractually shares control with one or more partners.

Investments in associates and joint ventures are accounted for using the equity method of accounting.

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

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

(iv) Goodwill

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

Goodwill is allocated to cash-generating units ('CGUs') for the purpose of impairment testing. Each of those CGUs is identified in accordance with the basis on which the businesses are managed from both a business type and geographical basis.

(v) Common control acquisitions

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

A transaction deemed to be a transaction under common control consequently falls outside the scope of IFRS 3 *Business Combinations*. The group's accounting policy is to apply predecessor accounting to common control transactions. Common control accounting is applied and, under the predecessor accounting method, assets and liabilities acquired, including goodwill acquired, are recognised at the predecessor values with the difference between the acquisition value and the aggregate purchase consideration recognised as a separate reserve in equity, a 'common control' reserve. The common control reserve is determined on the date of legal transfer. The group's policy is to restate the comparatives of the acquirer as though the acquiree had always formed part of the acquiring entity from the date of original control being obtained by the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the 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 financial statements are presented in SA Rand which is the group's presentation currency.

(ii) Transactions and balances

The financial statements for each group company have been prepared on the basis that transactions in foreign currencies are recorded in their functional currency at the rate of exchange ruling at the date of the transaction. Monetary items denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date with the resultant translation differences being credited or charged against income in the income statement. Translation differences on non-monetary items such as equity investments classified as fair value through other comprehensive income are included in other comprehensive income.

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

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

(f) Property, plant and equipment

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

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

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

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

(i) Assets in the course of construction

Assets in the course of construction are carried at cost less any impairment loss. Cost includes professional fees and for qualifying assets certain borrowing costs as determined below. 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*
Vehicles	5 years*
Operating equipment	2 – 3 years

* *These categories have been grouped together under 'Plant and equipment' in note 16: Property, plant and equipment.*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(f) Property, plant and equipment continued

(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.

(iv) Capitalisation of borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. The group considers a period of greater than 12 months to be substantial. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(g) Leases

As explained in note 1(b): New and amended standards adopted by the group, with effect from 1 April 2019 the group changed its accounting policy for leases where the group is the lessee. The accounting policy is described below and the impact of the change in note 1(b).

(i) The group is a lessee

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

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

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

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the group uses its respective incremental borrowing rates. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments). In-substance fixed payments are variable lease payments that depend on an index or a rate 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.

The group has no residual value guarantees.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(g) Leases continued

(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. The group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

(iii) Accounting policy applied until 31 March 2019

(i) The group is the lessee

Leases where the lessor retains substantially all the risks and rewards of ownership were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged or credited to the income statement on a straight-line basis over the period of the lease. The group had no finance leases at 31 March 2019.

(ii) The group is the lessor

Assets leased to third parties under operating leases were included in property, plant and equipment and investment property in the balance sheet. Property lease rentals received where the group is the lessor were recognised on a straight-line basis over the term of the lease.

(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(i) Intangible assets (other than goodwill) continued

(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 ten 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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(k) Derivative instruments and hedge accounting

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

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

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

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

Cash flow hedges that qualify for hedge accounting

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

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

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

(l) Fair value measurement

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

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

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

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

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

(m) Offsetting financial instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(n) Inventories

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

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

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

(o) Cash and cash equivalents

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

(p) Impairment of non-financial assets

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

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

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

(q) Share capital

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

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

(r) Borrowings and finance costs

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

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

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

Finance costs include all borrowing costs incurred on borrowing instruments together with related costs of debt facilities management. Such costs include facility commitment fees which are expensed in borrowing costs as incurred and facility raising fees which are amortised through borrowing costs over the life of the related facilities. Borrowing costs, other than borrowing costs capitalised (refer note f(iv)), are recognised in the income statement in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(s) Trade and other payables

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

(t) Provisions

Provisions are recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provision is made for wide area progressives and is based on the meter readings.

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 stand-alone 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 stand-alone selling prices. The amount allocated to the reward programme is deferred and is recognised as revenue when rewards are redeemed. When estimating stand-alone 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(v) Employee benefits

(i) Defined contribution plans

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

(ii) Other post-employment obligations

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

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

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

All other costs are recognised immediately in profit or loss.

(iii) Termination benefits

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

(iv) Bonus plans – short-term incentives

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

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

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

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

(vi) Goods or services settled in cash

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(v) Employee benefits continued

(vii) Employee leave entitlement

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

(viii) Long-service awards

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

(w) Income tax

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

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

Deferred tax is provided in full using the liability method, in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated 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 REIT assets and liabilities (investment properties) the measurement of deferred tax is based on a rebuttable presumption that the amount of the investment property will be recovered entirely through sale. Capital gains or losses from property sold by a REIT are non-taxable and the rate relevant to recoupments is 28%. 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 financial statements in the period in which the dividends are approved by the company's board of directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Leases

Determining the respective discount rates

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

The discount rates applied to the lease commitments range from 9.75% to 10.25%, 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.

Sandton Hotels lease agreement

During the year under review the group entered into a new arrangement effective 1 November 2019 with the owners of the Sandton Sun, Garden Court Sandton City and the InterContinental Sandton Towers (the 'Sandton Hotels'). The group classified this arrangement as a lease contract and accounted for it in terms of the requirements of IFRS 16. Significant judgement was applied regarding the assessment of economic benefits between the different parties, and control over the relevant activities, being the day-to-day operations of the hotels.

In exercising our judgement the following facts were considered:

- On the face of it the agreements entered into provide for 98% of Ebitdar after management fees to flow to the lessors. However, where the lessee directs all cash flow generated from the asset and pays the lessor a percentage of such flows, paragraph B23 of IFRS 16 provides for such cash flows to be included in the benefit received by the lessee.
- The group has sole use of the hotels and brands.
- The group retains the majority of turnover and the return made by the group on these hotels is consistent with owner-managed hotels.
- The group has downside risk in the event of an economic downturn as a minimum basic rental is still payable.
- The key differences between the previous management agreements and the current agreements is that the group now has the ability to direct the relevant activities of the hotels because the group makes decisions on the pricing of the hotel services, engages with suppliers and distribution channels as well as managing the costs of the hotel.

Based on the above, the hotel lease agreements in our assessment do contain a lease. The group used a 20% minimum rental as stipulated in the agreements to calculate the lease liability and right-of-use asset. The remaining lease payments based on a percentage Ebitdar are considered to be variable lease payments. The discount rate applied has been determined in a manner that is consistent with that of the other leases within the group where IFRS 16 has been applied.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS continued

(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. Valuations are currently performed on an annual basis on the entire portfolio of investment properties but will move to a three-year rotation from the next financial year, and will be fair valued by internal management for the intervening years. Refer note 18 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 19 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 16 of the consolidated annual financial statements.

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

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

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE

(a) Standards and amendments to existing standards

The following standards and amendments to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 April 2020 or later periods, which the group has not early adopted. The group has concluded on the impact of these new standards, interpretations and amendments that will be applied from the annual period beginning 1 April 2020, none of which is expected to have a material effect on the consolidated results of operations or financial position of the group. The group is concluding on the impact of the new standards, interpretations and amendments that will be applied from the annual period beginning on or after 1 April 2020.

- **IFRS 3 *Business Combinations* (Amendment)**

  The amendments give clarity on the definition of a business:

  (i) Confirmed that a business must include inputs and a process, and clarified that:
  - the process must be substantive; and
  - the inputs and process must together significantly contribute to creating outputs;

  (ii) Narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and

  (iii) Added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

  IFRS 3 amended must be applied for financial years commencing on or after 1 January 2021. The group will apply the new standard from 1 April 2021.

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE continued

(a) Standards and amendments to existing standards continued

- **IAS 1 *Presentation of Financial Statements* (Amendment)**

  The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS.

  IAS 1 amended must be applied for financial years commencing on or after 1 January 2020. The group will apply the new standard from 1 April 2020.

- **IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (Amendment)**

  The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS.

  IAS 8 amended must be applied for financial years commencing on or after 1 January 2020. The group will apply the new standard from 1 April 2020.

- **Interest Rate Benchmark Reform**

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

  Interest Rate Benchmark Reform amendments must be applied for financial years commencing on or after 1 January 2020. The group will apply the amendments from 1 April 2020.

- **Revised Conceptual Framework for Financial Reporting**

  The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect.

  No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

  The revised Conceptual Framework for Financial Reporting must be applied for financial years commencing on or after 1 January 2020. The group will apply the new standard from 1 April 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

4. RECONCILIATION OF EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY TO HEADLINE EARNINGS AND ADJUSTED HEADLINE EARNINGS

	2020 Rm	2019 Rm
Loss attributable to equity holders of the company	**(896)**	(98)
Loss on disposal of property, plant and equipment	**2**	3
Impairment of property, plant and equipment	**716**	94
Fair value adjustment of investment properties	**888**	445
Impairment relating to RBH (associate)	**17**	–
Share of associates' headline earnings adjustment	**41**	10
Total tax effect of adjustments	**(52)**	(27)
Total non-controlling interest effects of adjustments	**(500)**	(182)
Headline earnings	**216**	245
Transaction costs	**3**	32
Fair value adjustment on interest rate swaps	**–**	(2)
Fair value adjustment on RDI investment	**1**	–
Restructuring costs	**40**	8
Pre-opening expenses	**–**	1
Impairment of inventory	**2**	–
Derecognition of Southern Sun Maputo deferred tax	**30**	–
Share of associates' exceptional items	**1**	(1)
Total tax effects of other exceptional items	**(11)**	1
Total non-controlling interest effects of exceptional items	**(4)**	(7)
Adjusted headline earnings[1]	**278**	277
Number of shares in issue (millions)	**1 061**	1 061
Weighted number of shares in issue (millions)	**1 061**	22
Basic and diluted headline earnings per share (cents)	**20.4**	1 126.1
Basic and diluted adjusted headline earnings per share (cents)	**26.2**	1 273.1
Dividends per share (cents)	**–**	22.98

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

5. RECONCILIATION OF OPERATING PROFIT TO EBITDAR

	2020 Rm	2019 Rm
Ebitdar pre-exceptional items is made up as follows:		
Operating (loss)/profit	**(766)**	392
Amortisation and depreciation	**348**	306
Property rentals	**84**	208
Long-term incentive expense	**17**	4
	(317)	910
Add/(less): Exceptional losses/(gains)		
Loss on property, plant and equipment	**2**	3
Impairment of property, plant and equipment	**716**	94
Fair value adjustment of investment properties	**888**	445
Fair value adjustment on RDI investment	**1**	–
Fair value adjustment on interest rate swaps	**–**	(2)
Impairment of inventory	**2**	–
Impairment relating to RBH (associate)	**17**	–
Pre-opening expenses	**–**	1
Restructuring costs	**40**	8
Transaction costs	**3**	32
Ebitdar	**1 352**	1 491

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

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 and the senior management team. Management has determined the operating segments based on the reports reviewed by the CODM. There has been no change in the basis of segmentation or in the basis of measurement of segment profit or loss from the pre-listing statement. Since the group's listing, the CODM has refined the basis on which it assesses the operating segments, resulting in reallocations between segments for comparability purposes as outlined in further detail below.

The CODM considers the business from both a business type and geographical basis. The following are the four 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 12 hotel properties leased to external third-party operators.
- Internally managed consists of the South African hotel operations which are owned within the group and are managed and reported on based on the geographical area in which the hotel is located.
- Offshore consists of the group's non-South African hotels division which owns, operates and manages hotels in other African countries, the Middle East and the Seychelles.

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

	Revenue[1]		Ebitdar[2] [3]		Ebitdar margin	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 %	2019 %
Manco	**266**	289	**154**	171	**58**	59
Rental income – HPF[5]	**310**	337	**310**	337	**100**	100
Internally managed	**3 501**	3 329	**787**	839	**22**	25
Coastal	**1 885**	1 906	**463**	505	**25**	27
Inland	**1 344**	1 150	**262**	253	**20**	22
Other[6]	**272**	273	**62**	81	**23**	30
Offshore	**569**	605	**101**	144	**18**	24
Internal management fees[4]	**(183)**	(181)	**–**	–	**–**	–
Total	**4 463**	4 379	**1 352**	1 491	**30**	34

[1] *All revenue and income from hotel operations is derived from external customers. No one customer contributes more than 10% to the group's total revenue.*
[2] *Refer reconciliation of operating profit to Ebitdar on page 114.*
[3] *The adoption of IFRS 16 had no significant impact on Ebitdar.*
[4] *Included in Manco.*
[5] *Subsequent to the company's listing, the CODM refined its assessment of the operational segments to allow for comparability. The CODM now reviews rental income net of rates and taxes expensed by the lessor for segmental reporting purposes. Rates and taxes of R10 million relating to the 2019 financial year has been reallocated from Manco to Rental income – HPF.*
[6] *Internal management fees amounting to R13 million and relating to the 2019 financial year was reallocated from Internally managed – Other to Manco.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

7. REVENUE FROM CONTRACTS WITH CUSTOMERS

The group derives revenue over time, with the exception of food and beverage revenue which is recognised at a point in time, together with its hotel customer reward programmes in terms of which revenue is recognised as the rewards are redeemed or they expire. The group has no contract assets. The table below presents revenue by segment which excludes other income as these are accounted for under different accounting policies, which are included in the segmental analysis on page 115. Disaggregation of revenue from contracts with customers for the period under review:

	Rooms revenue recognised over time		Food and beverage recognised at a point in time		Other revenue recognised over time		Revenue from external customers	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Internally managed	2 429	2 346	901	814	168	165	3 498	3 325
Coastal	1 337	1 356	478	476	70	75	1 885	1 907
Inland	903	788	372	296	69	66	1 344	1 150
Other income	189	202	51	42	29	24	269	268
Manco					83	108	83	108
Offshore	362	386	162	176	39	37	563	599
Total	2 791	2 732	1 063	990	290	310	4 144	4 032

	2020 Rm	2019 Rm
Reconciliation to segmental analysis in note 6:		
Revenue from contracts with customers per above	4 144	4 032
Property rental income	331	357
Rates and taxes offset against rental income for segmental analysis purposes	(12)	(10)
Total income per segmental analysis	4 463	4 379

	2020 Rm	2019 Rm
Other revenue is made up as follows:		
Management fees revenue	102	122
Parking revenue	16	15
Venue hire revenue	50	52
Packaged food	30	31
Non-arrival charges	13	13
Other sundry revenue	79	77
Other revenue	290	310

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

	2020 Rm	2019 Rm
8. PROPERTY AND EQUIPMENT RENTALS		
Under IFRS 16 *Leases*		
Short-term leases	25	–
Properties	11	–
Plant, vehicles and equipment	14	–
Variable lease payments not included in lease liabilities	72	–
Properties	72	–
Under IAS 17 *Leases*	–	222
Properties	–	208
Plant, vehicles and equipment	–	14
	97	222

	2020 Rm	2019 Rm
9. AMORTISATION AND DEPRECIATION		
Amortisation of intangible assets (note 20)	10	8
Depreciation of property, plant and equipment (note 16)	279	298
Depreciation of right-of-use assets (note 17)	59	–
Total amortisation and depreciation	348	306

	2020 Rm	2019 Rm
10. EMPLOYEE COSTS		
Employee costs (including executive directors' remuneration):		
Salaries and wages	1 218	1 072
Termination benefits	8	–
Pension – defined contribution plans	78	69
Long-term incentive expense – cash-settled (note 37.1)	–	4
Other post-retirement benefits – medical aid (note 33)	–	–
Tsogo Sun Hotels SAR Plan – equity-settled (note 37.2)	17	–
	1 321	1 145

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

	2020 Rm	2019 Rm
11. OTHER OPERATING EXPENSES		
Auditors' remuneration	21	25
Audit fees – current year	18	22
Tax services	3	2
Other services and expenses	–	1
Administration fees	–	122
Advertising, marketing and promotional costs	252	208
External consultants	32	26
Food and beverage costs and operating equipment usage	388	365
Impairment charge for bad and doubtful debts, net of reversals (note 27)	19	3
Information technology-related costs	87	92
Net foreign exchange losses/(gains)	4	(7)
Property costs – rates, water and electricity	360	312
Repairs and maintenance expenditure on property, plant and equipment	138	125
Rooms departmental expenses	397	364
Guest supplies	46	45
Guest entertainment	33	28
Laundry	56	51
Housekeeping	76	69
Cleaning	21	22
Other	165	149
Security and surveillance costs	58	57
Other operating expenses	39	34
Loss on disposal of property, plant and equipment	2	3
Impairment relating to RBH (associate) (note 21)	17	–
Fair value adjustment on interest rate swaps	–	(2)
Insurance	12	10
Commission	6	6
Pre-opening expenses	–	1
Restructuring costs	32	8
Transaction costs	3	33
Inventory write off	2	–
Fair value adjustment through profit and loss – RDI investment (note 23)	2	–
	1 871	1 785

	2020 Rm	2019 Rm
12. FINANCE INCOME		
Interest received from banks	36	36
Finance income – other	4	2
	40	38

	2020 Rm	2019 Rm
13. FINANCE COSTS		
Finance costs in respect of interest-bearing debt	279	456
Finance costs in respect of lease liabilities	101	–
Finance costs – other	20	–
Less: Interest capitalised at an average capitalisation rate[1] of 0% (2019: 10.4%)	–	(1)
	400	455

[1] *In respect of local and foreign borrowings.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

	2020 Rm	2019 Rm
14. INCOME TAX EXPENSE		
Current tax – current year charge	125	87
Current tax – underprovision prior year	1	15
Deferred tax – current year (credit)	(35)	(36)
Deferred tax – under/(over) provision prior year	1	(2)
Withholding taxes	4	6
Total income tax expense	96	70
Other comprehensive income		
Tax (credit)/charge relating to components of other comprehensive income on items that may be reclassified subsequently to profit or loss:	(15)	1
Cash flow hedges	(15)	1
Tax charge relating to components of other comprehensive income on items that may not be reclassified subsequently to profit or loss:	1	1
Remeasurements of post-employment defined benefit liability	1	1
	(14)	2

	2020 Rm	2020 %	2019 Rm	2019 %
Income tax rate reconciliation				
Loss before income tax and share of profit of associates and joint venture	(1 126)		(25)	
Income tax thereon at 28% (2019: 28%)	(315)	28.0	(7)	28.0
Exempt income/credits:				
Profits attributable to the HPF non-controlling interests	(37)	3.2	(70)	280.0
Expenses/debits not deductible for tax purposes:				
Amortisation and depreciation	25	(2.2)	–	–
Transaction costs	1	(0.1)	9	(36.0)
Fair value loss on investment property revaluations	221	(19.7)	125	(500.0)
Foreign tax rate differential	(31)	2.7	(10)	40.0
Impairment of property, plant and equipment	162	(14.4)	–	–
Other non-deductible items	7	(0.6)	16	(64.0)
Deferred tax asset not recognised on assessed losses	58	(5.1)	–	–
Withholding taxes	3	(0.3)	(6)	24.0
Prior year (credits)/charges (net)	2	(0.1)	13	(52.0)
	96	(8.5)	70	(280.0)

	2020 Rm	2019 Rm
15. DIVIDENDS DECLARED		
Ordinary	–	5
Final dividend	–	5
	–	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

	Land and buildings Rm	Leasehold improve-ments Rm	Properties under con-struction Rm	Plant and equipment Rm	Operating equipment Rm	Total Rm
16. PROPERTY, PLANT AND EQUIPMENT						
Year ended 31 March 2020						
Opening net carrying amount	**6 042**	**426**	**–**	**1 023**	**193**	**7 684**
Additions	**126**	**–**	**84**	**91**	**61**	**362**
Disposals and operating equipment usage	**–**	**–**	**–**	**(2)**	**(21)**	**(23)**
Depreciation charge	**(117)**	**(26)**	**–**	**(136)**	**–**	**(279)**
Impairments	**(716)**	**–**	**–**	**–**	**–**	**(716)**
Transfers from right-of-use assets	**41**	**–**	**–**	**–**	**–**	**41**
Other transfers	**84**	**–**	**(84)**	**–**	**–**	**–**
Currency translation	**394**	**–**	**–**	**80**	**11**	**485**
Closing net carrying amount	**5 854**	**400**	**–**	**1 056**	**244**	**7 554**
At 31 March 2020						
Cost	**7 319**	**666**	**–**	**2 718**	**244**	**10 947**
Accumulated depreciation	**(1 465)**	**(266)**	**–**	**(1 662)**	**–**	**(3 393)**
Net carrying amount	**5 854**	**400**	**–**	**1 056**	**244**	**7 554**
Year ended 31 March 2019						
Opening net carrying amount	5 781	467	152	891	172	7 463
Additions	70	–	51	147	34	302
Capitalisation of borrowing costs	–	–	1	–	–	1
Disposals and operating equipment usage	(36)	–	–	(2)	(21)	(59)
Depreciation charge	(123)	(28)	–	(147)	–	(298)
Impairments	(74)	(13)	–	(7)	–	(94)
Other transfers	152	–	(245)	93	–	–
Currency translation	272	–	41	48	8	369
Reclassification to held for distribution to owners	–	–	–	–	–	–
Closing net carrying amount	6 042	426	–	1 023	193	7 684
At 31 March 2019						
Cost	6 674	666	–	2 549	193	10 082
Accumulated depreciation	(632)	(240)	–	(1 526)	–	(2 398)
Net carrying amount	6 042	426	–	1 023	193	7 684
At 1 April 2018						
Cost	6 290	679	152	2 270	172	9 563
Accumulated depreciation	(509)	(212)	–	(1 379)	–	(2 100)
Net carrying amount	5 781	467	152	891	172	7 463

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 judgement 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 during the year and the impact is an increase in the residual value that resulted in a decrease in depreciation of R14 million (2019: Rnil).

During the year, the group impaired property, plant and equipment by R716 million (2019: R94 million) as a consequence of the downward medium-term trading expectations due to the current economic environment which has been exacerbated by the global COVID-19 pandemic. The recoverable amount of R1 805 million for the below mentioned properties has been determined by calculating the value in use using a discounted cash flow model ('DCF'). The weighted average cost of capital ('WACC') utilised in the valuation was 14% for the South African hotels and range between 9% and 13.5% for the offshore properties. In order to reflect the cash flow impact of the total collapse in demand caused by the COVID-19 pandemic, management assumed a 96% reduction in revenue for the first six months of the 2021 financial year. Cash flows for the second half of 2021 and the first half of 2022 reflect a slow recovery in both occupancy and rate with the group's entire portfolio assumed to be fully operational by September 2022 and trading at similar levels achieved in the 2019 financial year. The annual growth rate applied to the cash flow forecasts for the 2023 to 2025 financial years ranged between 4.5% and 5.5%. The terminal growth rate applied for the offshore properties is between 1.4% and 2.1% and 5% for the South African properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

16. PROPERTY, PLANT AND EQUIPMENT continued

The carrying values of land, buildings, plant and equipment of the following hotel properties were impaired during the year. Unless indicated otherwise the impairments were as a result of the downward medium-term trading expectations due to the impact of COVID-19 on current trading environments and the consequential reduction in the hotel properties' value in use which totalled R750 million and R1 055 million for the SA and Offshore hotel properties respectively. For the SA hotel properties, the value in use per hotel brand are as follows: Garden Court R206 million, Holiday Inn R265 million, Southern Sun R264 million and Stay Easy R15 million. The value in use for the Offshore Southern Sun brand is R1 055 million.

	2020 Rm	2019 Rm
SA hotels	**339**	19
Garden Court Eastgate	**115**	–
Garden Court Hatfield	**86**	–
StayEasy Eastgate	**63**	–
Southern Sun Rosebank	**35**	–
Holiday Inn Sandton	**40**	–
Garden Court Nelson Mandela Boulevard was impaired during the prior year due to the value in use being lower than the book value with one year left on the lease agreement	**–**	19
Offshore hotels	**377**	75
Southern Sun Ikoyi due to revised downward medium-term trading expectations in Nigeria as a result of the negative impact of reductions in commodity prices negatively affecting occupancies	**172**	75
Southern Sun Dar-es Salaam	**84**	–
Southern Sun Maputo	**89**	–
Southern Sun Ridgeway	**32**	–
Impairment	**716**	94

The table below indicates the sensitivities of the aggregate impairment for the following changes to assumptions:

	Increase Rm	Decrease Rm
5% change in the net cash flows	**120**	(120)
25 bps change in the terminal capitalisation rate	**50**	(48)
50 bps change in the discount rate	**(133)**	148

Where the group is the lessor

The group rents out retail space within hotel properties.

Property rentals (included in other income) earned during the year was R10 million (2019: R6 million).

	2020 Rm
Rental income from property, plant and equipment operating leases under IFRS 16:	**10**
Fixed	**10**
	10

17. RIGHT-OF-USE ASSETS

On adoption of IFRS 16, the standard affected the way the group previously accounted for its operating leases being mostly various hotel property leases. Lease rental contracts include hotel property leases typically for fixed periods of 15 years to 99 years, but may have extension options. Up to, and including the 2019 financial year, as a lessee under IAS 17, the group classified leases as operating or finance leases based on its assessment of whether the leases transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the group. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease. The group had no finance leases at 31 March 2019.

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

	Buildings Rm
Year ended 31 March 2020	
Recognised on adoption of IFRS 16 (1 April 2019)	690
Depreciation	(59)
Transferred to property, plant and equipment	(41)
Additions	209
Closing net carrying amount	799
At 31 March 2020	
Cost	858
Accumulated depreciation	(59)
Net carrying amount	799
At 1 April 2019	
Cost	690
Accumulated depreciation	–
Net carrying amount	690

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

18. INVESTMENT PROPERTIES

	2020 Rm	2019 Rm
Opening net carrying amount	4 881	5 101
Acquisition and development of investment properties	160	159
Disposals	(4)	–
Transfer of owner-occupied property	–	66
Fair value adjustments recognised in profit or loss	(888)	(445)
Closing net carrying amount	4 149	4 881

The group rents out hotel properties.

The group's investment properties have been categorised as level 3 values based on the inputs to the valuation technique used. The group has elected to measure investment properties at fair value. The fair value is determined by using the discounted cash flow method by discounting the rental income (based on expected net cash flows of the underlying hotels) after considering the capital expenditure requirements. The expected cash flows are discounted using an appropriate discount rate. The core discount rate is calculated using the 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 2020, 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.

The impact of COVID-19 and the associated impact on the hospitality industry has had a significant impact on the fair value of hotels at 31 March 2020. Due to the uncertainty of future trading conditions, the forecasts reduced in year one by 75% and in year two by 25% when compared to actuals as at 31 March 2020. The South African bond yield 10Y increased by 1.9 percentage points from 31 March 2019 (8.61%) to 31 March 2020 (10.51%). The group had used a risk-free rate of 8.65% in 2019, compared to 10.50% in 2020, resulting in higher exit yields and higher discount rates across the portfolio.

As at 31 March 2020 the significant unobservable inputs were as follows:
- A weighted average rental growth rate of 5.19% (2019: 5.25%);
- A terminal capitalisation rate of 9.00% to 13.50% (only five properties exceed 11.00%) (2019: 7.25% to 7.75%); and
- A risk-adjusted discount rate of 12.00% to 14.50% (only one property is lower than 13.00%) (2019: 12.50% to 13.00%).

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

	2020		2019	
	Increase Rm	Decrease Rm	Increase Rm	Decrease Rm
5% change in the net cash flows	203	(202)	274	(247)
25 bps change in the terminal capitalisation rate	(55)	58	(114)	123
50 bps change in the discount rate	(135)	143	(91)	94

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

18. INVESTMENT PROPERTIES continued

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

Amounts recognised in profit or loss for investment properties:

	2020 Rm	2019 Rm
Rental income from investment property operating leases under IFRS 16:	321	–
Fixed	207	–
Variable	114	–
Rental income under IAS 17	–	351
Rental income (included in revenue note 7)	**321**	**351**
Direct operating expenses from property that generated rental income	12	10

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:

	2020 Rm
Not later than one year	159
Between one and two years	124
Between two and three years	114
Between three and four years	96
Between four and five years	92
Later than five years	969
	1 554

19. GOODWILL

	2020 Rm	2019 Rm
At 1 April	354	354
At 31 March	**354**	**354**

Impairment test for goodwill

Goodwill is allocated and monitored based on the group's CGUs identified according to business segments as referred to in the segmental analysis in note 6.

An operating segment-level summary of the goodwill allocation is as follows:

	2020 Rm	2019 Rm
Internally managed	347	347
SUN1 Proprietary Limited (included as part of 'Other' segment)	254	254
Cullinan Hotels Proprietary Limited (included as part of 'Coastal' segment)	11	11
Southern Sun Hotel Interests Proprietary Limited (included as part of '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 16).

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 development;
- 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 a weighted average cost of capital ('WACC') of the respective CGUs. WACC is calculated using a bond risk-free rate and an equity premium adjusted for specific risks relating to the relevant operating segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

19. GOODWILL continued

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

	2020			2019		
	Ebitdar margin %	Long-term growth rate %	Discount rate pre-tax %	Ebitdar margin %	Long-term growth rate %	Discount rate pre-tax %
Internally managed[(1)]	26.2 – 35.0	5.0	14.0	29.1 – 47.4	5.3	12.5
Offshore	17.7	1.4 – 2.1	9 – 13.5	23.9	1.6 – 2.4	9.7 – 15

(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 35.0% (2019: 47.4%), Cullinan Hotels Proprietary Limited 26.2% (2019: 29.1%) and Southern Sun Hotel Interests Proprietary Limited 29.9% (2019: 33.5%).

The group's impairment reviews are sensitive to changes in the key assumptions described above. Based on the group's sensitivity analysis, a reasonable possible change in a single assumption will not cause a material impairment loss in any of the group's CGUs, as the group's CGUs have significant headroom available between the calculated values in use and the goodwill allocated to each CGU shown above.

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

	SUN1 Proprietary Limited	Cullinan Hotels Proprietary Limited	Southern Sun Hotel Interests Proprietary Limited
Increase in the discount rate	6.7%	29.5%	1.6%
Decrease in the growth rate	12.2%	20.0%	2.2%
Decrease in Ebitdar margin	17.0%	26.5%	3.7%

20. OTHER INTANGIBLE ASSETS

	Computer software Rm	Other Rm	Total Rm
Year ended 31 March 2020			
Opening net carrying amount	17	33	50
Additions	6	–	6
Acquisition of businesses (note 44)	–	11	11
Disposals	(1)	–	(1)
Amortisation charge	(6)	(4)	(10)
Closing net carrying amount	**16**	**40**	**56**
At 31 March 2020			
Cost	58	54	112
Accumulated amortisation	(42)	(14)	(56)
Net carrying amount	**16**	**40**	**56**
Year ended 31 March 2019			
Opening net carrying amount	19	23	42
Additions	6	10	16
Transfers	(1)	–	(1)
Amortisation charge	(7)	–	(7)
Closing net carrying amount	17	33	50
At 31 March 2019			
Cost	53	43	96
Accumulated amortisation	(36)	(10)	(46)
Net carrying amount	17	33	50
At 1 April 2018			
Cost	48	33	81
Accumulated amortisation	(29)	(10)	(39)
Net carrying amount	19	23	42

Other intangible assets include management contracts with a book value of R17 million (2019: R27 million) and trademarks with a book value of R23 million (2019: R6 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

21. INVESTMENTS IN ASSOCIATES

The group has the following interests in its material associates:

Unlisted

- 25.9% (2019: 25.9%) in International Hotel Properties Limited ('IHPL'), incorporated in the British Virgin Islands. IHPL will pursue hotel opportunities in the United Kingdom and Europe, the hotels to be managed by RBH Hotel Group (refer below). The shares were delisted as the listing has not provided the anticipated liquidity or access to equity capital markets to facilitate the growth of the company. The company has a 31 August year-end; however, trading results for the 12 months ended 31 March is included in the consolidated numbers.
- 26.38% (2019: 25%) 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 the potential for opportunities to deploy capital in attractive investments in the European hotel market in the future. The company has a 31 August year-end; however, trading results for the 12 months ended 31 March is included in the consolidated numbers.

	2020 Rm	2019 Rm
At 1 April	488	477
Acquisition of investment in associates	8	–
Impairment of associate	(17)	–
Share of (loss)/profit after tax and other interests of associates	(7)	23
Dividends received	(26)	(12)
At 31 March	446	488
Made up as follows:		
Listed	–	–
Unlisted	446	488
At 31 March	446	488

21. INVESTMENTS IN ASSOCIATES continued

Summarised financial information for associates, which in the opinion of the directors are material to the group, on 100% basis after adjustments to comply with the group's accounting policies, is as follows:

	RBH Hotel Group		International Hotel Properties	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Summarised balance sheets				
Total non-current assets	41	58	3 059	2 223
Total current assets	161	190	126	74
Total assets	202	248	3 185	2 297
Total non-current liabilities	–	–	1 344	890
Total current liabilities	227	209	423	139
Total liabilities	227	209	1 767	1 029
Net assets	(25)	39	1 418	1 268
Summarised statement of comprehensive income/(loss)				
Revenue	1 405	1 362	159	156
Profit/(loss) from operations	36	66	(66)	22
Profit/(loss) for the year and total comprehensive income	36	66	(66)	22
A reconciliation of the summarised financial information to the carrying amount of the group's interests in its associates is as follows:				
Opening net assets attributable to owners	39	71	1 268	1 080
Profit/(loss) for the year	36	66	(66)	22
Foreign currency translation reserve	(15)	(87)	216	166
Total comprehensive income	60	50	1 418	1 268
Dividends paid	(85)	(11)	–	–
Closing net (liabilities)/assets attributable to owners	(25)	39	1 418	1 268
Interest in associate (%)	26.38	25.00	25.90	25.90
Interest in associate	(7)	10	367	329
Intangible assets	89	89	–	–
Goodwill	30	30	41	41
Impairment[1]	(17)	–	–	–
Translation	34	25	(91)	(36)
Carrying value of investments in associates	129	154	317	334

[1] *The UK experienced an economic slowdown, mainly due to COVID-19, that resulted in the medium term outlook for trading being negative that indicated that the investment is possibly impaired. Based on the value in use of the investment, discounting future cash generated by the investment at a weighted average cost of capital of 7.8%, an impairment of R17 million was raised and disclosed in other operating expenses in note 11. Impairment will be allocated to reduce the carrying amount of goodwill first.*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

22. INVESTMENTS IN JOINT VENTURES

The group has the following interests in its material joint venture:

Unlisted

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

	2020 Rm	2019 Rm
At 1 April	120	128
Share of profit/(loss) after tax and other interests of joint ventures	4	(8)
At 31 March	**124**	120

Although United Resorts and Hotels Limited has been in a loss-making position in the past, the entity's trading has improved over the past two financial years and is generating positive cash flows.

The group joint ventures have no contingent liabilities of capital commitments.

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

	2020 Rm	2019 Rm
Summarised financial information:		
Summarised balance sheets		
Assets		
Non-current assets	511	495
Inventory	5	5
Trade and other receivables	20	15
Cash and cash equivalents	71	43
Total assets	607	558
Liabilities		
Current financial liabilities (excluding trade payables)	(42)	(29)
Other current liabilities	(6)	(5)
Total liabilities	(48)	(34)
Net assets	559	524
Summarised statement of comprehensive income/(loss)		
Income	149	126
Depreciation and amortisation	(4)	(6)
Profit before income tax	18	7
Income tax charge	(10)	(23)
Profit/(loss) for the year	8	(16)
Other comprehensive income	–	–
Profit/(loss) for the year and total comprehensive income	8	(16)
Reconciliation of summarised financial information		
A reconciliation of the summarised financial information to the carrying amount of the group's interest in United Resorts and Hotels Limited is as follows:		
Opening net assets attributable to owners	591	468
Profit/(loss) for the year	8	(16)
Foreign currency translation reserve	(41)	139
Closing net assets attributable to owners	558	591
Interest in joint venture (%)	50	50
Interest in joint venture	279	296
Translation	(155)	(176)
Carrying value of investments in joint venture	**124**	120

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	2020 Rm	2019 Rm
Investment in RDI REIT	2	–
	2	–

The fair value of the listed equity instruments was determined using the quoted price available for the instruments. At 31 March 2020 the investment has been remeasured to R2 million, a R2 million decrease. The fair value adjustment was recognised in profit or loss and is disclosed in note 11.

24. NON-CURRENT RECEIVABLES

	2020 Rm	2019 Rm
Financial assets measured at amortised cost		
Prepayments – lease deposits	–	4
Other loans	13	–
Loan to JIA Piazzapark (Pty) Limited	1	2
	14	6
Non-current receivables are denominated in the following currencies:		
SA Rand	14	2
US Dollar	–	4
	14	6

Non-current receivables and deposits 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.

25. DEFERRED INCOME TAX

	2020 Rm	2019 Rm
The gross movements on the deferred tax account are as follows:		
Net deferred liability at 1 April	160	217
Income statement credit	(34)	(38)
Acquisition of business	3	–
Currency translation	(15)	(13)
IFRS 16 implementation	(23)	–
Transfer	–	(6)
Net deferred tax liability at 31 March	**91**	160

25. DEFERRED INCOME TAX continued

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

	Accelerated tax allowances Rm	Other assets[1] Rm	Provisions and accruals Rm	Deferred revenue Rm	Tax losses Rm	Total Rm
Deferred tax liabilities						
Balance at 1 April 2018	490	2	(173)	(7)	(48)	264
Income statement expense/(credit)	(3)	(17)	(11)	1	(4)	(34)
Transfer	–	–	(6)	–	–	(6)
Currency translation	(12)	–	–	–	–	(12)
Balance at 31 March 2019	475	(15)	(190)	(6)	(52)	212
Income statement expense/(credit)	20	(73)	(36)	1	63	(25)
Acquisition of business	–	3	–	–	–	3
Transfer	1	–	(1)	–	–	–
Currency translation	(15)	–	–	–	–	(15)
Deferred tax liability at 31 March 2020	481	(85)	(227)	(5)	11	175
Deferred tax assets						
Balance at 1 April 2018	11	–	(16)	(5)	(37)	(47)
Income statement (expense)/credit	–	–	(1)	(1)	(3)	(5)
Balance at 31 March 2019	11	–	(17)	(6)	(40)	(52)
Restatement for change in accounting policy – adoption of IFRS 16 *Leases*[2]	–	(23)	–	–	–	(23)
Restated balance at 1 April 2019	11	(23)	(17)	(6)	(40)	(75)
Income statement (expense)/credit	–	(8)	(2)	3	(2)	(9)
Deferred tax asset at 31 March 2020	11	(31)	(19)	(3)	(42)	(84)
Total net deferred tax liability/(asset)	492	(116)	(246)	(8)	(31)	91

(1) *Includes investment property and prepaid expenditure.*
(2) *Refer note 1(b).*

Deferred tax assets of R84 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 that take into account the impact of COVID-19 and the reopening of hotels in the group's subsidiaries.

26. INVENTORIES

	2020 Rm	2019 Rm
Food and beverage	25	19
Operating equipment	4	4
Consumable stores	29	23
	58	46
Inventory with a cost of R2 million (2019: Rnil) was written off during the year		
The cost of food and beverage and consumable stores recognised as an expense and included in Other operating expenses	388	344
The cost of operating equipment recognised as an expense and included in Other operating expenses	28	28

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

27. TRADE AND OTHER RECEIVABLES

	2020 Rm	2019 Rm
Financial instruments		
Financial assets measured at amortised cost		
Trade receivables – net	260	322
Trade receivables – gross	309	351
Trade receivables – loss allowance	(49)	(29)
Deposits	54	42
IHL loan	24	–
Tenant loan	24	–
Other receivables	13	6
	375	370
Non-financial instruments		
Prepayments	71	80
VAT receivable	8	8
	79	88
Total trade and other receivables	454	458

Trade receivables

Trade receivables comprise a widespread customer base mostly in respect of the hotel, banqueting, conferencing 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 their fair values due to the short-term nature of trade and other receivables.

Credit risk

Trade receivables

The group performs ongoing credit evaluations of the financial condition of its customers for both new credit applications and existing customers having credit facilities. These reviews include evaluating previous relations 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 2020, no single customer was in debt in excess of 10% of the total trade receivables balance. The trade receivables are of a strong credit standing.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

27. TRADE AND OTHER RECEIVABLES continued

Credit risk continued

Debtor loss allowance calculated under the provision matrix

The expected loss rate is based on the payment profiles of sales over a period of 12 months before 31 March 2019 and the corresponding historical credit losses experienced with the period. The 12-month period used to assess the payment profiles is mainly due to the volatility of the current economic environment prone to more significant changes over the short term. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customer to settle the receivables.

The customer accounts separately identified and risk weighted differently to the general customer listing are those that the group has determined are affected by the following factors used to determine forward-looking information of which the impact is not material:

- Vulnerability of state-owned enterprises at present in South Africa;
- Ongoing energy crisis facing South Africa;
- GDP in South Africa;
- COVID-19; and
- Large Travel Management Companies ('TMCs') operating against the backdrop of the above factors along with their 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 their low levels of commission earned leaves them as highly risky, yet they comprise the largest proportion of our business. These entities, typically when reaching business failure, have a very small/no asset base to try and recoup losses from.

On this basis the loss allowance as at 31 March 2020 was determined as follows for trade receivables:

	Current – performing Rm	30 to 60 days past due Rm	60 to 90 days past due Rm	More than 90 days past due Rm	Total Rm
Large South African TMCs:					
Expected loss rate %	10	15	30	50	
Gross carrying amount	60	64	8	5	137
Loss allowance	6	9	2	3	20
Other remaining South African debtors (excluding large TMCs and specifically identified debtors):					
Expected loss rate %	2	8	15	25	
Gross carrying amount	62	22	3	2	89
Loss allowance	1	2	1	–	4

On this basis the loss allowance as at 31 March 2019 (on adoption of IFRS 9) was determined as follows for trade receivables:

	Current Rm	30 to 60 days Rm	60 to 90 days Rm	More than 90 days Rm	Total Rm
Large South African TMCs:					
Expected loss rate %	1.3	2.5	13.1	24.9	
Gross carrying amount	46	13	*	1	60
Loss allowance	*	*	*	*	1
Other remaining South African debtors (excluding large TMCs and specifically identified debtors):					
Expected loss rate %	0.94	2.67	20.54	21.18	
Gross carrying amount	172	17	1	*	191
Loss allowance	1	*	*	*	2

* *Less than R1 million.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

27. TRADE AND OTHER RECEIVABLES continued

Specific South African debtors:

Specific debtors that are long outstanding and generally have slower payment terms. These are considered to have a higher risk profile due to their customer base. These are credit impaired (stage 3).

	2020 Rm	2019 Rm
Gross carrying amount	8	38
Loss allowance in respect of specific trade debtors	8	17

The loss allowance has been established as follows:

- specific debtors provided for completely amounted to R8 million;
- 2019: other specific debtors were provided for at a range between 30% and 40% of the carrying value.

Hospitality Property Fund debtors have a carrying value of R27 million and are considered to be lower risk as they are related to rental income which are all current. Rentals are due in advance and are current, 30 days or less. Based on past history, there are immaterial write-offs. Customers comprise lessees paying rental for the hotel buildings.

	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 at 31 March 2020:					
Expected loss rate %	8.9	13.0	22.3	91.9	
Gross carrying amount	29	2	2	15	48
Loss allowance	3	–	–	14	17

	Current Rm	30 to 60 days Rm	60 to 90 days Rm	More than 90 days Rm	Total Rm
Offshore debtors at 31 March 2019:					
Expected loss rate %	2.9	3.6	11.9	48.6	
Gross carrying amount	38	6	3	16	63
Loss allowance	1	*	*	8	9

* *Less than R1 million.*

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

	2020 Rm	2019 Rm
At 1 April	29	28
Provision for receivables impairment	20	(1)
Written off as uncollectable	1	4
Unused amounts reversed	(3)	(3)
Currency translation	2	1
At 31 March	**49**	29

27. TRADE AND OTHER RECEIVABLES continued

Other receivables and deposits

Other receivables and deposits do not contain significant credit risk and 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:

	2020 Rm	2019 Rm
SA Rand	**376**	367
Nigerian Naira	**8**	22
Great Britain Pound	**24**	–
US Dollar	**12**	21
Mozambican Meticals	**11**	17
Tanzanian Shilling	**1**	7
Kenyan Shilling	**2**	9
Seychelles Rupee	**6**	6
Zambian Kwacha	**12**	2
United Arab Emirates Dirham	**2**	7
	454	458

28. CASH AND CASH EQUIVALENTS

	2020 Rm	2019 Rm
Cash and cash equivalents measured at amortised cost		
Current accounts	**1 017**	387
Call and fixed deposit accounts	**261**	15
Cash	**3**	5
Gross cash and cash equivalents	**1 281**	407
Less: Bank overdrafts included in borrowings	**(559)**	(195)
Net cash and cash equivalents per cash flow statement	**722**	212
Gross cash and cash equivalents are denominated in the following currencies:		
SA Rand	**1 129**	304
Nigerian Naira	**17**	20
Great Britain Pound	**1**	–
US Dollar	**114**	62
Mozambican Metical	**9**	3
Tanzanian Shilling	**–**	1
Seychelles Rupee	**1**	3
Zambian Kwacha	**1**	2
United Arab Emirates Dirham	**2**	2
Euro	**7**	10
	1 281	407

29. NON-CURRENT ASSETS HELD FOR SALE

	2020 Rm	2019 Rm
Opening net carrying amount	**–**	66
Transfers	**–**	(66)
Closing net carrying amount	**–**	–

Investment property

Non-current assets held for sale consisted of the Kopanong Hotel and Conference Centre property which consists of a country estate with 57 chalets and conference facilities. Due to management's change in intention to dispose of the property as a whole rather than through the sale of individual units, there was uncertainty around whether a suitable buyer may be found, and the property disposed of, within the next 12 months. Due to the uncertainty over the time period of finding a suitable buyer for the property the recognition criteria of non-current assets held for sale was not met and the property was reclassified to investment property in the 2019 financial year. The property is still held as investment property by the group as at 31 March 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

30. ORDINARY SHARE CAPITAL AND PREMIUM

	Number of ordinary shares ('000)	Net number of shares ('000)	Ordinary share capital Rm	Total Rm
At 1 April 2018	1 416	1 416	1 923	1 923
Issue of shares	1 059 480	1 059 480	2 719	2 719
At 31 March 2019	**1 060 896**	**1 060 896**	**4 642**	**4 642**
At 31 March 2020	**1 060 896**	**1 060 896**	**4 642**	**4 642**

The total authorised number of ordinary shares is 2 000 000 000 (2019: 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 note 37.2) are fully paid.

The company's authorised but unissued ordinary share capital was placed under the control of the directors until the forthcoming AGM. Directors are accordingly able to issue TGO shares subject only to the limitations contained in the Companies Act, the MOI and the Listings Requirements.

31. OTHER RESERVES

	Share capital reserve Rm	Transactions with non-controlling interests Rm	Cash flow hedge reserve Rm	Foreign currency translation reserve Rm	Share-based payments Rm	Common control reserve Rm	Total Rm
Balance at 1 April 2018	(76)	1 298	(2)	(181)	–	(921)	118
Cash flow hedges	–	–	2	–	–	–	2
Cash flow hedges fair value adjustments	–	–	2	–	–	–	2
Deferred tax on cash flow hedges fair value adjustments	–	–	–	–	–	–	–
Currency translation adjustments	–	–	–	169	–	–	169
Balance at 31 March 2019	**(76)**	**1 298**	**–**	**(12)**	**–**	**(921)**	**289**
Cash flow hedges	**–**	**–**	**(21)**	**–**	**–**	**–**	**(21)**
Cash flow hedges fair value adjustments	**–**	**–**	**(30)**	**–**	**–**	**–**	**(30)**
Deferred tax on cash flow hedges fair value adjustments	**–**	**–**	**9**	**–**	**–**	**–**	**9**
Currency translation adjustments	**–**	**–**	**–**	**255**	**–**	**–**	**255**
Shareholder's redemption provision[(1)]	**24**	**–**	**–**	**–**	**–**	**–**	**24**
Share-based payments conversion	**–**	**–**	**–**	**–**	**35**	**–**	**35**
Share-based payments charge	**–**	**–**	**–**	**–**	**17**	**–**	**17**
Balance at 31 March 2020	**(52)**	**1 298**	**(21)**	**243**	**52**	**(921)**	**599**

[(1)] *At 31 March 2019, a provision of R24 million was held relating to a dissenting shareholder exercising its rights in terms of section 164(14)(b) of the Companies Act. On 12 June 2019, the High Court of South Africa ('the Court') ruled in the matter between Standard Bank Nominees (RF) Proprietary Limited ('Standard Bank Nominees'), The Standard Bank of South Africa Limited, Nedbank Collective Investments (RF) Proprietary Limited, Nedgroup Investment Advisors Proprietary Limited and Hospitality, that shareholder appraisal rights had not been properly exercised.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

	2020 Rm	2019 Rm
32. INTEREST-BEARING BORROWINGS		
Borrowings are made up as follows:		
Financial liabilities measured at amortised cost		
Bank borrowings	2 280	2 293
Corporate bonds (Domestic Medium-term Note Programme)	1 700	890
Bank overdrafts	559	195
	4 539	3 378
Less: Facility raising fees	(6)	(8)
	4 533	3 370
Analysed as:		
Non-current portion	3 974	2 885
Current portion	559	485
	4 533	3 370
Secured	4 539	3 298
Unsecured	–	80
	4 539	3 378
The following represents the carrying amount of the security for these borrowings:		
Property, plant and equipment (note 16)	1 300	1 216
Investment properties (note 18)[(1)]	4 149	4 881
Pledge of cash in bank accounts (note 28)	722	212
Trade receivables (note 27)	260	322
	6 431	6 631
The carrying amounts of the group's borrowings are denominated in the following currencies:		
SA Rand	3 103	2 148
US Dollar	1 398	1 222
Mozambican Metical	32	–
	4 533	3 370
The group has the following committed direct facilities excluding bank overdrafts (from banks and corporate bonds):		
Expiring within one year	340	274
Expiring beyond one year	4 581	3 490
	4 921	3 764
Undrawn facility of committed direct bank borrowings	941	580
Weighted average effective interest rates (including cash held in call accounts)	9.10%	8.50%

[(1)] *Investment properties represent the value of the properties in HPF over which mortgage bonds have been registered in favour of the debt funding providers to HPF included in borrowings. On consolidation, these properties leased and managed by Southern Sun Hotel Interests Proprietary Limited are however accounted for as part of the carrying amount of the property, plant and equipment (both companies being subsidiary companies of the group).*

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 6.85% and 7.59% (2019: 4.90% and 8.85%). The fair values of the current portion of borrowings equals their carrying amount, as the impact of discounting is not significant. All borrowings bear interest at floating rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

32. INTEREST-BEARING BORROWINGS continued

The carrying amounts and fair values of the abovementioned non-current borrowings are as follows:

	Carrying amount		Fair value	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Bank borrowings	2 277	2 293	2 306	2 306
Corporate bonds (Domestic Medium-term Note Programme)	1 697	882	1 716	897
	3 974	3 175	4 022	3 203

33. POST-EMPLOYMENT BENEFITS

Pension fund

The group operates two pension funds: The Tsogo Sun Group Pension Fund and the Southern Sun Group Retirement Fund. Both are defined contribution funds, governed by the Pension Funds Act, 1956, which provides retirement and death benefits for all permanent, full time employees who are not members of any other approved pension or provident fund.

Provident funds

The group also operates the Alexander Forbes Retirement Fund which is a defined contribution fund, governed by the Pension Funds Act, 1956, which provides retirement and death benefits for all permanent, full time employees who are not members of any other approved pension or provident fund.

Medical aid

The group operates a closed fund defined benefit plan for a portion of the medical aid members. The assets of the funded plans are held independently of the group's assets. This fund is valued by independent actuaries every year using the projected unit credit method.

The movement in the defined benefit obligation is as follows:

	Present value of obligation Rm	Fair value of plan assets Rm	Total Rm
Year ended 31 March 2020			
At 1 April 2019	31	(32)	(1)
Other post-retirement 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 OCI	(2)	(1)	(3)
Gain from change in financial assumptions	(2)	–	(2)
Gains from experience adjustments	–	–	–
Return on plan assets	–	(1)	(1)
At 31 March 2020	29	(33)	(4)
Year ended 31 March 2019			
At 1 April 2018	32	(31)	1
Other post-retirement 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 OCI	(1)	(1)	(2)
Gain from change in financial assumptions	(1)	–	
Return on plan assets	–	(1)	(1)
At 31 March 2019	31	(32)	(1)

The present value of the obligation is R29 million (2019: R31 million) and the present value of the plan assets is R33 million (2019: R32 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

33. POST-EMPLOYMENT BENEFITS continued

The principal actuarial assumptions used for the valuation were:

	2020 %	2019 %
Discount rate	9.90	9.70
Healthcare cost inflation	7.30	7.90
Expected return on plan assets	9.90	9.70
Remuneration inflation	6.80	7.40

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 2020 and 2019.

The expected long-term rate of return on medical aid assets of 9.90% (2019: 9.70%) 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 9.90% (2019: 9.70%) 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 2020 (2019: Rnil)

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

	2020 Rm	2019 Rm
Upward movement		
Effect on the current service cost and interest cost	*	*
Effect on the post-retirement medical aid liability	(2)	(3)
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.*

34. LEASE LIABILITIES AND COMMITMENTS

	Buildings Rm
Year ended 31 March 2020	
Recognised on adoption of IFRS 16 (1 April 2019)	957
Finance costs	101
Derecognition of lease liabilities on acquisition of leased property	(102)
Additions	209
Lease payments	(128)
Closing net carrying amount	1 037
Lease liabilities	
Lease liabilities recognised in the balance sheet are analysed as:	
Non-current portion	1 024
Current portion	13
	1 037
Total cash flows in respect of leases:	
Principal portion of the lease liabilities (included in cash flows from financing activities)	26
Interest portion of the lease liabilities (included in finance costs cash flows)	101
Short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities (included in cash generated from operations)	97
Total cash outflow for leases	224

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

34. LEASE LIABILITIES AND COMMITMENTS continued

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

Variable lease payments

Some property leases contain variable payment terms that are linked to the EBITDA or revenue generated by the hotel. Due to the variable nature of Ebitda 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 EBITDA 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 EBITDA 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 EBITDA across all hotels in the group with such variable lease contracts would increase total lease payments by approximately R1.5 million. The same increase in revenue would increase total lease payment by approximately R0.7 million.

Variable lease payments are included in other operating expenses.

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:

	2020 Rm	2019 Rm
Not later than one year	3	130
Later than one year and not later than five years	–	476
Later than five years	–	1 345
	3	1 951

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.

35. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 Rm	2019 Rm
Derivative financial instruments measured at fair value are made up as follows:		
Interest rate swaps – cash flow hedges:		
HPF	50	–
Net liabilities	50	–
Less: Current portion liability (net)	–	–
Non-current portion liability (net)	50	–
Non-current portion made up as follows:		
Asset	–	–
Liability	50	–
Net liability	50	–

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). In line with group policy, a portion of the group debt is hedged.

Fixed interest rate swaps ranged from 6.69% to 7.42% as at 31 March 2020 referenced against the three-month JIBAR of 5.61% (2019: Fixed interest rate swaps ranged from 7.16% to 7.42% as at 31 March 2019 referenced against the three-month JIBAR of 7.15%).

The fair value of the group's derivatives used for hedge accounting is a liability of R50 million (31 March 2019: Rnil) and is calculated as the present value of the estimated future cash flows based on observable yield curves, which is consistent with the prior year. As at 31 March 2020, the group's interest rate hedges have been assessed as effective.

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

	2020 Rm	2019 Rm
HPF		
With a fixed rate of 7.24% maturing 30 June 2022	500	500
With a fixed rate of 7.42% maturing 31 March 2022	300	300
With a fixed rate of 7.16% maturing 31 March 2023	300	300
With a fixed rate of 6.685% maturing 30 September 2024	500	–
	1 600	1 100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

36. 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. Deferred revenue is made up as follows:

Non-financial instruments

Deferred revenue – rooms and food and beverage revenue

	2020 Rm	2019 Rm
At 1 April	104	96
Created during the year	140	142
Forfeitures during the year	(36)	(34)
Utilised during the year	(96)	(100)
At 31 March	112	104
Less: Current portion	(75)	(70)
Non-current portion	37	34

The expected timing of the recognition of the deferred revenue is within three years (2019: three years).

	2021 Rm	2022 Rm	Total Rm
Revenue expected to be recognised in respect of deferred revenue as of 31 March 2020	75	37	112

	2020 Rm	2019 Rm
Revenue recognised that was included in the contract liability balance at the beginning of the period	92	96

37. LONG-TERM INCENTIVE PLANS

The group operates various long-term incentive plans as follows:

37.1 Cash-settled – Tsogo Sun Group Long-term Incentive Scheme

The Tsogo Sun Group Long-term Incentive Scheme is a bonus scheme whereby participants receive cash bonuses, the amounts of which are determined with reference to the growth in Tsogo Sun Holdings' share price. Participants under this bonus appreciation plan are not entitled to take up shares or options whatsoever. Allocations vest in full three years after 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 volume weighted average trading price of the company's share prior to the determination of the fair value of the long-term incentive bonus. The following is pertinent to this bonus plan:

	2020	2019
Average share price utilised to value the liability	–	R 23.50
Number of appreciation units granted and outstanding ('000)	–	17 959
Number of appreciation units vested and outstanding ('000)	–	12 642

The group recognised a debit of Rnil million (2019: R3.5 million credit) related to this bonus appreciation plan during the year and at 31 March 2020 the group had recorded liabilities of Rnil million (2019: R34.7 million) in respect of this plan. The current portion of this liability is Rnil million (2019: R29.1 million).

	2020 Rm	2019 Rm
The Tsogo Sun Group Long-term Incentive Scheme		
Cash-settled, share-based long-term incentive plan	–	34
	–	34
Less: Current portion	–	(29)
Non-current portion	–	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

37. LONG-TERM INCENTIVE PLANS continued

37.2 Equity-settled – Tsogo Sun Hotels SAR Plan

Hotel employees who participated in the Tsogo Sun Group Long-term Incentive Scheme ('Tsogo Sun LTIP') (refer note 37.1) were given the option to: (a) accelerate the vesting of their notional shares held under the Tsogo Sun LTIP and receive settlement in cash, or (b) to elect to convert their notional shares held under the Tsogo Sun LTIP to share appreciation rights ('SAR') administered in terms of the equity-settled Tsogo Sun Hotels SAR plan ('SAR plan'). The conversion calculation was done on a basis which ensured that participants received SARs under the SAR plan that equated to the same fair value of their notional shares previously held under the Tsogo Sun LTIP on the conversion date (12 June 2019). The conversion was completed on 12 August 2019 and will ensure that hotel employees are incentivised based on the performance of the company's share price moving forward and will consequently, align their interests more closely with those of the company's shareholders. On conversion of the scheme the long-term incentive liability balance of R35 million was transferred to the share-based payments reserve.

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:

	2020
Spot price on 12 June 2019	R4.00
Dividend yield	4.70%
Share price volatility	24% – 28%
Risk-free rate	8.37%

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 R17 million relating to the share appreciation right for the 2020 financial year.

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

	Number of options 2020
As at 12 June 2019	95 208 319
Granted during the year	298 708
Exercised during the year	–
Expired during the year	(11 306 911)
Forfeited during the year	(2 564 337)
As at 31 March 2020	81 635 779
Vested and exercisable at 31 March 2020	42 285 707

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 2020
1 October 2014	1 October 2020	4.34	345 861
1 April 2015	1 April 2021	4.50	11 880 664
1 October 2015	1 October 2021	4.16	240 306
1 April 2016	1 April 2022	4.01	14 570 837
1 October 2016	1 October 2022	5.64	354 788
1 April 2017	1 April 2023	5.14	14 893 251
1 October 2017	1 October 2023	3.91	511 825
1 April 2018	1 April 2024	4.62	14 295 914
1 October 2018	1 October 2024	4.13	11 377 505
1 April 2019	1 April 2025	4.24	12 866 120
1 October 2019	1 October 2025	4.02	298 708
			81 635 779

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

38. PROVISIONS

	2020 Rm	2019 Rm
Provisions are made up as follows (refer also note 1(t)):		
At 1 April		
Long-service awards	58	53
Short-term incentives	67	61
	125	114
Created during the year		
Long-service awards[1]	12	7
Short-term incentives	63	57
Transfer		12
	75	76
Utilised during the year		
Long-service awards	(6)	(7)
Short-term incentives	(61)	(58)
	(67)	(65)
At 31 March		
Long-service awards	64	58
Short-term incentives	69	67
Total provisions (note 1(t))	133	125
Less: Current portion	(75)	(74)
Non-current portion	58	51

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.

	2020 Rm	2019 Rm
Movement in unfunded obligation:		
Benefit obligation at 1 April	58	53
Interest cost	5	5
Service cost	5	5
Actuarial loss/(gain)	2	(4)
Transfers	–	5
Benefits paid	(6)	(6)
Obligation at 31 March	64	58
The amounts recognised in the income statement are as follows:		
Interest cost	5	5
Current service cost	5	5
Actuarial loss/(gain)	2	(4)
	12	6
The principal actuarial assumptions used for accounting purposes are:		
Discount rate	8.70%	9.20%
Inflation rate	4.20%	5.40%
Salary increase rate	4.70%	5.90%
Pre-retirement mortality rate	SA 85 – 90 (Light) table	SA 85 – 90 (Light) table
The present value of the long-service award obligations for the current and prior years are as follows:		
Present value of unfunded obligations[1]	64	58
Experience adjustment on plan obligations	–	–

[1] *In order to reduce costs, the group amended its policy that with effect from 1 April 2020, certain employees would no longer be eligible for long-service awards.*

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

Due to the nature of the long-service award provisions the timing of their utilisation is uncertain. The short-term incentives provision is expected to be fully utilised within the next 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

39. OTHER NON-CURRENT LIABILITIES

	2020 Rm	2019 Rm
Straight-lining of operating leases	–	186
Gross	–	187
Less: Current portion	–	(1)
Non-current portion	–	186

The straight-lining of operating leases relates to the Cape Town City Bowl hotels and various leases of other properties within the group's portfolio of hotels per the requirements of IAS 17. IFRS 16 *Leases* has been applied from 1 April 2019.

40. TRADE AND OTHER PAYABLES

	2020 Rm	2019 Rm
Financial instruments		
Trade and other payables	423	409
Trade payables	132	120
Accrued expenses	180	159
Advance deposits[1]	60	61
Unallocated deposits	31	32
Amounts payable to hotel operators	–	15
Capital expenditure payables	3	–
Other payables	17	22
Non-financial instruments	199	222
VAT payable	5	35
Leave pay liability	60	55
Payroll-related payables	59	28
Long-term incentive liabilities current portion (note 37.1)	–	29
Provisions current portion (note 38)	75	74
Straight-lining of operating leases current portion (note 39)	–	1
	622	631

[1] *Advanced deposits consist of deposits made by corporate companies. These deposits are paid in advance for future bookings and are transferred to revenue. Performance obligations are met once the group has performed by providing accommodation or facilitated an event. The recognition of advanced deposits will occur within 12 months of the date recognised due to the nature of this deposit.*

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:

	2020 Rm	2019 Rm
SA Rand	516	500
Nigerian Naira	26	22
US Dollar	18	35
Mozambican Metical	25	21
Tanzanian Shilling	10	10
Kenyan Shilling	3	22
Seychelles Rupee	11	13
Zambian Kwacha	12	7
United Arab Emirates Dirham	1	1
	622	631

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

41. CASH GENERATED FROM OPERATIONS

	2020 Rm	2019 Rm
Loss before tax from operations	(1 129)	(10)
Adjusted for finance income and costs, share of profit of equity-accounted entities, dividends received and non-cash movements:		
Finance income	(40)	(38)
Finance costs	400	455
Share of profit of associates and joint ventures	3	(15)
Amortisation and depreciation	348	306
Impairment charge for bad and doubtful debts, net of reversals	20	3
Operating equipment usage	21	21
Straight-lining of operating leases	(11)	27
Movement in provisions	94	83
Long-term incentive expense	17	4
Loss on disposal of property, plant and equipment	2	3
Impairment of property, plant and equipment	716	94
Fair value adjustment on investment properties	888	445
Impairment in associate	17	–
Fair value adjustment on interest rate swaps	–	(2)
Inventory write-off	2	–
Translation impact on the income statement	2	3
Other non-cash movements and adjustments	5	(7)
Cash generated from operations before working capital movements	1 355	1 372
Working capital movements		
Increase in inventories	(13)	–
Increase in trade and other receivables	6	23
Decrease in payables and provisions	(27)	(84)
Cash generated from operations	1 321	1 311

42. INCOME TAX PAID

	2020 Rm	2019 Rm
Tax liability at 1 April	(98)	(68)
Current tax provided	(126)	(102)
Withholding tax	(4)	(6)
Currency translation	7	(1)
Tax liability at 31 March	100	98
	(121)	(79)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

43. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

43.1 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 R559 million (2019: R195 million), are as follows:

	Long-term borrowings 2020 Rm	Short-term borrowings 2020 Rm	Total 2020 Rm
At 1 April 2019	**2 885**	**290**	**3 175**
Borrowings raised	**2 179**	**–**	**2 179**
Borrowings repaid	**(1 361)**	**(290)**	**(1 651)**
Currency translation	**268**	**–**	**268**
Other	**3**	**–**	**3**
At 31 March 2020	**3 974**	**–**	**3 974**

	Long-term borrowings 2019 Rm	Short-term borrowings 2019 Rm	Total 2019 Rm
At 1 April 2018	2 909	–	2 909
Borrowings raised	174	–	174
Borrowings repaid	(145)	–	(145)
Currency translation	229	–	229
Transfer to short-term borrowings	(290)	290	–
Other	8	–	8
At 31 March 2019	2 885	290	3 175

43.2 Changes in lease liabilities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

44. BUSINESS ACQUISITION

Acquisition of Riverside Conference Centre

The group concluded an agreement with Riverside Conference Centre Proprietary Limited to acquire its conferencing business effective 1 May 2019. The fair value of the net asset acquired is equal to the fair value of the consideration paid at the date of acquisition. The total consideration payable in cash amounted to R8 million. The acquired business contributed R8 million to revenue for the year ended 31 March 2020.

The group have assessed the acquisition of the Riverside conferencing business and have concluded that the conference centre meets the definition of a business as defined in terms of IFRS 3 *Business Combinations*, as there are adequate processes identified to warrant classification as a business.

	Rm
Non-current assets	
Other intangible assets – intellectual property	**11**
Deferred tax liability	**(3)**
Net assets acquired	**8**
Less: Purchase consideration paid in cash – investing activities	**(8)**
Goodwill arising on purchase	**–**
Net outflow of cash on acquisition	
Purchase consideration paid	**(8)**
Net outflow of cash on acquisition	**(8)**

No goodwill arose on the acquisition.

45. RELATED PARTIES

The pre-listing statement for Tsogo Sun Hotels was released on 23 May 2019 with the effective date of the listing being 12 June 2019.

The entire TGO shareholding was unbundled by Tsogo Sun Gaming ('TSG') (previously Tsogo Sun Holdings Limited) to its shareholders (registered as such in the TSG register at the close of business on the record date, Friday, 14 June 2019), by way of a distribution *in specie* to TSG shareholders of one TGO share for every TSG share held, reflected as being held by that TSG shareholder on the record date. The listing of the entire issued share capital of Tsogo Sun Hotels in the 'travel and leisure' sector on the main board of the JSE was effective from the commencement of trade on Wednesday, 12 June 2019. As of the distribution date, Tuesday, 18 June 2019, TSG and TGO were independent public companies, the shares of which are listed on the JSE and have separate public ownership, boards of directors and management.

The company's ultimate majority shareholder is Hosken Consolidated Investments Limited (a company listed on the JSE) which, at the balance sheet date, directly and indirectly owned 49.4% (2019: 49.3%) of the company's issued share capital (excluding treasury shares). HCI directly owned 10.1% (2019: 9.7%) and is the majority shareholder of Tsogo Sun Investment Holding Company Proprietary Limited ('TIHC') and TIHC directly owned 39.3% (2019: 39.3%) of Tsogo Sun Hotels. These percentage shareholdings exclude treasury shares.

Southern Sun Hotel Interests Proprietary Limited ('SSHI') a subsidiary of Tsogo Sun Hotels entered into a lease agreement with Tsogo Sun Casinos Proprietary Limited ('TSC') a subsidiary of Tsogo Sun Gaming Limited in respect of leased premises comprising 4 000 m^2 of office space in Palazzo Towers East and Palazzo Towers West. The lease commenced on 1 April 2019 and shall continue for an indefinite term of years for a nominal rental. SSHI is not permitted to sublet any portion of the leased premises and should a change in shareholding of SSHI or THL occur of 35% or greater the lease may be terminated by TSC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

45. RELATED PARTIES continued

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.

	2020 Rm	2019 Rm
45.1 Transactions with related parties		
Management fees received from Tsogo Sun Gaming	41	44
Royalties received from Tsogo Sun Gaming	9	9
Management fees received from Tsogo Sun Gaming for shared services	18	19
Management fees paid to Tsogo Sun Gaming for shared services	(14)	(122)
Fees received from Tsogo Sun Gaming for administration services for hotels	33	–
Interest paid to Tsogo Sun Proprietary Limited (Tsogo Sun Gaming subsidiary)	(1)	(188)
Dividend received from associate RBH	26	12
Dividend paid to Tsogo Sun Gaming	–	(5)
	112	(231)

	2020 Rm	2019 Rm
45.2 Amounts owing by related parties		
Amounts receivable from Tsogo Sun Proprietary Limited	3	39
Loan to associate IHL	24	–
	27	39

These loans have been disclosed as other current assets.

These loans bear interest at market-related rates and are repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

45. RELATED PARTIES continued

45.3 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:

45.3.1 Executive directors

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

	Year ended 31 March 2019					
	Basic remune-ration R'000	Benefits R'000	Short-term incentives[5] R'000	Directors' fees from subsidiaries R'000	Long-term incentives R'000	Total paid R'000
J Booysen[3]	2 261	350	–	–	1 138	3 749
PJ Boshoff[3]	2 293	410	869	–	517	4 089
FV Dlamini[3]	3 027	369	819	–	1 041	5 256
RB Huddy[3]	3 825	521	1 315	–	1 138	6 799
L McDonald	1 627	324	469	256	350	3 026
R Nadasen[3]	1 158	309	–	–	–	1 467
RF Weilers[4]	2 045	92	1 625	–	–	3 762
Total remuneration	16 236	2 375	5 097	256	4 184	28 148

(1) *MN von Aulock appointed as executive director and CEO 10 May 2019.*
(2) *Short-term incentive paid relates to the achievement against target for 2019.*
(3) *Resigned on 10 May 2019.*
(4) *Resigned on 30 September 2018.*
(5) *Short-term incentive paid relates to the achievement against target for 2018.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

45. RELATED PARTIES continued

45.3 Key management compensation continued

45.3.2 Non-executive directors

	Directors' fees for the year ended 31 March 2020 R'000	2019 R'000
MH Ahmed	453	–
JA Copelyn	418	–
SC Gina	355	–
ML Molefi	361	–
JG Ngcobo	361	–
JR Nicolella	275	–
CC September	206	–
	2 429	–

45.3.3 Other key management and prescribed officers

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

Year ended 31 March 2019	Basic remuneration R'000	Benefits R'000	Short-term incentives[3] R'000	Long-term incentives R'000	Total paid R'000
MN von Aulock[4]	5 191	435	–	–	5 626
Total remuneration	5 191	435	–	–	5 626

[1] *Short-term incentive paid relates to the achievement against target for 2019.*
[2] *Resigned as executive director on 10 May 2019.*
[3] *Short-term incentive paid relates to the achievement against target for 2018.*
[4] *MN von Aulock appointed as executive director and CEO 10 May 2019.*

45.4 Contingencies, commitments and guarantees

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

46. FUTURE CAPITAL EXPENDITURE

	2020 Rm	2019 Rm
Authorised by directors but not yet contracted for:		
Property, plant and equipment	77	415
Investment property	115	231
Intangible assets: software	10	–
	202	646
Authorised by directors and contracted for:		
Property, plant and equipment	16	108
Investment property	35	19
Intangible assets: software	4	–
	55	127

The future capital expenditure on property, plant and equipment and investment property relates to refurbishment as well as general repairs and maintenance to hotel properties. Given the uncertainty created by the COVID-19 pandemic, all capital commitments have been deferred to a later date based on mutual agreement between the group and its major suppliers. No penalties or interest is expected to result from this deferral.

47. LEASE ARRANGEMENTS

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. Rental income is based on fixed, fixed and variable and variable lease agreements concluded with tenants. The majority of the leases are fixed and variable with the fixed rental amounts resetting after a number of years. In the long term, fixed rentals should always exceed variable rental income received. Property rentals (including investment property rentals – refer note 18: Investment properties) earned during the year was R331 million (2019: R357 million).

At the balance sheet date the group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases of property, plant and equipment in the aggregate and for each of the following periods. The rentals below relate only to fixed rentals and do not include any variable rentals or escalations based on CPI:

	2020 Rm	2019 Rm
Not later than one year	3	5
Later than one year and not later than five years	3	1
Later than five years	–	–
	6	6

48. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The COVID-19 pandemic and subsequent lockdown of the economy on 27 March 2020, and particularly the hospitality sector, has had a profound impact on the group. The measures taken by government to limit the spread of COVID-19 and the resultant inability for travellers to travel internationally and inter-provincially will limit the demand for hotel rooms, which will impact the group's revenue streams significantly for the 2021 financial year. Hotel trading is therefore expected to remain under pressure until the outlook on the South African economy improves.

Although the impact of COVID-19 is expected to have a longer-term impact on the hospitality industry and the group, management is not able to quantify the full impact at the date of this report. It is expected that the recovery of the industry will be slow due to the uncertainties around the health of travellers, and the negative economic impact on government, corporates and individuals to spend on hotel accommodation and conferences.

In response and as set out in the 'COVID-19 response and action plan' section of the commentary, the group has implemented the following steps to reduce costs and preserve cash:

Reduction of payroll burden: The group has implemented the temporary layoff of employees and has had to materially reduce pay for all levels including executive management and board members. The group will continue to operate on skeleton staffing levels until demand returns. In addition, employee recruitments and training have been placed on hold while salary increases, accrued bonus settlements and additional LTI allocations have been deferred. In order to alleviate the cash flow burden on both the group and its employees, applications have been submitted for the UIF TERS grant; pension and medical aid fund contribution holidays for a maximum period of three months; SDL payment holidays as well as PAYE payment deferrals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

48. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE continued

Rent relief: Where the group is a lessee, rent concessions have been concluded in May 2020 for Cape Town City Bowl Complex, Garden Court Marine Parade, Garden Court East London and Garden Court Nelson Mandela Boulevard. Reduced rentals have been agreed for the period of the lockdown and negotiations for the low demand period will continue. This is a non-adjusting event which has no impact on the 2020 financial year. For the leases that fall within the scope of IFRS 16 the group has elected to apply the practical expedient available to lessees for rent concessions.

The rent reduced with 50% of the lease payments for the first three to 12 months after 31 March 2020. 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 and reduction in lease payments affects only payments due before 30 June 2021. There is no substantive change to other terms and conditions of the lease.

The group has viewed the reduced rentals as variable lease payments against the lease liability and will recognise a gain in the income statement for this benefit in the period in which the event or condition that triggers the reduced payments occur.

Suppliers: The group has negotiated reduced or extended payment terms with major suppliers, particularly those providing fixed cost services such as security and lift maintenance. Municipal rates and taxes are a material fixed monthly cost for the group and while we currently continue to meet these obligations, we are lobbying government through industry bodies to grant a deferral or payment holiday. All contractual variable costs with suppliers have been reduced to nil until trading resumes by extending the period of the contracts.

Capital expenditure programme: The group has suspended all capital expenditure with only emergency capital expenditures and repairs and maintenance to be considered.

Facility capacity, liquidity and funding

The inability to generate revenue during the lockdown period, together with the expected slow recovery once the hotels can open and operate, made it clear the group will not be able to meet its covenant requirements in terms of its funding agreements for the measurement period 30 September 2020 and possibly 31 March 2021. Following negotiations with lenders, the group has secured:

- the waiver of its covenant requirements for the measurement period 30 September 2020, with the request for waiver of the 31 March 2021 to be considered post 30 September 2020;
- the capitalisation of bank funding interest to the group's revolving credit facilities until 30 September 2020.

At the date of the annual financial statements, the lenders are not able to provide waivers on the minimum covenant requirements for the measurement period ending 31 March 2021. This will only be considered post 30 September 2020 and management has no reason to believe that the necessary waivers will not be granted.

Property valuations

The group's property valuation methodology incorporates the use of the South African government bond yield 10Y. As at 31 March 2020, the rate applied was 10.50%. As at 26 May 2020, the yield has reduced to 9.01% and shareholders are referred to the sensitivity analysis presented in note 18 for the impact that such movements would have on the valuation of the property portfolio.

All of the above steps taken by management and the change in the bond yield are non-adjusting and accordingly have no impact on the financial results for the year ended 31 March 2020.

United Resorts and Hotels Limited disposal

The group has entered into a sale of shares and loans agreement with MH Limited, part of the Minor Hotels Group, dated 13 July 2020 in terms of which SSA will dispose of its entire 50% beneficial interest comprising shares and loan claims against United Resorts and Hotels Limited for aggregate proceeds of US$27.8 million being approximately R465 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

48. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE continued

Acquisition of additional shares in Hospitality Property Fund

The group acquired additional ordinary shares in Hospitality Property Fund Ltd. An ordinary resolution was proposed in terms of section 60 of the Companies Act to allow the board to acquire assets in exchange for ordinary shares in the group. On 10 July 2020 this resolution was duly approved by the group's shareholders entitled to exercise more than 50% of the voting rights exercisable thereon.

The group has entered into share for share agreements with Allan Gray Proprietary Limited (acting for and on behalf of numerous of their clients under discretionary mandates), and numerous clients of each of Aylett & Co Proprietary Limited, Prudential Investment Managers (South Africa) Proprietary Limited and Bateleur Capital Proprietary Limited (each of whom acted on behalf of their clients under discretionary mandates) to acquire, in aggregate, 46 137 907 Hospitality shares from their respective clients, in aggregate constituting 7.98% of Hospitality's issued share capital. The shares were acquired in exchange for the issue and allotment of 81 664 082 Tsogo Sun Hotels ordinary shares at an exchange ratio of 1.77 Tsogo Sun Hotels shares for every 1 Hospitality share acquired.

The group has also entered into share for share agreements with the trustees of the HCI Foundation and with Elsitime Proprietary Limited to acquire in aggregate 33 367 919 Hospitality shares constituting 5.8% of Hospitality's issued share capital. These shares will be acquired in exchange for the issue and allotment of 59 061 217 Tsogo Sun Hotels ordinary shares at an exchange ratio of 1.77 Tsogo Sun Hotels shares for every 1 Hospitality share acquired, which is the same exchange ratio as applied to previous transactions concluded with other Hospitality shareholders since 3 July 2020, including the transactions notified to shareholders on SENS on 20 July 2020. The effective date of these transactions is expected to be on or about 19 August 2020 at which point Tsogo Sun Hotels' shareholding in Hospitality will increase to 75%. Marcel von Aulock and Laurelle McDonald hold 75% and 25% respectively of the issued share capital of Elsitime Proprietary Limited.

49. FINANCIAL RISK MANAGEMENT

49.1 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 Hotel's 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 are closely monitored and are subject to management oversight and internal audit reviews.

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

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

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

Financial risk management is carried out by a central treasury department (Group Treasury) under policies approved by the board of directors. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the group's operating units. The board provides principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and non-derivative financial instruments and investing excess liquidity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

49. FINANCIAL RISK MANAGEMENT continued

49.1 Financial risk factors 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 risk as the group seeks to mitigate this exposure, where cost-effective, by securing its debt denominated in US Dollar and/or Euro in the offshore entities with assets and cash flows of those offshore operations where the functional currency of those entities is US Dollar and/or Euro, with no recourse to the South African operations. As a result, no forward cover contracts are required in respect of this debt. The group does not hedge currency exposures from the translation of profits earned in foreign currency subsidiaries, associates and joint ventures.

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

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

	Average rate		Reporting date closing rate	
	2020	2019	**2020**	2019
One US Dollar is equivalent to	**14.83**	13.66	**17.88**	14.51
One Euro is equivalent to	**16.47**	15.83	**19.66**	16.29

A 10% strengthening of the functional currency against the following currencies at 31 March would have increased/(decreased) profit or loss by the amounts shown below due to foreign exchange gains or losses on foreign denominated trade receivables, cash and cash equivalents and trade payables recorded in the local currency of the foreign operations. This analysis assumes no hedging and that all other variables, in particular interest rates, remain constant. This analysis was performed on the same basis for 2019.

	2020 Rm	2019 Rm
Euro	*	–
Mozambican Meticals	**2**	–
Nigerian Naira	**–**	(1)
US Dollar	**1**	(1)
Other	**1**	1

* *Amount less than R1 million.*

A 10% weakening of the functional currency against above currencies at 31 March would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

49. FINANCIAL RISK MANAGEMENT continued

49.1 Financial risk factors continued

(a) *Market risk* continued

The following carrying amounts were exposed to foreign currency exchange risk:

(ii) *Interest rate risk*

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

Hedge accounting is applied to the group's interest rate swaps. The group's primary interest rate risk arises from long-term borrowings (excluding bank overdrafts). Borrowings at variable rates expose the group to cash flow interest rate risk. Borrowings at fixed rates expose the group to fair value interest rate risk. In line with group policy, a portion of the group debt is hedged. Refer to notes 35 and 51.

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 2020, 40% (2019: 35%) of consolidated gross borrowings and 49% (2019: 45%) 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. As the group does not hedge 100% of its borrowings, the hedged item is identified as a proportion of the outstanding borrowings up to the notional amount of the swaps. 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 or debit value adjustment on the interest rate swaps which is not matched by borrowings;
- 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 6.69% to 7.42% as at 31 March 2020 referenced against the three month JIBAR of 5.61% (2019: Fixed interest rate swaps ranged from 7.16% to 7.42% as at 31 March 2019 referenced against the three-month JIBAR of 7.15%).

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

	2020 Rm	2019 Rm
Linked to three-month JIBAR	**2 550**	1 959
Linked to three-month USD LIBOR	**1 398**	1 178
Linked to Central Bank prime rate in Mozambique	**32**	46
	3 980	3 183

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

49. FINANCIAL RISK MANAGEMENT continued

49.1 Financial risk factors continued

(a) *Market risk* continued

(ii) *Interest rate risk* continued

At 31 March, the interest rate profile of the group's interest-bearing financial instruments, excluding the effect of interest rate swaps and bank overdrafts, was:

	Carrying amount 2020 Rm	2019 Rm
Variable rate instruments		
Financial assets	–	–
Financial liabilities	3 980	3 183
	3 980	3 183

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 R40 million (2019: R32 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 2019.

(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 pricing risk – refer note 23.

(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.

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 note 27: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

49. FINANCIAL RISK MANAGEMENT continued

49.1 Financial risk factors continued

(c) *Liquidity risk* continued

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 2020, the group had 19% (2019: 15%) 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.

	2020 Rm	2019 Rm
Debt at 1 April	(3 165)	(2 920)
Net increase in debt during the year	(816)	(263)
Accrued interest	–	18
Debt at 31 March	(3 981)	(3 165)
Credit facilities[1]	4 921	3 784
Headroom available	940	619

[1] *Excludes indirect facilities (letters of guarantees, forward exchange contracts and letters of credit), finance leases and bank overdrafts.*

The group sources its funding from a syndicate of three 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:

	2020 facility Total Rm	Utilisation Rm	Available Rm	2019 facility Total Rm	Utilisation Rm	Available Rm
Demand facilities (overdrafts)	40	–	40	20	–	20
Term facilities maturing 15 April 2019	–	–	–	230	230	–
Term facilities maturing 20 February 2020	–	–	–	104	60	44
Overnight loan facilities maturing 12 June 2020	300	–	300	–	–	–
Term facilities maturing 31 August 2020	–	–	–	1 050	550	500
Term facilities maturing 31 March 2021	–	–	–	218	218	–
Revolving credit facilities maturing 30 April 2020	250	150	100	–	–	–
Term facilities maturing 31 December 2021	259	259	–	210	210	–
Term facilities maturing 31 March 2022	532	439	93	852	797	55
Term facilities maturing 31 August 2022	500	500	–	500	500	–
Revolving credit facilities maturing 31 December 2022	500	200	300	–	–	–
Revolving credit facilities maturing 11 February 2023	393	286	107	–	–	–
Term facilities maturing 31 March 2023	600	600	–	600	600	–
Term facilities maturing 31 March 2024	300	300	–	–	–	–
Term facilities maturing 30 September 2024	800	800	–	–	–	–
Revolving credit facilities maturing 11 February 2025	447	447	–	–	–	–
	4 921	3 981	940	3 784	3 165	619

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

49. FINANCIAL RISK MANAGEMENT continued

49.1 Financial risk factors continued

(c) Liquidity risk continued

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

	Less than 1 year Rm	Between 1 and 2 years Rm	Between 2 and 5 years Rm	Over 5 years Rm
At 31 March 2020				
Bank borrowings	**131**	**967**	**1 524**	**–**
Corporate bonds	**124**	**124**	**1 931**	**–**
Lease liabilities	**119**	**515**	**1 442**	**–**
Bank overdrafts	**559**	**–**	**–**	**–**
Derivative financial instruments	**–**	**–**	**50**	**–**
Trade and other payables	**423**	**–**	**–**	**–**
	1 356	**1 606**	**4 947**	**–**
At 31 March 2019				
Bank borrowings	172	901	1 625	–
Corporate bonds	370	55	709	–
Bank overdrafts	195	–	–	–
Derivative financial instruments	–	–	2	–
Trade and other payables	409	–	–	–
	1 146	956	2 336	–

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

49. FINANCIAL RISK MANAGEMENT continued

49.2 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:

	Financial assets at amortised cost Rm	Financial assets at FVPL Rm	Derivatives used for hedging Rm	Other financial liabilities at amortised cost Rm	Not categorised as a financial instrument Rm	Total Rm	Non-current Rm	Current Rm
At 31 March 2020								
Financial assets								
Non-current receivables	**14**	**–**	**–**	**–**	**–**	**14**	**14**	**–**
Derivative financial instruments	**–**	**2**	**–**	**–**	**–**	**2**	**2**	**–**
Trade and other receivables	**375**	**–**	**–**	**–**	**79**	**454**	**–**	**454**
Cash and cash equivalents	**1 281**	**–**	**–**	**–**	**–**	**1 281**	**–**	**1 281**
Financial liabilities								
Interest-bearing borrowings	**–**	**–**	**–**	**4 539**		**4 539**	**3 980**	**559**
Lease liabilities	**–**	**–**	**–**	**1 037**	**–**	**1 037**	**1 024**	**13**
Derivative financial instruments	**–**	**–**	**50**	**–**	**–**	**50**	**50**	**–**
Trade and other payables	**–**	**–**	**–**	**423**	**199**	**622**	**–**	**622**
At 31 March 2019								
Financial assets								
Non-current receivables	6	–	–	–	–	6	6	–
Trade and other receivables	370	–	–	–	88	458	–	458
Cash and cash equivalents	407	–	–	–	–	407	–	407
Financial liabilities								
Interest-bearing borrowings	–	–	–	3 370	–	3 370	2 885	485
Trade and other payables	–	–	–	409	292	701	–	701

50. CAPITAL RISK MANAGEMENT

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

The group defines capital as equity funding provided by shareholders and debt funding from external parties. Shareholder funding comprises permanent paid-up capital, share premium, revenue reserves and other reserves as disclosed in the balance sheet. Debt funding comprises loans from shareholders, banking institutions and corporate bonds and net debt represents gross debt net of all cash reserves.

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

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound equity position. The group's debt capacity and optimal gearing levels are determined by the cash flow profile of the group and are measured through applicable ratios such as net debt to Ebitdar and interest cover which ratios were complied with throughout the year. These ratios provide a framework within which the group's capital base is managed. The group's current utilisation of debt facilities is shown in note 49.1(c).

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

Under the terms of the borrowing facilities, the group is required to comply with the following financial covenants:

Tsogo Sun Hotels:

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

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%

Ebitda is defined as earnings before interest, taxation, depreciation, amortisation, long-term incentives and exceptional items.

No debt covenants in respect of external borrowings were breached during the year under review. The covenants are monitored and reported to the board and chief operating decision maker on a quarterly basis. Apart from the external debt borrowing covenants, the group is not subject to externally imposed capital requirements, with the exception of HPF. HPF, being a REIT status entity, is subject to its total liabilities being limited by the Listings Requirements of the JSE for REITs to 60% of total assets. Furthermore, HPF's borrowings are limited in terms of the Listings Requirements of the JSE to 60% of the directors' *bona fide* valuation of the consolidated property portfolio of HPF. These requirements were not breached during the year under review.

During the year under review, the group's internal covenants strategy was to ensure that net debt was no more than 3.0 times (2019: 3.0 times) Ebitdar. Ebitdar, being the driver of profitability and equity contributor, is the critical measurement criteria used to manage debt and capital levels.

	2020 Rm	2019 Rm
Total borrowings (note 32)	4 533	3 370
Less: Cash and cash equivalents (note 28)	(1 281)	(212)
Net debt	3 252	3 158
Ebitdar (note 5)	1 352	1 491
Net debt/Ebitdar (times)	2.4	2.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

51. 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.

	2020 Rm	2019 Rm
Investment in RDI REIT	2	–

Financial instruments in level 2

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

The group has the following level 2 financial instruments (note 35), which are subject to enforceable master netting arrangements which are not offset due to offsetting requirements not being met as at 31 March:

	2020 Rm	2019 Rm
Derivative financial instrument – interest rate swaps assets	–	2
Derivative financial instrument – interest rate swaps liabilities	(50)	(2)

Financial instruments and investment property in level 3

The level 3 basis of fair value is 'market value' which is defined as an opinion of the best price at which the sale of a financial instrument and investment property, taking into account existing conditions, would have been completed unconditionally for a cash consideration on the date of valuation assuming:

- A willing seller;
- That the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as at the date of valuation;
- That no account is taken of any additional bid by a prospective purchaser with a special interest; and
- That both parties to the transaction had acted knowledgeably, prudently and without compulsion.

The group has the following level 3 financial instruments and investment property:

	2020 Rm	2019 Rm
Investment properties (note 18)	4 149	4 881
	4 149	4 881

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

52. SUBSIDIARIES HAVING MATERIAL NON-CONTROLLING INTERESTS

The total non-controlling interests' share of profit for the year and accumulated non-controlling interests are allocated as follows:

	Place of business	NCI's ownership as at 31 March		Share of profit for the year 31 March		Accumulated non-controlling interests as at 31 March	
		2020 %	2019 %	2020 Rm	2019 Rm	2020 Rm	2019 Rm
HPF	South Africa	41	41	(320)	22	2 187	2 767
Ikoyi Hotels Limited	Nigeria	24	24	–	2	161	161
Other non-material non-controlling interests				(8)	(6)	4	11
				(328)	18	2 352	2 939

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

	HPF		Ikoyi Hotels Limited	
Summarised balance sheets as at 31 March	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Non-current assets	9 980	12 025	1 003	806
Current assets	363	176	32	94
Total assets	10 343	12 201	1 035	900
Non-current liabilities	2 600	1 674	176	185
Current liabilities	70	305	33	49
Total liabilities	2 670	1 979	209	234
Net assets	7 673	10 222	826	666
Summarised income statements for the year ended 31 March				
Revenue	769	830	125	111
(Loss)/profit before income tax	(1 988)	(194)	(5)	14
Income tax credit/(expense)	–	–	1	(4)
(Loss)/profit for the year	(1 988)	(194)	(4)	10
Total comprehensive (loss)/income	(1 988)	(194)	(4)	10
Dividends paid to non-controlling interests	(244)	(279)	–	–
Summarised cash flows for the year ended 31 March				
Cash generated from operations	781	762	21	27
Interest received	11	17	–	1
Finance costs paid	(207)	(184)	(10)	(10)
Income tax paid	–	10	(8)	–
Dividends paid	(584)	(688)	–	–
Net cash generated from/(utilised in) operations	1	(83)	3	18
Net cash utilised for investment activities	(416)	(212)	(20)	(21)
Net cash generated from financing activities	674	308	43	–
Net increase/(decrease) in cash and cash equivalents	259	12	26	(3)
Foreign currency translation	–	–	(29)	6
Cash and cash equivalents at beginning of year	403	391	25	22
Cash and cash equivalents at end of year	662	403	22	25

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

53. SUBSIDIARY COMPANIES

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

Subsidiary	Issued share capital 2020 Rm	Issued share capital 2019 Rm	Effective holding 2020 %	Effective holding 2019 %	Shares at cost, net of impairment 2020 Rm	Shares at cost, net of impairment 2019 Rm
Direct shareholding						
Southern Sun Hotel Interests (Pty) Ltd	1 061	1 061	100	100	2 713	2 713
Hospitality Property Fund Limited	578	578	59	59	4 050	5 224
Majormatic 194 (Pty) Ltd	*	*	100	100	11	15
Elsivert (Pty) Ltd	*	*	100	100	75	75
Southern Sun Offshore (Pty) Ltd	*	*	100	100	1 534	1 923
Indirect shareholding						
Southern Sun Middle East Investment Holdings (Pty) Limited	*	*	100	100	*	*
Southern Sun Africa Limited	*	*	100	100	397	397
Ikoyi Hotels Limited	3	3	76	76	–	–
Lavado Holding BV	*	*	100	100	2	2
Reshub (Pty) Ltd	*	*	100	100	*	*
					8 782	10 350

* *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 abovementioned 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.

54. GOING CONCERN

The consolidated financial statements are prepared on the going concern basis. Based on the cash flow forecasts, available cash resources and the other measures the group has taken or plans to take, 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 2020, the group has net cash and cash equivalents of R722 million (2019: R212 million). The group has R4.0 billion (2019: R3.2 billion) of interest-bearing debt (excluding capitalised lease liabilities) and access to sufficient undrawn short-term 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. The board of directors of the company has assessed the cash flow forecasts together with the other actions taken or proposed by management and is of the view that the group has sufficient liquidity to meet its obligations and to counteract the expected losses that may result from the COVID-19 impact on the group's operations in the next financial year.

The recoverable amount for property, plant and equipment has been determined by calculating the value in use using a discounted cash flow model. The impact of COVID-19 on the cash flow forecasts reduced the value in use and the property, plant and equipment was impaired by R716 million. Refer to note 16 of the financial statements. Equally, the cash flow forecasts impacted the fair value of the investment properties negatively and consequently a fair value adjustment of R888 million was recognised. Refer to note 18 of the financial statements.

ANALYSIS OF SHAREHOLDING

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Shareholder spread				
1 – 1 000	2 077	56.32	493 537	0.05
1 001 – 10 000	883	23.94	2 996 453	0.28
10 001 – 100 000	338	9.16	13 147 562	1.24
100 001 – 1 000 000	292	7.92	102 453 739	9.66
Over 1 000 000	98	2.66	941 804 421	88.77
Total	3 688	100.00	1 060 895 712	100.00
Distribution of shareholders				
Assurance companies	37	1.00	10 989 906	1.04
Close corporations	20	0.54	2 494 376	0.24
Collective investment schemes	220	5.97	271 693 752	25.61
Control accounts	3	0.08	27	0.00
Custodians	24	0.65	1 055 165	0.10
Foundations and charitable funds	35	0.95	14 218 647	1.34
Hedge funds	7	0.19	27 235 403	2.57
Insurance companies	7	0.19	3 535 940	0.33
Investment partnerships	13	0.35	104 956	0.01
Managed funds	33	0.89	3 962 327	0.37
Medical aid funds	21	0.57	6 253 749	0.59
Organs of state	1	0.03	943 574	0.09
Private companies	77	2.09	457 602 750	43.13
Public companies	11	0.30	115 594 140	10.90
Public entities	3	0.08	550 509	0.05
Retail shareholders	2 773	75.19	20 134 706	1.90
Retirement benefit funds	221	5.99	98 310 259	9.27
Scrip lending	3	0.08	3 750 281	0.35
Share schemes	1	0.03	435 558	0.04
Sovereign funds	3	0.08	12 731 484	1.20
Stockbrokers and nominees	16	0.43	1 324 802	0.12
Trusts	155	4.20	7 973 122	0.75
Unclaimed scrip	4	0.11	279	0.00
Total	3 688	100.00	1 060 895 712	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).*

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Shareholder type				
Non-public shareholders	11	0.30	529 684 128	49.93
>10% HCI and its subsidiaries	4	0.11	523 819 720	49.38
Directors and associates	7	0.19	5 864 408	0.55
Public shareholders	3 677	99.70	531 211 584	50.07
Total	3 688	100.00	1 060 895 712	100.00

	Number of shareholdings	Number of shares	% of issued capital
Fund managers with a holding greater than 3% of the issued shares			
Allan Gray		204 390 080	19.27
Steyn Capital Management		57 903 827	5.46
PSG Asset Management		41 423 415	3.90
Prudential Investment Managers		32 707 928	3.08
Total		336 425 250	31.71
Beneficial shareholders with a holding greater than 3% of the issued shares			
TIHC Investments (RF) Proprietary Limited		415 182 027	39.14
Allan Gray		123 089 731	11.60
HCI		106 784 202	10.07
PSG		41 418 475	3.90
Steyn Capital		33 501 242	3.16
Total		719 975 677	67.87
Total number of shareholdings	3 688		
Total number of shares in issue	1 060 895 712		
Share price performance			
Opening price 12 June 2019	R2.70		
Closing price 31 March 2020	R1.58		
Closing high for period	R4.60		
Closing low for period	R1.30		
Number of shares in issue	1 060 895 712		
Volume traded during period	255 559 913		
Ratio of volume traded to shares issued	24.09%		
Rand value traded during the period	R959 732 883		
Price:earnings ratio as at 31 March 2020	15.19		
Earnings yield as at 31 March 2020	6.58		
Dividend yield as at 31 March 2020	0		
Market capitalisation as at 31 March 2020	R1 676 215 225		

DIRECTORS' INTERESTS

	31 March 2020				At listing (12 June 2019)			
	Direct beneficial	Indirect beneficial[1]	Associates	Total	Direct beneficial	Indirect beneficial[1]	Associates	Total
Executive directors								
MN von Aulock[3]	–	2 916 388	–	2 916 388	–	235 495	–	235 495
L McDonald[2][3]	46 377	–	–	46 377	46 377	–	–	46 377
Non-executive directors								
JA Copelyn	–	2 591 111	–	2 591 111	–	1 973 836	–	1 973 836
JR Nicolella	–	–	59 479	59 479	–	–	2 479	2 479
Total	46 377	5 507 499	59 479	5 613 355	46 377	2 209 331	2 479	2 258 187

Refer to note 3 below for changes in the above interests of directors subsequent to year end and the date of approval of the consolidated annual financial statements.

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

[2] *These shares were acquired in terms of the Gold Reef Share Scheme Trust ('Trust'), an equity-settled share-based compensation plan established in September 1999. Shares acquired through the share scheme were settled by the participants at the subscription prices as determined in the option contracts by way of loans granted by the Trust to the participants. Any dividends paid on those shares are utilised to reduce the balance owing by participants. Loans to participants incur fringe benefit tax as the loans are interest free.*

[3] *The group has entered into a share for share agreement with Elsitime Proprietary Limited to acquire 559 746 Hospitality shares. These shares will be acquired in exchange for the issue and allotment of 990 750 Tsogo Sun Hotels ordinary shares at an exchange ratio of 1.77 Tsogo Sun Hotels shares for every 1 Hospitality share acquired. The effective date of this transaction in expected to be on or about 19 August 2020. Marcel von Aulock and Laurelle McDonald hold 75% and 25% respectively of the issued share capital of Elsitime Proprietary Limited.*

NOTICE OF ANNUAL GENERAL MEETING

TSOGO SUN HOTELS LIMITED
(formerly Southern Sun Hotels Proprietary Limited)
(Incorporated in the Republic of South Africa)
(Registration number 2002/006356/06)
JSE share code: TGO
ISIN: ZAE000272522
('the company')

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given to shareholders of the company that the annual general meeting ('AGM') of the company will be held on Tuesday, 20 October 2020 at 08:30 (or if the AGM of the company's subsidiary, Hospitality Property Fund Limited, has not yet ended by 08:30, then the AGM shall commence immediately after the closure of that meeting) to (i) deal with such business as may lawfully be dealt with at the meeting, and (ii) consider and, if deemed fit, to pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, 71 of 2008, as amended ('the Companies Act'), as read with the Listings Requirements of the JSE Limited ('the JSE Listings Requirements'). This document is available in English only. The proceedings at the meeting will be conducted in English.

In light of the restrictions on travel and the holding of public gatherings pursuant to the regulations published in terms of section 27(2) of the Disaster Management Act, 2002 relating to the COVID-19 pandemic, it is not currently possible or legally permissible to hold the AGM in person at the company's registered office. **The board has therefore decided to proceed with the AGM by way of electronic participation only and not by way of a physical meeting.** The AGM will accordingly be accessible through electronic communication, as permitted by the JSE and in accordance with the provisions of the Companies Act and the company's memorandum of incorporation ('MOI'). **'Attendance' throughout this notice will refer to electronic attendance.**

The AGM will be remotely hosted via Microsoft Teams, a remote interactive electronic platform.

Should it become possible or feasible after the date of this notice for the AGM to be held in person due to a significant relaxation of restrictions relating to COVID-19 or otherwise, the board will consider whether to nevertheless hold the AGM in person, but if it does so, it will communicate any changes to the proposed methodology and location of the AGM by publication of a further announcement on SENS to that effect.

Section 63(1) of the Companies Act: Identification of meeting participants
Meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a meeting. Forms of identification that will be accepted include original and valid identity documents, drivers' licences and passports.

Salient dates:
The following dates apply to the AGM:

Record dates
In terms of sections 59(1)(a) and (b) of the Companies Act, the directors have determined that the date on which a shareholder must be registered in the company's register of shareholders in order to:
- receive notice of the AGM is Friday, 14 August 2020; and
- participate in and vote at the AGM is Friday, 9 October 2020.

The last day to trade in order to be registered in the company's register of shareholders to be able to participate in and vote at the AGM will therefore be Tuesday, 6 October 2020.
- The recommended date for shareholders to lodge proxy forms is 08:30 on Friday, 16 October;
- Shareholders or their duly authorised proxies who wish to participate in the AGM, must register to do so by lodging a completed Electronic Participation Application Form with the company's transfer secretaries, Link Market Services South Africa Proprietary Limited ('Link'), as soon as possible after receipt of this notice, but in any event no later than 08:30 on Friday, 16 October 2020.

Voting requirements
All ordinary resolutions will, in terms of the Companies Act and the company's MOI require support of more than 50% (fifty percent) of the voting rights of shareholders, in their capacity as shareholders, exercised thereon at the AGM, to be approved. All special resolutions will, in terms of the Companies Act and the company's MOI, require support of at least 75% (seventy-five percent) of the total voting rights of shareholders, in their capacity as shareholders, exercised thereon at the AGM, to be approved.

1. PRESENTATION OF THE AUDITED ANNUAL FINANCIAL STATEMENTS OF THE COMPANY, INCLUDING THE REPORTS OF THE DIRECTORS, EXTERNAL AUDITORS, THE AUDIT COMMITTEE AND THE SOCIAL AND ETHICS COMMITTEE, FOR THE YEAR ENDED 31 MARCH 2020

In accordance with the Companies Act, the audited consolidated annual financial statements of the company (including the reports of the directors, external auditors and the audit committee) for the year ended 31 March 2020 as approved by the board of directors as set out on pages 79 to 163 is presented to shareholders.

In accordance with Regulation 43 of the Companies Regulations, 2011, the social and ethics committee has reported throughout the integrated annual report of which this notice forms a part and more specifically on pages 43 and 67 on the execution of its statutory duties and its responsibilities as set out in its terms of reference, for the financial year ended 31 March 2020. Any specific questions to the social and ethics committee may be addressed to the company secretary prior to the meeting at companysecretaryTGO@tsogosun.com.

2. ORDINARY RESOLUTION NUMBER 1: RE-ELECTION OF THE COMPANY'S DIRECTORS BY SEPARATE RESOLUTIONS

2.1 Ordinary Resolution Number 1.1
'Resolved that Mr SC Gina, who retires by rotation in terms of the memorandum of incorporation of the company and who is eligible and available for re-election, is re-elected as a director of the company.'

2.2 Ordinary Resolution Number 1.2
'Resolved that Dr LM Molefi, who retires by rotation in terms of the memorandum of incorporation of the company and who is eligible and available for re-election, is re-elected as a director of the company.'

Reason for Ordinary Resolution Number 1: Re-election of directors at the AGM
In accordance with the company's MOI, one-third of the company's non-executive directors are required to retire at each AGM and may offer themselves for re-election. The non-executive directors to retire are firstly those appointed since the last AGM to fill a casual vacancy; secondly those that have been in office the longest and in pursuance to the aforementioned or in addition thereto, any director that has been in office for a period of 3 (three) years since his/her last election.

The nomination committee has considered the past performance and contribution to the company of the directors standing for re-election and recommends to shareholders that they be re-elected.

NOTICE OF ANNUAL GENERAL MEETING continued

Abridged *curriculum vitae* of each of the directors standing for re-election appears below.

Mr SC Gina
Independent non-executive director
Dip (Labour Law)

Date of appointment: 10 May 2019

Chris resigned as the deputy secretary general of the South African Clothing and Textile Workers Union in September 2019. Chris serves on the boards of Hospitality Property Fund Limited, Ithala Development Finance Corporation, Star Knitting (Mauritius) and Edafund (NPO). He also serves as a labour convenor for the KwaZulu-Natal Provincial Government Economic Council. Chris formed part of the International Labour Organisation to Thailand in 2015, where he presented a South African Labour Law perspective in collective bargaining and trade unions.

Committee memberships: audit and risk; social and ethics

Dr LM Molefi
Independent non-executive director
BSc, MB ChB

Date of appointment: 10 May 2019

Moretlo is a versatile well-qualified entrepreneur and an experienced business executive. She has been one of a few pioneers of telemedicine in South Africa and Africa with representation at various levels of government and non-governmental organisations. She has a broad knowledge of the mobile health industry and the technology world in general. Moretlo runs her own business and is involved in social entrepreneurship programmes locally and internationally. She has a BSc and a MB ChB degree and serves on a number of boards, including Hospitality Property Fund Limited and The International Society for Telemedicine.

Committee memberships: audit and risk; social and ethics; remuneration

3. ORDINARY RESOLUTION NUMBER 2: REAPPOINTMENT OF THE EXTERNAL AUDITOR

'Resolved that PricewaterhouseCoopers Inc. be reappointed as the company's independent external auditor (to report on the financial year ending 31 March 2021).'

Reason for Ordinary Resolution Number 2: Reappointment of external auditor
In terms of section 90(1) of the Companies Act, each year at its AGM, the company must appoint an auditor who complies with the requirements of section 90(2) of the Companies Act. PricewaterhouseCoopers Inc. ('PWC') has indicated its willingness to continue in office. P Calicchio shall serve as the registered audit partner in relation to the audit.

The company's audit and risk committee has considered PWC's independence in accordance with the Companies Act and is satisfied that PWC is independent as contemplated by the Companies Act and the applicable rules of the International Federation of Accountants ('IFAC').

Furthermore, the company's audit and risk committee has, in terms of paragraphs 3.84(g)(iii) and 3.86 of the JSE Listings Requirements, considered and satisfied itself that PWC, the reporting accountant and individual auditor are accredited to appear on the JSE list of Accredited Auditors in compliance with section 22 of the JSE Listings Requirements and are suitable for appointment.

As proposed by Ordinary Resolution Number 2, the audit and risk committee can therefore recommend PWC for appointment as the registered independent external auditor of the company until the next AGM, subject to shareholder approval as required in terms of section 90(1) of the Companies Act.

4. ORDINARY RESOLUTION NUMBER 3: ELECTION OF THE MEMBERS OF THE AUDIT AND RISK COMMITTEE BY SEPARATE RESOLUTIONS

4.1 Ordinary Resolution Number 3.1: Election of Mr MH Ahmed as a member and the Chair of the audit and risk committee

'Resolved that Mr MH Ahmed, being an independent non-executive director of the company, be elected as a member and chair of the audit and risk committee of the company with effect from the conclusion of this annual general meeting (in terms of section 94(2) of the Companies Act).'

4.2 Ordinary Resolution Number 3.2: Election of Mr SC Gina as a member of the audit and risk committee

'Resolved that Mr SC Gina, being an independent non-executive director of the company, be elected as a member of the audit and risk committee of the company with effect from the conclusion of this meeting (in terms of section 94(2) of the Companies Act), subject to his re-election as an independent non-executive director in terms of ordinary resolution number 1.1.'

4.3 Ordinary Resolution Number 3.3: Election of Dr LM Molefi as a member of the audit and risk committee

'Resolved that Dr LM Molefi, being an independent non-executive director of the company, be elected as a member of the audit and risk committee of the company with effect from the conclusion of this meeting (in terms of section 94(2) of the Companies Act), subject to her re-election as an independent non-executive director in terms of ordinary resolution number 1.2.'

4.4 Ordinary Resolution Number 3.4: Election of Mr JG Ngcobo as a member of the audit and risk committee

'Resolved that Mr JG Ngcobo, being an independent non-executive director of the company, be elected as a member of the audit and risk committee of the company with effect from the conclusion of this meeting (in terms of section 94(2) of the Companies Act).'

Reason for Ordinary Resolution Number 3: Election of the members of the audit and risk committee
In terms of section 94(2) of the Companies Act and the King IV Report on Governance for South Africa 2016 ('King IV') the audit and risk committee is a committee of the board elected by shareholders at each AGM. In terms of the regulations to the Companies Act, at least one-third of the members of a company's audit and risk committee at any particular time must have academic qualifications, or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management.

The company's board, having satisfied itself, among others, of the independence, qualifications, experience and expertise of the independent non-executive directors offering themselves for election as members of the company's audit and risk committee, recommends their election to shareholders.

5. ORDINARY RESOLUTION NUMBER 4: GENERAL AUTHORITY TO DIRECTORS TO ALLOT AND ISSUE AUTHORISED BUT UNISSUED SHARES

'Resolved that, to the extent required by and subject to the memorandum of incorporation of the company, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, the directors are, as a general authority and approval, authorised, as they in their discretion think fit, to allot and issue the authorised but unissued ordinary shares in the company to such person(s) and upon such terms and conditions as the directors may determine. Such authority to remain valid until the conclusion of the next AGM.'

Reason for Ordinary Resolution Number 4: General authority to directors to allot and issue authorised but unissued shares
In terms of the company's MOI, shareholders may authorise the directors to allot and issue authorised but unissued shares as the directors in their discretion think fit, but at all times subject to the Companies Act and the JSE Listings Requirements. The directors consider it advantageous to obtain this authority to enable the company to take advantage of any business opportunities that may arise in future, particularly in the current financial and economic environment. Being able to act promptly on such opportunities through the issue of shares, puts the company in an advantageous position at the time of negotiations, and allows the company to protect its cash resources.

NOTICE OF ANNUAL GENERAL MEETING continued

6. ADVISORY ENDORSEMENT NUMBER 1: NON-BINDING ADVISORY ENDORSEMENT OF THE REMUNERATION POLICY

To endorse, through a non-binding advisory vote, the company's remuneration policy as set out on page 72 of the integrated annual report.

Reason for endorsement of the remuneration policy

In terms of King IV recommendations, the company's remuneration policy should be tabled for a non-binding advisory vote at the AGM. The essence of this vote is to enable the shareholders to express their views on the remuneration policies adopted by the company.

Should 25% (twenty-five percent) or more of the voting rights exercised by the shareholders on this non-binding vote, be cast against the remuneration policy, the company undertakes to invite such dissenting shareholders to engage with the company in order to ascertain the reasons therefor and to address legitimate and reasonable objections and/or concerns.

7. ADVISORY ENDORSEMENT NUMBER 2: NON-BINDING ADVISORY ENDORSEMENT OF THE REMUNERATION IMPLEMENTATION REPORT

To endorse, through a non-binding advisory vote, the company's remuneration implementation report with regard to the remuneration of directors set out on page 75 of the integrated annual report.

Reason for endorsement of the implementation report

In terms of King IV recommendations, the company's remuneration implementation report should be tabled for a non-binding advisory vote at the AGM. The essence of this vote is to enable the shareholders to express their views on the company's remuneration implementation report.

Should 25% (twenty-five percent) or more of the voting rights exercised by the shareholders on this non-binding vote, be cast against the remuneration implementation report, the company undertakes to invite such dissenting shareholders to engage with the company in order to ascertain the reasons therefor and to address legitimate and reasonable objections and/or concerns.

8. SPECIAL RESOLUTION NUMBER 1: NON-EXECUTIVE DIRECTORS' REMUNERATION FOR THE PERIOD FROM 20 OCTOBER 2020 UNTIL THE CONCLUSION OF THE NEXT AGM

'Resolved that, in terms of the company's memorandum of incorporation and sections 66(8) and 66(9) of the Companies Act, the payment of the remuneration of the non-executive directors of the company, for their services as directors, for the period from 20 October 2020 until the conclusion of the next AGM and/or as members of the board sub-committees, be approved as set out below:

Fees for the period 20 October 2020 until conclusion of the next AGM	Chairman (Rand)	Member (Rand)
Board (per annum)	410 000	275 000
Lead Independent Director (per annum)	–	325 000
Audit and risk committee (per annum)	170 000	109 000
Remuneration and nomination committee (assuming two meetings per annum)[(1)]	17 500	15 000
Social and ethics committee (per annum)[(1)]	14 500	11 500

(1) *Members earn a fee per meeting, for actual attendance. Two meetings per annum has been assumed in total fees for the period.*

The above fees have not been increased from those approved by shareholders at the AGM held on 17 October 2019. Furthermore, non-executive directors' fees were reduced by 40% (forty percent) for the month of April 2020 and by 60% (sixty percent) for the months thereafter and may be adjusted upwards or downwards until the AGM (subject to the maximum amount approved at the previous AGM), based on an assessment of what the company is likely to be able to afford during the time that the business is impacted by COVID-19.

Reason for Special Resolution Number 1: Non-executive directors' remuneration for the period from 20 October 2020 until conclusion of the next AGM

The reason and effect of Special Resolution Number 1 is to obtain shareholder approval for the remuneration of each of the non-executive directors of the company for the period from 20 October 2020 until conclusion of the next AGM in accordance with sections 66(8) and 66(9) of the Companies Act. The proposed special resolution excludes value added tax ('VAT'), which will be added by directors in accordance with current VAT legislation, where applicable.

9. SPECIAL RESOLUTION NUMBER 2: GENERAL AUTHORITY TO ACQUIRE SHARES

'Resolved that the company and/or a subsidiary of the company is authorised by way of a general authority to repurchase or purchase, as the case may be, ordinary shares issued by the company, from any person, upon such terms and conditions and in such number as the directors of the company or the subsidiary may from time to time determine, subject to the applicable requirements of the company's memorandum of incorporation, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time on the following bases:

- each repurchase of shares must be effected through the main order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);
- the repurchase or purchase, as the case may be, by the company and/or any of its subsidiaries, of shares in the company of any class under this authority shall not, in aggregate in any one financial year, exceed 20% (twenty percent) of the company's issued share capital as at the commencement date of such financial year;
- repurchases of ordinary shares may not be made at a price greater than 10% (ten percent) above the weighted average of the market value of ordinary shares for the five business days immediately preceding the date on which the repurchase is effected (the maximum price). The JSE will be consulted for a ruling if the company's shares have not traded in such a five-business day period;
- repurchases of ordinary shares by the company or its subsidiaries may not take place during a prohibited period as defined in the JSE Listings Requirements, unless the company has in place a repurchase programme where the dates and quantities of ordinary shares to be traded are fixed (not subject to any variation) and full details of the programme have been disclosed in writing to the JSE prior to the commencement of the prohibited period;
- the company shall release an announcement on SENS, as soon as it or its subsidiary has, on a cumulative basis purchased or repurchased ordinary shares, which constitute 3% (three percent) of the number of ordinary shares in issue (at the time that this authority from shareholders for the repurchase was granted), and for each 3% (three percent) in aggregate of such number of ordinary shares purchased or repurchased, as the case may be, thereafter;
- this general authority shall be valid only until the next annual general meeting of the company, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- at any point in time, the company may only appoint one agent to effect any repurchases on the company's behalf;
- the number of ordinary shares purchased and held by a subsidiary or subsidiaries of the company shall not exceed 10% (ten percent) in the aggregate of the number of issued shares in the company at the relevant times;
- no voting rights attached to ordinary shares acquired by the company's subsidiaries may be exercised while the ordinary shares are held by them and they remain subsidiaries of the company;
- a resolution has been passed by the board of the company confirming that it has authorised the general repurchase, that the company and its subsidiaries will satisfy the solvency and liquidity test immediately after the repurchase of ordinary shares and that since the test was done there have been no material changes to the financial position of the group;
- the pre-approval by the JSE of any derivative transaction that may or will result in the repurchase of shares in terms of this general authority is obtained; and
- any such general repurchase will be subject to Exchange Control Regulations, if applicable.'

Reason for Special Resolution Number 2: General authority to acquire shares

The reason for Special Resolution Number 2 is to grant the board a general authority for the acquisition of the company's shares by the company, or by a subsidiary or subsidiaries of the company.

NOTICE OF ANNUAL GENERAL MEETING continued

Having considered the effect of the acquisition of the company's shares up to a maximum limit, the directors of the company are of the opinion that if such acquisitions were implemented:

- the company and the group are in a position to repay their debts in the ordinary course of business for a period of 12 (twelve) months after the date of the notice of the meeting;
- the company and the group's assets will be in excess of the liabilities of the company and the group for a period of 12 (twelve) months after the date of the notice of the meeting. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements of the group for the year ended 31 March 2020 which comply with the Companies Act;
- the share capital and reserves of the company and the group will be adequate for the ordinary business purposes of the company and the group for a period of 12 (twelve) months following the date of the notice of the meeting; and
- the available working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of the notice of the meeting.

STATEMENT OF THE BOARD'S INTENTION

Although there is no immediate intention to effect a repurchase of shares of the company, the board believes that it should retain flexibility so that the directors may utilise the general authority to repurchase shares as and when suitable opportunities present themselves and which opportunities may require immediate action.

OTHER DISCLOSURE IN ACCORDANCE WITH SECTION 11.26 OF THE JSE LISTINGS REQUIREMENTS

The following additional information, some of which may appear elsewhere in the integrated annual report is provided in terms of the JSE Listings Requirements for purposes of this general authority:

- major shareholders – pages 164 and 165 of the integrated annual report.
- share capital of the company – page 135 of the integrated annual report.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, collectively and individually, accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolutions contain all information required by law and the JSE Listings Requirements.

MATERIAL CHANGE STATEMENT

As at Wednesday, 12 August 2020, being the last practicable date before the finalisation of this notice, there have been no material changes in the financial or trading position of the company and its subsidiaries that have occurred between 31 March 2020 and 12 August 2020 other than the facts and developments as reported on in the integrated annual report of the company for the financial year ended 31 March 2020.

ELECTRONIC PARTICIPATION

In light of the measures put in place by the South African government in response to COVID-19, the board has decided that the AGM will only be accessible through a remote interactive electronic platform as detailed below.

Any shareholder (or representative or proxy for a shareholder) who wishes to participate in the AGM by way of electronic participation, should complete the Electronic Participation Application Form, which forms part of this notice and should email same to the company's transfer secretaries, Link at meetfax@linkmarketservices.co.za as soon as possible after receipt of this notice, but in any event no later than 08:30 on Friday, 16 October 2020. Shareholders or their duly appointed proxies are required to provide satisfactory identification before being entitled to participate in the AGM, as noted on page 173 of the AGM notice.

Upon receipt of a duly completed Electronic Participation Application Form, the company's transfer secretaries will follow a verification process to verify each applicant's entitlement to participate in and/or vote at the AGM. On successful verification, such shareholder or their duly appointed proxy will receive on their nominated email a Microsoft Teams meeting invitation, which will be required to access the AGM.

Fully verified shareholders, who will participate electronically in the AGM, are still urged to submit their proxies in accordance with the instructions below, as Microsoft Teams allows for participation, but does not include an interactive voting platform.

Meeting participants will be liable for their own network charges in relation to electronic participation in and/or voting at the AGM. Any such charges will not be for the account of the company or its transfer secretaries, who will also not be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents any such shareholder or their proxy from participating in and /or voting at the AGM.

PROXIES, AUTHORITY FOR REPRESENTATIVES TO ACT AND VOTING

Shareholders who are entitled to attend, participate in and vote at the AGM, are entitled to appoint a proxy (or more than one proxy in respect of different shares held by them) to attend, speak and vote in their stead. A proxy need not be a shareholder of the company and shall be entitled to vote on a show of hands or a poll. For the convenience of registered shareholders of the company, a form of proxy is enclosed herewith to be completed by them in their capacity as shareholders.

The enclosed form of proxy is only to be completed by those shareholders who are:

- holding shares in certificated form; or
- recorded on the company's sub-register in dematerialised electronic form with 'own-name' registration.

It is recommended that forms of proxy be completed and delivered to the transfer secretaries, Link by 08:30 on Friday, 16 October 2020. If shareholders who have not dematerialised their shares or who have dematerialised their shares with 'own-name' registration, and who are entitled to attend, participate in and vote at the AGM, do not deliver forms of proxy to the transfer secretary by the relevant time, such shareholders will nevertheless be entitled to lodge the form of proxy in respect of the AGM immediately prior to the exercising of the shareholders' voting rights at the AGM, in accordance with the instructions therein, for the attention of the chairman of the AGM via the transfer secretaries.

All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the AGM should contact their CSDP or broker:

- to provide them with the necessary letter of representation in order to attend the AGM; or
- to furnish the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

These shareholders must not use a form of proxy.

NOTICE OF ANNUAL GENERAL MEETING continued

A company that is a shareholder wishing to attend and participate electronically at the AGM should ensure that a resolution authorising a representative to so attend and participate at the AGM on its behalf is passed by its directors. Resolutions authorising representatives in terms of section 57(5) of the Companies Act must be lodged with the company's transfer secretaries prior to the AGM.

Every shareholder present in person or represented by proxy at the electronic AGM and entitled to vote shall, in his/her/its capacity as shareholder, on a show of hands, have only one vote irrespective of the number of shares he/she/it holds or represents. On a poll, every shareholder present in person or represented by proxy at the electronic AGM and entitled to vote, shall, in his/her/its capacity as shareholder, be entitled to that proportion of the total votes in the company which the aggregate amount of the nominal value of all the shares held by him/her/it bears to the aggregate amount of the nominal value of all the shares issued by the company.

By order of the board

Moja Mahloele
For Southern Sun Secretarial Services Proprietary Limited
Company Secretary

14 August 2020

PARTICIPATION BY ELECTRONIC COMMUNICATION

INFORMATION REQUIRED FOR PARTICIPATION BY ELECTRONIC COMMUNICATION AT THE AGM OF TSOGO SUN HOTELS LIMITED TO BE HELD ON TUESDAY, 20 OCTOBER 2020

Full name of shareholder:		
Identity or registration number of shareholder:		
Full name of authorised representative (if applicable):		
Identity number of authorised representative:		
Email address: * *Note: this email address will be used by the company to share the Microsoft Teams meeting invitation required to access the AGM electronically*		
Cell phone number:		
Telephone number, including dialling codes:		
* *Note: The electronic platform to be utilised for the AGM does not provide for interactive electronic voting during the meeting. Accordingly, shareholders holding shares in certificated form or shareholders who are recorded on the company's sub-register in dematerialised electronic form with 'own name' registration, are strongly encouraged to submit votes by proxy in advance of the AGM, by completing the proxy form found on page 174 or in the case of shareholders that have been issued with a letter of representation, the ballot form that will be provided by the transfer secretaries, on successful verification of such shareholder.*		
Indicate (by marking with an 'X') whether: ☐ votes will be submitted by proxy (in which case, please enclose the duly completed proxy form with this form); or ☐ the participant wishes to exercise votes during the AGM. If this option is selected, the company's transfer secretaries will contact you to make the necessary arrangements.		
By signing this application form, I consent to the processing of my personal information above for the purpose of participating in **Tsogo Sun Hotels Limited's** AGM.		
Signed at	on	2020
Signed:		

By signing this application form, the participant indemnifies and holds the company harmless against any loss, injury, damage, penalty or claim arising in any way from the use of the telecommunication lines to participate in the AGM or any interruption in the ability of the participant to participate in the AGM via electronic communication, whether or not the problem is caused by any act or omission on the part of the participant or anyone else, including without limitation the company and its employees.

Documents required to be attached to this application form

(1) In order to exercise their voting rights at the AGM, shareholders who choose to participate electronically may appoint a proxy, which proxy may participate in the AGM, provided that a duly completed proxy form has been submitted in accordance with the instructions on that form, and as envisaged in the notice of the AGM. A copy of the proxy form can be found on page 176 of this AGM notice.

(2) Documentary evidence establishing the authority of the shareholder or duly appointed proxy, including any person acting in a representative capacity, who is to participate in the AGM, must be attached to this application. This includes the shareholder's full title to the shares issued by the company, in the form of share certificates (in the case of certified shares) and (in the case of dematerialised shares) written confirmation from the shareholder's Central Securities Depository Participant ('CSDP') confirming the shareholder's title to the dematerialised shares.

(3) A certified copy of the valid identity document/passport of the person attending the AGM by electronic participation, including any person acting in a representative capacity, must be attached to this application.

Applications to participate by electronic communication will only be considered if this application form is completed in full, signed by the shareholder, its proxy or representative, and delivered as detailed above. The company may in its sole discretion accept any incomplete application forms.

FORM OF PROXY

TSOGO SUN HOTELS LIMITED

(Formerly Southern Sun Hotels Proprietary Limited)
(Incorporated in the Republic of South Africa)
(Registration number 2002/006356/06)
Share code for ordinary shares: TGO
ISIN: ZAE000272522
('the company')

This form of proxy is for use by shareholders registered as such who hold certificated shares in the company and shareholders who hold 'own-name' dematerialised shares in the company, to appoint a proxy or proxies for the annual general meeting ('AGM') of the company to be held at 08:30 (or if the annual general meeting of the company's subsidiary, Hospitality Property Fund Limited, has not yet ended by 08:30, then the AGM shall commence immediately after the closure of that meeting) on Tuesday, 20 October 2020, by electronic participation only or any adjournment thereof.

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

It is recommended that forms of proxy be completed and delivered to the transfer secretaries, Link Market Services South Africa Proprietary Limited, to be received by 08:30 on Friday, 16 October 2020. Alternatively, the form of proxy can be delivered by email to **meetfax@linkmarketservices.co.za** via the transfer secretaries.

I/We (name/s in BLOCK LETTERS)

of (address)

being the registered holder/s of ordinary shares, hereby appoint:

1. or failing him/her,

2. or failing him/her,

3. the chairman of the AGM, as my/our proxy to attend, speak and vote for me/us on my/our behalf or to abstain from voting at the AGM of the company and at any adjournment thereof in respect of the ordinary share registered in my/our name/s, as follows:

Resolutions	For	Against	Abstain
Ordinary Resolution Number 1.1: Re-election of Mr SC Gina as an independent non-executive director			
Ordinary Resolution Number 1.2: Re-election of Dr LM Molefi as an independent non-executive director			
Ordinary Resolution Number 2: Reappointment of the external auditor			
Ordinary Resolution Number 3.1: Election of Mr MH Ahmed as a member and chair of the audit and risk committee			
Ordinary Resolution Number 3.2: Election of Mr SC Gina as a member of the audit and risk committee			
Ordinary Resolution Number 3.3: Election of Dr LM Molefi as a member of the audit and risk committee			
Ordinary Resolution Number 3.4: Election of Mr JG Ngcobo as a member of the audit and risk committee			
Ordinary Resolution Number 4: General authority to directors to allot and issue authorised but unissued shares			
Advisory endorsement 1: Non-binding advisory endorsement of the remuneration policy			
Advisory endorsement 2: Non-binding advisory endorsement of the remuneration implementation report			
Special Resolution Number 1: Approval of non-executive directors' remuneration			
Special Resolution Number 2: General authority to acquire shares			

Signed at on 2020

Signature(s)

Assisted by (where applicable)

Name Capacity

Signature

Please read notes overleaf.

NOTES TO THE FORM OF PROXY AND SUMMARY OF RIGHTS UNDER SECTION 58 OF THE COMPANIES ACT, 2008

1. Only shareholders who are registered in the register of the company under their own name may complete a form of proxy or attend the AGM. This includes shareholders who have not dematerialised their shares or who have dematerialised their shares with 'own-name' registration. A shareholder entitled to attend and vote at the AGM is entitled to appoint one individual as a proxy to attend, speak and, on a poll, to vote in his/her place at the AGM. A proxy need not be a shareholder of the company. Such shareholder may insert the name of a proxy of the shareholder's choice in the space provided, with or without deleting 'the chairman of the AGM, provided that any such deletion must be signed in full by the shareholder. The person whose name stands first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow. Should a proxy not be specified, this will be exercised by the chairman of the class AGM.

2. The date must be filled in on this form of proxy and when it is signed.

3. The completion and lodging of this form will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed, should such shareholder wish to do so.

4. The appointment of a proxy or proxies:
   4.1 is suspended at any time to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
   4.2 is revocable in which case the shareholder may revoke the proxy appointment by:
      4.2.1 cancelling it in writing or making a later inconsistent appointment of a proxy; and
      4.2.2 delivering a copy of the revocation instrument to the proxy and to the company.

5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date:
   5.1 stated in the revocation instrument, if any; or
   5.2 upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Companies Act.

6. Should the instrument appointing a proxy or proxies have been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company's memorandum of incorporation to be delivered by such company to the shareholder must be delivered by such company to:
   6.1 the shareholder; or
   6.2 the proxy or proxies if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the company for doing so.

7. The proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used unless revoked as contemplated in section 58(5) of the Companies Act.

8. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies. The completion of any blank space(s) need not be signed or initialled.

9. A power of attorney or other documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form unless previously recorded by the transfer secretaries of the company or waived by the chairman of the AGM.

10. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.

11. A company holding shares in the company that wishes to attend and participate in the AGM should ensure that a resolution authorising a representative to act is passed by its directors. Resolutions authorising representatives in terms of section 57(5) of the Companies Act must be lodged with the company's transfer secretaries prior to the AGM.

12 Where there are joint holders of shares, only one of such persons need to sign the form of proxy. If more than one of such joint shareholder votes, whether in person or by proxy, only the vote of one of the said persons whose name appears first in the securities register in respect of such shares or his/her proxy, as the case may be, shall be counted.

13. Every shareholder present in person or represented by proxy and entitled to vote shall, in his/her/its capacity as shareholder, on a show of hands, have only one vote irrespective of the number of shares he/she/it holds or represents. On a poll every shareholder present in person or represented by a proxy and entitled to vote, shall, in his/her/its capacity as shareholder, be entitled to that proportion of the total votes in the company which the aggregate amount of the nominal value of the shares held by him/her bears to the aggregate amount of the nominal value of all the shares of the relevant class issued by the company.

14. The chairman of the AGM may reject or accept any proxy which is completed and/or received, other than in accordance with these notes, provided that he/she shall not accept a proxy unless he/she is satisfied as to the matter in which a shareholder wishes to vote.

15. A proxy may not delegate his/her authority to act on behalf of the shareholder, to another person.

16. You are not obliged either to cast all your votes or to cast all your votes in the same way. A shareholder's instruction to the proxy must be indicated either by:
   16.1 the insert of an 'X' in the appropriate box next to the resolution (ie in favour of and/or against and/or by way of abstention), in which event the proxy will cast all your votes in the manner so specified; or
   16.2 setting out the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided next to the resolution, provided that, if for any resolution the aggregate number of votes to be cast would exceed the total number of shares held, you will be deemed to have given no specific instruction as to how you wish your proxy to vote in respect of that resolution.

   Failure to comply with the above will be deemed to authorise the chairman of the AGM, if the chairman is the authorised proxy, to vote in favour of the resolutions at the AGM or other proxy to vote or to abstain from voting at the AGM as he/she deems fit, in respect of the shares concerned. A shareholder or the proxy is not obliged to use all the votes exercisable by the shareholder or the proxy, but the total of votes cast in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.

17. Where a proxy is appointed, the enclosed proxy form must be completed, signed and lodged, together with proof of the authority of the person signing the form in a representative capacity, with Link Market Services South Africa (Pty) Limited, the transfer secretaries of the company. It is recommended that such form of proxy be lodged with the transfer secretaries, by 08:30 on Friday, 16 October 2020. The form of proxy can be delivered by email to **meetfax@linkmarketservices.co.za** via the transfer secretaries.

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
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
CANSA	Cancer Association of South Africa
capex	Capital expenditure
CDP	Formerly the Carbon Disclosure Project
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CODM	Chief operating decision maker (includes the group CEO, CFO and senior management team)
Companies Act	The Companies Act, 71 of 2008, as amended or replaced from time to time
Company Secretary	The Company Secretary of Tsogo Sun Hotels, namely Southern Sun Secretarial Services Proprietary Limited (registration number 1969/001208/07), a private company incorporated and registered in accordance with the laws of South Africa
COO	Chief Operating Officer
COVID-19	An infectious disease caused by a newly discovered coronavirus, as defined by WHO
CSI	Corporate social investment
CTC	Cost to company
Cullinan	The Cullinan Hotel Proprietary Limited
CVs	Curricula vitae
Directors	The directors of Tsogo Sun Hotels from time to time whose names appear in the Integrated governance section of this report
dti	Department of Trade and Industry
Ebitda	Earnings before interest, tax, depreciation, amortisation and exceptional items
Ebitdar	Earnings before interest, tax, depreciation, amortisation, rentals and exceptional items
Fedhasa	Federated Hospitality Association of Southern Africa
Free cash flow	Cash generated from operations adjusted for net finance costs, taxation paid, operating equipment purchased and maintenance capital expenditure
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
Hospitality, HPF or HPB	Hospitality Property Fund Limited (registration number 2005/014211/06), a public company incorporated and registered in accordance with the laws of South Africa and listed on the JSE
Hospitality group	Hospitality and its subsidiaries from time to time
HIV	Human immunodeficiency virus
HOFs	Heads of function
IAS	International Accounting Standards
IBD	Interest-bearing debt
IHG	InterContinental Hotels Group plc (registration number 5134420), a public limited company incorporated and registered in accordance with the laws of England and Wales
IHPL	International Hotel Properties Limited (registration number 1862176), a private company incorporated and registered in accordance with the laws of the British Virgin Islands
IIRC	International Integrated Reporting Council
IFRS	International Financial Reporting Standards
<IR> Framework	The IIRC's Integrated Reporting Framework which provides principles-based guidance for companies and other organisations wishing to prepare an integrated report
IT	Information technology
JSE	The Johannesburg Stock Exchange operated by the JSE Limited (registration number 2005/022939/06), a public company incorporated and registered in accordance with the laws of South Africa, and licensed to operate an exchange under the Financial Markets Act, 19 of 2012
King IV	The Code on Corporate Governance representing principles of good corporate governance as laid out in the King Report on Corporate Governance for South Africa, 2016, as amended from time to time
Liberty	Liberty Group Limited
LTIP	Long-term incentive plan
JSE Listings Requirements	The Listings Requirements of the JSE, as amended from time to time
LPG	Liquefied petroleum gas
LTV	Loan to value
Major subsidiary	A subsidiary of Tsogo Sun Hotels which is considered a major subsidiary for the purposes of the JSE Listings Requirements, being SSHI and Hospitality
Manco	Management committee
MOI	Memorandum of incorporation
PABX	Physical and virtual private automatic branch exchange telephonic system
POPIA	Protection of Personal Information Act, 4 of 2013
PP&E	Property, plant and equipment
Pre-listing statement	Tsogo Sun Hotels' pre-listing statement dated Thursday, 23 May 2019, including all annexures and attachments, digital copies of which can be found on the group's website at **www.tsogosun.com/investors/circulars/2019**
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 Tsogo Sun Hotels Share Appreciation Rights Plan – a share incentive scheme which provides for the award of share appreciation rights in the form of awards and replacement awards and in which selected key senior employees of the group are eligible to participate with salient features set out in the Remuneration policy and implementation report
SARs	Share appreciation rights are allocated annually ('award date') to eligible employees as recommended by the remuneration and nomination committee and approved by the board
SATB	South African Tourism Board
SENS	Stock Exchange News Service of the JSE

GLOSSARY AND KEY TERMS continued

Shareholders	Holders of TGO shares from time to time
Solvency and liquidity test	As set out in the Companies Act
South Africa	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
Subsidiaries	Shall have the meaning ascribed thereto in the Companies Act
System-wide	Including owned and managed hotel operations
TBCSA	Tourism Business Council of South Africa
tCO_2e	Tonnes of carbon dioxide equivalent, a measure of greenhouse gas
TERS	COVID-19 Temporary Employer-Employee Relief Scheme
TGO shares	Ordinary shares of no par value in the share capital of Tsogo Sun Hotels
TIHC	TIHC Investments (RF) Proprietary Limited is a 100% held indirect subsidiary of HCI
Tsogo Sun	Tsogo Sun Holdings Limited (registration number 1989/002108/06) (now Tsogo Sun Gaming), a public company incorporated and registered in accordance with the laws of South Africa with shares listed on the JSE
Tsogo Sun Gaming	Tsogo Sun Gaming Limited (previously known as Tsogo Sun Holdings Limited) (registration number 1989/002108/06), a public company incorporated and registered in accordance with the laws of South Africa with shares listed on the JSE
Tsogo Sun Hotels ('TGO'), the group or the company	Tsogo Sun Hotels Limited (known previously as Southern Sun Hotels Proprietary Limited), incorporated as a private company and converted to a public company on 15 May 2019 in accordance with the laws of South Africa (registration number 2002/006356/06) and listed on the JSE
UIF	Unemployment Insurance Fund
US Dollar or US$	United States Dollar, the lawful currency of the United States
VAT	Value added tax levied in terms of the South African Value Added Tax Act, 89 of 1991
WHO	World Health Organization, primarily tasked with directing and coordinating international health within the United Nations system

CORPORATE INFORMATION AND ADVISORS

COMPANY SECRETARY
Southern Sun Secretarial Services Proprietary Limited
(Registration number: 1969/001208/07)

REGISTERED OFFICE
Palazzo Towers West
Montecasino Boulevard
Fourways
Johannesburg, 2055
(Private Bag X200, Bryanston, 2021)

SPONSOR AND CORPORATE ADVISOR
Investec Bank Limited
100 Grayston Drive
Sandown,
Sandton, 2196

INDEPENDENT AUDITORS
PricewaterhouseCoopers Inc.
(Registration number: 1998/012055/21)
4 Lisbon Lane, Waterfall City
Jukskei View
Johannesburg, 2090
(Private Bag X36, Sunninghill, 2157)

PLACE AND DATE OF INCORPORATION OF TSOGO SUN HOTELS
Johannesburg, South Africa
18 March 2002

TRANSFER SECRETARIES
Link Market Services South Africa Proprietary Limited
(Registration number: 2000/007239/07)
13th Floor, Rennie House
19 Ameshoff Street
Braamfontein, 2001
(PO Box 4844, Johannesburg, 2000)

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

TAX ADVISERS
PricewaterhouseCoopers Inc
(Registration number: 1998/012055/21)
4 Lisbon Lane, Waterfall City
Jukskei View
Johannesburg, 2090
(Private Bag X36 Sunninghill, 2157)

FORWARD-LOOKING STATEMENTS
Certain statements in this document may constitute 'forward-looking statements'. Such forward-looking statements reflect the company's beliefs and expectations and involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Tsogo Sun Hotels and its subsidiaries to be materially different from the future results, performance or achievements expressed or implied by such forward-looking statements. The group undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document, or to reflect the occurrence of anticipated events. Past performance of the group cannot be relied on as a guide to future performance. Forward-looking statements speak only as at the date of this document. You are cautioned not to place any undue reliance on such forward-looking statements. No statement in this document is intended to be a profit forecast.

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THE OAK TREE GROUP