TSOGO SUN HOTELS LIMITED
(REGISTRATION NUMBER 2002/006356/06)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

Corporate information and advisers

Country of incorporation and domicile	South Africa
Registered office and business address	Palazzo Towers West Montecasino Boulevard Fourways Johannesburg 2055
Postal address	Private Bag X200 Bryanston 2021
Bankers	Nedbank Limited 1st Floor, Corporate Park, Nedcor Sandton, 135 Rivonia Road, Sandown, 2196
Auditors	PricewaterhouseCoopers Inc. Registration number: 1998/012055/21 4 Lisbon Lane, Waterfall City, Jukskei View, Johannesburg, 2090 Private Bag X36 2157
Secretary	Southern Sun Secretarial Services Proprietary Limited and represented by Laurinda Rosalind van Onselen.
Sponsor and corporate advisor	Investec Bank Limited 100 Grayston Drive, Sandown, 2196
Transfer secretaries	JSE Investor Services Proprietary Limited (previously Link Market Services South Africa) Proprietary Limited 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001

Contents

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

The following supplementary information does not form part of the annual financial statements and is unaudited:

Statement of Responsibility and Approval by the Board of Directors

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

The directors have reviewed the company's budget and cash flow forecast for the year to 31 March 2023. On the basis of this review, and in light of the current financial position and existing borrowing facilities, the directors are satisfied that the company is a going concern and they have accordingly adopted the going-concern basis in preparing the annual financial statements. The company's independent auditors, PricewaterhouseCoopers Inc., have audited the annual financial statements and their unqualified report appears on pages 9 to 14. PricewaterhouseCoopers Inc. was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

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

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

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

Directors' Approval of the Annual Financial Statements

for the year ended 31 March 2022

The preparation of the annual financial statements set out on pages 7 to 41 have been supervised by Laurelle McDonald (CA) SA. These annual financial statements were approved by the board of directors on 29 July 2022 and are signed on its behalf by:

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

Declaration by the Company Secretary

In terms of Section 88(2)(e) of the Companies Act of South Africa, ("the Act"), I, confirm that for the year ended 31 March 2022, 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.

Laurinda Rosalind van Onselen

Company secretary

29 July 2022

Report of the Audit and Risk committee

Committee mandate and terms of reference

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

Statutory duties

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

- evaluated the independence and effectiveness of the external auditors, PricewaterhouseCoopers Inc., and is satisfied that the external auditors are independent of the group having given due consideration to the parameters enumerated under section 92 of the Companies Act of South Africa. The committee evaluated and is satisfied that both the audit firm and the individual auditor are suitable for appointment, as contemplated in terms of paragraph 22.15(h) of the Listings Requirements of the JSE. The committee accordingly nominates PricewaterhouseCoopers Inc. for re-election as independent auditors at the company's annual general meeting. Mr P Calicchio is the individual registered auditor and member of the foregoing firm who undertakes the audit. PricewaterhouseCoopers Inc. has been the external auditors of the group for 53 years, with the rotation of the individual registered auditor during 2018 for the 2019 financial year;
- ensured and satisfied itself that the appointments of the external auditors, the designated auditor and IFRS adviser are in compliance with the Companies Act of South Africa, the Auditing Profession Act, 2005 and the Listings Requirements of the JSE;
- evaluated and is satisfied with the quality of the external audit and reports issued by the external auditors;
- in consultation with executive management, agreed to the engagement letter, terms, external audit plan and fees for the 2022 financial year;
- in accordance with the company's non-audit services policy, considered and pre-approved all non-audit services provided by the external auditors, ensuring that the independence of the external auditors is not compromised;
- considered and pre-approved all material audit and non-audit services provided by the external auditors, ensuring that the independence of the external auditors is not compromised;
- reviewed and assessed the company's risk identification, measurement and control systems and their implementation;
- reviewed and approved the company accounting policies (refer note 1 to the annual financial statements);
- considered all significant transactions and accounting matters that occurred during the year and evaluated whether the accounting treatment is in terms of IFRS;
- considered the impact of auditing, regulatory and accounting developments during the year, particularly the implications of new standards that became effective during the year;
- established appropriate financial reporting procedures for the company in accordance with paragraph 3.84g(ii) of the Listings Requirements of the JSE;
- considered the JSE's most recent 2021 report and annexure 3 on proactive monitoring of financial statements, and where necessary those of previous periods, and taken appropriate action where necessary to respond to the findings as highlighted in the JSE report when preparing the annual financial statements for the year ended 31 March 2022;
- evaluated and is satisfied with the effectiveness of the Chief Audit Executive and the outsourced internal audit function;
- considered the outsourced internal audit service provider and is satisfied with their independence and ability to effectively complete the internal audit plan;
- reviewed the written assessment of internal audit on the design, implementation and effectiveness of the internal financial controls, in addition to the findings noted by the external auditors during the course of their annual audit in support of their annual audit opinion. Based on these results, the committee is of the opinion that the internal financial controls provide reasonable assurance that financial records may be relied upon for the preparation of reliable annual financial statements; and
- dealt with concerns or complaints relating to accounting practices and internal audit of the company, the content or auditing of the company's financial statements, the internal financial controls of the company, or any other related matter.

Competence of the Chief Financial Officer

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

Report of the Audit and Risk committee

Recommendation of the annual financial statements

The committee has evaluated the annual financial statements of Tsogo Sun Hotels Limited for the year ended 31 March 2022 and based on the information provided to the committee, the committee recommends the adoption of the annual financial statements by the board.

MH Ahmed
Chairperson: Audit and risk committee

29 July 2022

Directors' Report

1. Nature of business

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

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

2. Company results

The financial results of the company for the year are set out in the annual financial statements and accompanying notes thereto. No income was received in the year under review (2021: R Nil) and the profit after tax for the year under review amounted to R471.9 million (2021: R294.8 million).

3. Share capital

Tsogo Sun Hotels Limited has authorised share capital of 2 000 000 000 ordinary no par value shares and the issued share capital of the company is 1 477 905 694 (2021: 1 477 905 694) ordinary no par value shares.

4. Dividends

The directors considered it prudent to retain cash resources in order to ensure that the company is able to meet its obligations until trading normalises. Accordingly, the directors have not declared a final cash dividend for the year ended 31 March 2022.

5. Directorate

The following are the directors of the company:

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

6. Directors' interests in contracts

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

7. Majority shareholder

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

Directors' Report

8. Events subsequent to balance sheet date

Other than what is disclosed in note 28, the directors are not aware of any other matters or circumstances arising since the balance sheet date and the date of these annual financial statements, not otherwise dealt with within the financial statements, that would affect the operations or results of the company significantly.

9. Going concern

The financial statements are prepared on the going concern basis. Based on the available cash resources and the other measures the company has taken or plans to take, management believes that the company has sufficient resources to continue operations as a going concern in a responsible and sustainable manner.

As at 31 March 2022, the company has net cash and cash equivalents of R1 million (2021: R51 million). This liquidity risk is mitigated by the company's access to sufficient internal funding and cash reserves of the subsidiaries to meet its obligations as they become due. The majority of the current liability balance is balances with subsidiaries, which the company has control over and can defer repayments.

The recoverable amount for investments in subsidiaries and associates have been determined by calculating the value-in-use using a discounted cash flow model or fair value less cost to sell. Refer to note 9 and 10 of the financial statements.

The current liabilities exceeds the current assets by R507 million (2021: R501 million). Included in current liabilities of R588 million (2021: R580 million), are loans from subsidiary companies of R522 million (2021: R522 million), if required, the company is in a position to obtain support from the group to settle these liabilities or defer payment.

10. Auditors

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90 of the Companies Act of South Africa.

11. Secretary

The company secretary is Southern Sun Secretarial Services Proprietary Limited.

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

12. Consolidated financial statements

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

Independent auditor's report

To the Shareholders of Tsogo Sun Hotels Limited

Report on the audit of the separate financial statements

Our opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Tsogo Sun Hotels Limited (the Company) as at 31 March 2022, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Tsogo Sun Hotels Limited's separate financial statements set out on pages 15 to 41 comprise:

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

Basis for opinion

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

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

Independence

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

Key audit matters

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

Key audit matter	***How our audit addressed the key audit matter***
Impairment reversal of investments in subsidiaries of R478 million The Company holds investments in various subsidiaries which conduct the hotel operations and own the hotel properties. As at 31 March 2022, the carrying value of these investments in subsidiaries amounted to R9.01 billion, after recognition of a total impairment reversal of R478 million which comprised the following impairment reversals per subsidiary: ● R168 million: Tsogo Sun Investments Proprietary Limited ("TSI"), which holds the investment in the Hospitality Property Fund Limited ("HPF Ltd") and ● R310 million: Southern Sun Offshore Proprietary Limited. Refer to note 9 'Investments in subsidiaries' to the separate financial statements for details. The Company's policy is to assess investments in subsidiaries at each reporting date for indicators of impairment as required by International Accounting Standard 36 'Impairment of Assets' (IAS 36). Where indicators of impairment are identified, impairment assessments are performed. Impairment losses recognised in prior periods may be increased or reversed depending on the outcome of the impairment assessment. The amount of the impairment reversal is the amount by which the carrying amount of the asset shall be increased to its recoverable amount, being the higher of the value in use and the fair value less cost to sell. The impairment reversal can not exceed the	We updated our understanding of and tested the relevant controls related to the budgeting process, which included controls in relation to the following: ● setting, approval and review of budgets by the Company and its subsidiaries (together the Group) at the group level; and ● approval of budgets by the Board of Directors. We assessed the reliability of the Group's budgets included in the business plans (which form the basis of the cash flow forecasts), by comparing prior period budgets to actual results, and accepted management's budgeting techniques applied. We tested the reasonability of the COVID-19 related and other adjustments made to the approved budgets by evaluating the adjusted prices and expected demand, taking into account the trading environment and regulatory requirements at the time and based on discussions held with management. We accepted the adjustments made, based on our assessment above. We further assessed whether there were any impairment indicators for all investments in subsidiaries in terms of IAS 36 and if there were any indications that previous impairments may be reversed. For those investments that had indicators of impairment or potential reversals we performed the following procedures: ● We assessed the appropriateness of the valuation methodology against industry practice and IAS 36 requirements and found the methodology used by

accumulated impairment losses recognised in prior periods.

The recoverable amount for each subsidiary has been determined by calculating the higher of the value in use and the fair value less costs to sell.

The value in use was calculated using a discounted cash flow model ("DCF") based on the net cash flows of the underlying subsidiary. The following key assumptions were applied in the valuations:

- Net cash flows and terminal growth rates:

  Net cash flows were forecasted taking into account expected changes in the trading environment due to the recovery of the COVID-19 pandemic, with appropriate terminal growth rates applicable to the subsidiary's operations.

- Discount rates:

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

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

Based on management's impairment assessments, the carrying values of some of the investments were increased during the year due to the factors described in note 9 to the separate financial statements.

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

● the significant judgements made by management in determining the net cash flows, terminal growth rates and discount rates; and

management to be in line with industry practice;

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

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

- We assessed the reasonableness of the terminal growth rates by independently determining a range of rates comparable to forecasted consumer price index growth in the hotel industry. We compared the rates applied by management to our independently determined rates and found management's rates to be within our range of rates; and
- We assessed the reasonableness of the discount rates used in the valuations by independently calculating a range of rates which would be considered reasonable against comparable companies in the hotel industry, adjusted for the Company's target capital structure. We compared our range of rates to the rates applied by management. We found management's rates to be within our independently computed range of rates.

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

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

• the magnitude of the impairment reversal recorded in the separate statement of profit or loss and other comprehensive income for the year ended 31 March 2022.	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 also performed sensitivity analysis to evaluate the minimum changes in these inputs that would result in a material change to the fair value calculation for both disclosure and measurement purposes. Based on the outcome of our procedures, we did not note any aspect requiring further consideration.

Other information

The directors are responsible for the other information. The other information comprises the information included in the documents titled "Tsogo Sun Hotels Limited Annual Financial Statements for the year ended 31 March 2022" and "Southern Sun Integrated Annual Report 2022", which includes the Directors' Report, the Report of the audit and risk committee and the Declaration by the Company Secretary as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

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

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

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

Responsibilities of the directors for the separate financial statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Tsogo Sun Hotels Limited for 53 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Pietro Calicchio
Registered Auditor
Johannesburg, South Africa
29 July 2022

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March

	Notes	2022 R '000	2021 R '000
Impairment reversal of investments in subsidiaries	9	478 188	135 386
Remeasurement on financial guarantee	4	(3 006)	161 453
Other operating expenses	5	(3 139)	(7 586)
Operating profit		**472 043**	**289 253**
Interest income	6	-	9 652
Finance costs	7	(107)	(1)
Profit before taxation		**471 936**	**298 904**
Income tax expense	8	(4)	(4 077)
Profit for the year		**471 932**	**294 827**
Earnings per share			
Per share information			
Weighted average number of ordinary shares	20	1 477 905 694	1 232 759 466
Basic and diluted earnings per share (cents)	20	31.92	23.92

The statement of other comprehensive income has not been presented as there has been no movements recognised in other comprehensive income for 2022 or 2021.

Statement of Financial Position as at 31 March

	Notes	2022 R '000	2021 R '000
Assets			
Non-Current Assets			
Investments in subsidiaries	9	9 014 522	8 536 334
Investment in associate	10	690 973	690 973
Other financial assets	12	8	8
		9 705 503	**9 227 315**
Current Assets			
Loan to subsidiary	13	68 009	23 873
Trade and other receivables	14	4 150	4 150
Cash and cash equivalents	15	1 338	51 322
		73 497	**79 345**
Total Assets		**9 779 000**	**9 306 660**
Equity and Liabilities			
Equity			
Share capital	16	5 333 022	5 333 022
Retained income		3 865 091	3 393 159
		9 198 113	**8 726 181**
Liabilities			
Current Liabilities			
Financial guarantee contracts	17	14 861	11 855
Loans from group companies	18	522 445	522 445
Trade and other payables	19	43 241	43 241
Current tax payable		-	2 627
Bank overdraft	15	340	311
		580 887	**580 479**
Total Equity and Liabilities		**9 779 000**	**9 306 660**

The notes on pages 19 to 41 form an integral part of the annual financial statements.

Statement of Changes in Equity for the year ended 31 March

	Note	Ordinary share capital R '000	Retained income R '000	Total equity R '000
Balance at 31 March 2020		**4 642 050**	**3 098 332**	**7 740 382**
Profit for the year		-	294 827	294 827
Total comprehensive income for the year		**-**	**294 827**	**294 827**
Issue of shares	16	690 972	-	690 972
Total contributions by owners of company recognised directly in equity		**690 972**	**-**	**690 972**
Balance at 31 March 2021		**5 333 022**	**3 393 159**	**8 726 181**
Profit for the year		-	471 932	471 932
Total comprehensive income for the year		**-**	**471 932**	**471 932**
Balance at 31 March 2022		**5 333 022**	**3 865 091**	**9 198 113**

Cash Flow Statement for the year ended 31 March

	Notes	2022 R '000	2021 R '000
Cash flows from operating activities			
Cash (utilised in) / generated from operations	21	(3 139)	34 922
Interest received	6	-	9 652
Interest paid	7	(107)	-
Income tax paid	22	(2 631)	(12)
Net cash (utilised in) / generated from operating activities		**(5 877)**	44 562
Cash flows from investing activities			
Loan to group company (advanced) / repaid	13	(44 136)	5 078
Net cash (utilised in) / generated from investment activities		**(44 136)**	5 078
Net (decrease) / increase in cash and cash equivalents, net of bank overdrafts		**(50 013)**	49 640
Cash and cash equivalents at the beginning of the year, net of bank overdrafts		51 011	1 371
Cash and cash equivalents at the end of the year, net of bank overdrafts	15	**998**	51 011

The notes on pages 19 to 41 form an integral part of the annual financial statements.

Accounting Policies

1. Significant accounting policies

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

1.1 Basis of preparation

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

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

1.2 Investments

Subsidiaries

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

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

Associates

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

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

1.3 Investments and other financial assets

Classification

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

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

1.3 Investments and other financial assets (continued)

Recognition and derecognition

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

Measurement

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

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

Impairment

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

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

Impairment losses are presented in other operating expenses.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes 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 borrowings in current liabilities on the balance sheet.

Accounting Policies

1.4 Financial guarantee contract

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

Financial guarantee contracts issued by the company are initially measured at fair value and are subsequently measured at the higher of:

- The expected credit loss ("ECL") in accordance with IFRS 9; or
- The amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with IFRS 15.

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

1.5 Share capital and equity

Ordinary shares are classified as equity.

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

1.6 Loans to / (from) group companies

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

Loans to group companies are classified as loans and receivables.

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

1.7 Impairment of non-financial assets

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

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

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

1.8 Trade and other payables

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

Accounting Policies

1.9 Income

Interest income

Interest income is recognised using the effective interest method.

Dividend income

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

1.10 Income tax

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

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

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

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

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

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

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

1.11 Dividend distributions

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

1.12 Critical accounting estimates and judgements

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

Principles of critical accounting estimates and assumptions

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

Accounting Policies

1.12 Critical accounting estimates and judgements (continued)

Impairment testing

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

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

Investments in subsidiaries and associates

The company tests investments in subsidiaries and associates when there is an indicator for impairment in accordance with the accounting policy stated in note 1.7. The recoverable amounts of the assets have been determined based on the higher of fair value less costs to sell and the value-in-use calculations. These calculations require the use of estimates as noted in note 9 and note 10 of the annual financial statements.

Financial guarantee contract

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

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

The capital on the loans and notes is repayable at the end of the loan or note term. Management has assessed whether the day-one fair value of the guarantees should be amortised and concluded that amortisation on a straight-line basis is appropriate. Refer to note 17.

Notes to the Annual Financial Statements

2. New International Financial Reporting Standards and amendments

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

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

IFRS 16 Leases Covid-19-related Rent Concessions amendment

The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to Covid-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment.

The company is not impacted by the amendment.

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

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

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

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

The company is concluding on the impact of the new standards, interpretations and amendments that have been issued but are not effective as of 31 March 2022. None of which are expected to have a material effect on the consolidated position or performance of the company.

IFRS 17 Insurance Contracts

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

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

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

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

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

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

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

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

Notes to the Annual Financial Statements

3. Financial instruments and risk management

Financial risk management

Financial risk factors

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

Risk management process

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

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

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

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

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

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

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

Credit risk

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

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

Notes to the Annual Financial Statements

3. Financial instruments and risk management (continued)

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

The company is exposed to credit risk arising from financial guarantee contracts issued by the group that may require a payment to be made to reimburse the holder for a loss it incurs due to a specified debtor failing to make payment when due, in accordance with the terms of the debt instrument. The total outstanding balance on the loans, for which the financial guarantee contracts are provided are R868 million (2021: R850 million), refer note 17 for details regarding these financial guarantee contracts.

Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. The majority of the current liability balance is balances with subsidiaries, which the company has control over and can defer repayments.

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

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

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

Inclusive of capital and interest: At 31 March 2022	**Less than 1 year R'000**	**Between 1 and 2 years R'000**	**Between 2 and 5 years R'000**	**Over 5 years R'000**
Loans from subsidiaries	522 445	-	-	-
Financial guarantee contract*	21 965	-	-	-
Trade and other payables	43 241	-	-	-
Bank overdraft	340	-	-	-
	587 991	**-**	**-**	**-**

Inclusive of capital and interest: At 31 March 2021	**Less than 1 year R'000**	**Between 1 and 2 years R'000**	**Between 2 and 5 years R'000**	**Over 5 years R'000**
Loans from subsidiaries	522 445	-	-	-
Financial guarantee contract*	11 855	-	-	-
Trade and other payables	43 241	-	-	-
Bank overdraft	311	-	-	-
	577 852	**-**	**-**	**-**

* The company's maximum exposure to liquidity risk amounts to the total outstanding balance on the loans for R868 million (2021: R850 million).

3. Financial instruments and risk management (continued)

Market risk

Currency risk

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

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

Interest rate risk

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

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

Variable rate instruments	Carrying amount 2022 R'000	Carrying amount 2021 R'000
Cash and cash equivalents	998	51 011

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

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates would have increased/decreased profit or loss by R9 980 (2021: R510 110). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2021.

Other price risk

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

Notes to the Annual Financial Statements

3. Financial instruments and risk management (continued)

Categories of financial instruments

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

Categories of financial assets

At 31 March 2022

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

At 31 March 2021

	Fair value through profit or loss - Designated R '000	Amortised cost R '000	Total R '000
Loan to subsidiary	-	23 873	23 873
Trade and other receivables	-	4 150	4 150
Cash and cash equivalents	-	51 322	51 322
Other financial assets	8	-	8
	8	**79 345**	**79 353**

Notes to the Annual Financial Statements

3. Financial instruments and risk management (continued)

Categories of financial liabilities

At 31 March 2022

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

At 31 March 2021

	Amortised cost R '000	Financial guarantees* R '000	Total R '000
Loans from subsidiaries	522 445	-	522 445
Trade and other payables	43 241	-	43 241
Bank overdraft	311	-	311
Financial guarantee contracts	-	11 855	11 855
	565 997	**11 855**	**577 852**

* Financial guarantee contracts have been reclassified in the current year, from amortised cost to a separate category.

Capital risk management

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

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

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

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

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

Capital structure

Stated capital	5 333 022	5 333 022
Total capital	**5 333 022**	**5 333 022**

Notes to the Annual Financial Statements

	2022 R '000	2021 R '000
4. Remeasurement on financial guarantees		
Remeasurement on financial guarantees (note 17)	3 006	(161 453)
5. Other operating expenses		
Other operating expenses comprise the following:		
Auditors' remuneration	180	292
Transaction costs	-	4 947
Directors fees	2 287	2 337
Other expenses	672	10
	3 139	**7 586**
6. Interest income		
Interest received from banks	-	34
Interest - funds held in trust for acquisition	-	9 618
	-	**9 652**
7. Finance costs		
South African Revenue Service	107	-
Interest paid	-	1
	107	**1**
8. Income tax expense		
Current tax - current year	-	2 571
Current tax - prior year adjustment	4	21
Deferred tax - current year	-	1 485
	4	**4 077**

Reconciliation of the tax expense

	2022 R '000		2021 R '000	
Profit before income tax	471 936		298 904	
Income tax thereon at 28% (2021: 28%)	132 142	28.0 %	83 693	28.0 %
Disallowed expenditure	909	0.2 %	3 478	1.2 %
Current tax - Prior year adjustment	4	- %	21	- %
Impairment reversal of investments in subsidiaries	(133 893)	(28.4)%	(37 908)	(12.7)%
Remeasurement on financial guarantee	842	0.2 %	(45 207)	(15.1)%
	4	**- %**	**4 077**	**1.4 %**

Notes to the Annual Financial Statements

9. Investments in subsidiaries

Name of company	Issued share capital 2022	Issued share capital 2021	Effective holding 2022	Effective holding 2021	Shares at cost less impairment 2022 R '000	Shares at cost less impairment 2021 R '000
Acquisitive Investments Proprietary Limited	100	100	100.00 %	100.00 %	*	*
Affirmed Investment Proprietary Limited	100	100	100.00 %	100.00 %	*	*
Elsivert Proprietary Limited	75 489	75 489	100.00 %	100.00 %	75 488	75 488
Holiday Inns Proprietary Limited	1 607	1 607	100.00 %	100.00 %	17 105	17 105
Majormatic 194 Proprietary Limited	132	132	100.00 %	100.00 %	11 494	11 494
Southern Sun Hotel Interests Proprietary Limited (1)	1 061 000	1 061 000	100.00 %	100.00 %	2 713 095	2 713 095
Southern Sun Offshore Proprietary Limited (2)	200	200	100.00 %	100.00 %	1 930 123	1 620 015
Sun1 Hotels Proprietary Limited	4 000	4 000	100.00 %	100.00 %	*	*
Tsogo Sun Investments Proprietary Limited (3)	100	100	100.00 %	100.00 %	4 267 217	4 099 137
Volnay Investments Proprietary Limited	1	1	100.00 %	100.00 %	*	*
					9 014 522	**8 536 334**

* Amount less than R1 000.

All investments in subsidiaries were tested for impairment at year end which resulted in the reversal of impairments to investments as highlighted below.

All the above subsidiaries are unlisted.

Impairment of investments

1) The future cash flows were revised, taking into account the Ebitdar margin at 31 March 2022 of 21.3% (2021: 19.4%). These cash flows have been discounted at a rate of 13.1% (2021: 13.4%). A terminal growth rate of 4.0% (2021: 4.5%) was used to forecast future cash flows. As a result, and based on the assessments made there were no impairments recognised.

2) The future trading conditions and post recovery of the Covid-19 pandemic has been taken into account in the forecasted cash flows and the change in the risk free rate has resulted in the value in use of the offshore investment increasing. The future cash flows were revised, taking into account the average Ebitdar margin of 31.60% (2021: 29.67%). These cash flows have been discounted at rates between 7.80% (2021: 7.10%) and 14.80% (2021: 17.54%), depending on the economy of the trading entity generating the cash flows. The decrease in the discount rate is mainly driven by the decrease in the in-country risk premium - should the premium increase, this would result in a lower recoverable amount and an increased impairment. A terminal growth rate of between 1.8% (2021: 1.0%) and 2.5% (2021: 1.7%) was used to forecast future cash flows. An impairment reversal of R310 million (2021: R86 million impairment) was recognised.

3) The recoverable amount of Tsogo Sun Investments Proprietary Limited (TSI) was determined with reference to the fair value less cost of disposal. TSI's main asset comprises an investment in HPF. The recoverable amount of HPF was determined with reference to the fair value less cost of disposal. HPF's main asset comprise an investment in HPF Properties Proprietary Limited, which is a property owning company that fair values its property portfolio independently on an annual basis. HPF's recoverable amount at 31 March 2022 amounted to R7.3 billion (2021: R6.5 billion) and TSI's share of HPF amounts to R4.3 billion (2021: R3.9 billion) (59.20% (2021: 59.20%)). The future cash flows were estimated, taking into account the Ebitdar margin of 59.6% (2021: 55.4%). These cash flows have been discounted at a rate of 13.6% (2021: 12.96%). A terminal growth rate of 5.2% (2021: 6.0%) was used in the valuation. Due to the improved market conditions and trading outperforming expectation, the fair value of the investment increased resulting in a reversal of impairments recognised previously of R168 million (2021: R49 million impairment reversal recognised). The determination of the recoverable amount is a level 3 valuation.

Notes to the Annual Financial Statements

9. Investments in subsidiaries (continued)

The key assumptions, as mentioned in above descriptions, used in determining the recoverable amount are as follows:

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

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

	2022		2021	
	Increase R'000	Decrease R'000	Increase R'000	Decrease R'000
5% change in net cash flow				
Tsogo Sun Investments Proprietary Limited	534 660	(534 660)	319 593	(319 593)
Southern Sun Hotel Interests Proprietary Limited	196 510	(196 510)	165 844	(165 844)
Southern Sun Offshore Proprietary Limited	129 974	(129 974)	132 727	(125 838)
25 bps change in the terminal growth rate				
Tsogo Sun Investments Proprietary Limited	126 191	(119 586)	191 920	(178 618)
Southern Sun Hotel Interests Proprietary Limited	88 697	(83 906)	12 777	(16 370)
Southern Sun Offshore Proprietary Limited	74 607	(69 260)	77 700	(73 453)
50 bps change in the discount rate				
Tsogo Sun Investments Proprietary Limited	(315 700)	329 578	(444 635)	513 531
Southern Sun Hotel Interests Proprietary Limited	(224 701)	251 434	(150 615)	179 048
Southern Sun Offshore Proprietary Limited	(179 729)	209 035	(195 712)	219 290

The cash flows for the value-in-use calculation of Southern Sun Hotel Interests Proprietary Limited "SSHI" can be reduced with 31% (2021: 27%) before an impairment will be recognised on the investment in SSHI. A change in the terminal growth rate from 4.0% to -1.8% (2021: 4.5% to -0.3%) in the value-in-use calculation for SSHI is required before an impairment will be recognised. An increase of 3.6 pp (2021: 2.7 pp) in the discount rate from 13.0% to 16.6% (2021: 13% to 16%) used in the value-in-use calculation of SSHI will result in an impairment of the investment in Southern Sun Hotel Interests Proprietary Limited.

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

10. Investment in associate

Name of company	Effective holding 2022	Effective holding 2021	Carrying amount 2022 R '000	Carrying amount 2021 R '000
Hospitality Property Fund Limited	40.75 %	40.75 %	690 973	690 973

	2022 R '000	2021 R '000

10. Investment in associate (continued)

Unlisted

The company successfully acquired 40.75% of the Hospitality Property Fund Limited's (HPF) ordinary shares in issue (578 154 207 shares) in exchange for the issue of 417 million Tsogo Sun Hotels' (TGO) shares at an exchange ratio of 1.77 TGO shares for every 1 HPB share held, in the prior year. HPF has subsequently ceased trading on the JSE (as the wholly-owned subsidiary of the company, Tsogo Sun Investments Proprietary Limited, owns the balance of the HPF shares in issue), no longer operates as a Real Estate Investment Trust (REIT) and has adopted Tsogo Sun Hotels' governance framework.

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

	2022 R '000	2021 R '000
1 April	690 973	-
Acquisition of investment in associate	-	690 973
As at 31 March	**690 973**	**690 973**

The recoverable amount of Hospitality Property Fund Limited (HPF) was determined with reference to the fair value less cost of disposal. HPF's main asset comprise an investment in HPF Properties Proprietary Limited, which is a property owning company that fair values its property portfolio independently on an annual basis. The determination of the recoverable amount is a level 3 valuation. The fair value less cost to sell of HPF amounts to R7.3 billion (2021: R6.5 billion) of which the company's share is R3.0 billion (2021: R2.7 billion) (40.75% (2021: 40.75%)). The fair value less cost to sell of HPF was determined with reference to the fair value of its balance sheet, which comprises mainly of Investment Properties held at fair value. The HPF property portfolio is valued on an annual basis by an independent professional valuer. As a result, and based on the assessments made, there were no impairments recognised. The future cash flows were estimated, taking into account the Ebitdar margin of 59.6% (2021: 55.4%). These cash flows have been discounted at a rate of 13.6% (2021: 13.6%). A terminal growth rate of 5.2% (2021: 6.0%) was used in the valuation.

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

	2022		2021	
	Increase R '000	**Decrease R '000**	**Increase R '000**	**Decrease R '000**
5% change in net cash	534 660	(534 660)	319 593	(319 593)
25 bps change in the terminal growth rate	126 191	(119 586)	191 920	(178 618)
50 bps change in the discount rate	(315 700)	329 578	(444 635)	513 531

Hospitality Property Fund Limited was listed on the JSE until 2 February 2021 after which it de-listed. HPF remains a debt issuer on the JSE Debt exchange and has R1.7 billion (2021: R1.7 billion) in listed corporate bonds issued.

11. Deferred tax

Reconciliation of deferred tax asset

	2022 R '000	2021 R '000
At beginning of year	-	1 485
Decrease in tax loss available for set off against future taxable income - gross of valuation allowance	-	(1 485)
At end of year	**-**	**-**

The deferred tax asset raised in the 2020 financial year was utilised against the income tax generated from the prior year taxable profit.

Notes to the Annual Financial Statements

	2022 R '000	2021 R '000

12. Other financial assets

At fair value through profit or loss - designated		
Investment in Western Province Rugby Union debentures	8	8
Non-current assets		
Designated as at FV through profit/(loss) (FV through income)	8	8

There were no impairment provisions on the financial assets in 2022 or 2021.

The financial assets are denominated in SA Rand.

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

13. Loan to subsidiary

Southern Sun Hotel Interests Proprietary Limited	68 009	23 873

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

Exposure to credit risk

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

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

14. Trade and other receivables

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

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

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

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	2022 R '000	2021 R '000

15. Cash and cash equivalents

Cash and cash equivalents consist of:

	2022 R '000	2021 R '000
Current accounts	1 338	51 322
Bank overdraft	(340)	(311)
	998	**51 011**
Current assets	1 338	51 322
Current liabilities	(340)	(311)
	998	**51 011**

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

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

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

16. Share capital

	2022 R '000	2021 R '000
Authorised		
2 000 000 ordinary shares of no par value	-	-
Reconciliation of issued share capital		
Reported as at 1 April 1 477 905 694 (2021: 1 060 895 712) ordinary shares	5 333 022	4 642 050
Issue of shares - ordinary shares (417 009 982 ordinary shares)	-	690 972
	5 333 022	**5 333 022**

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

	2022 R '000	2021 R '000
Issued		
1 477 905 694 ordinary shares of no par value	5 333 022	5 333 022

The increase in the issued ordinary shares in the prior year related to the share-for-share transaction where the company acquired the balance of the shares in Hospitality Property Fund Limited not already owned by Tsogo Sun Investments Proprietary Limited.

17. Financial guarantee contracts

	2022 R '000	2021 R '000
Bowwood & Main No.294 SPV (RF) Proprietary Limited	14 861	11 855

Using reasonable and supportable evidence, the likelihood of which guarantor will be called upon in a default scenario by the debt holder was incorporated into the valuation of the financial guarantee liability for the company. As a result, the financial guarantee liability increased from R12 million in the prior year to R15 million at 31 March 2022, mainly due to the refinancing of the group's Mozambican USD Dollar and MZN-denominated facilities for a further five and three years respectively to 31 July 2026 and 31 March 2025. Various secured interest bearing borrowings are in place across various subsidiaries of the company. The facilities are secured by certain assets, i.e the investment in Hospitality Property Fund Limited, mortgage bonds registered over certain properties and the cession in cash and cash equivalents. In addition, financial guarantees are also in place as described below.

Notes to the Annual Financial Statements

17. Financial guarantee contracts (continued)

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

The company's maximum exposure to liquidity risk amounts to the total outstanding balance on the loans for R868 million (2021: R850 million).

The day one fair value has been determined as set out below.

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

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

For the purpose of the expected credit loss ("ECL") calculation the USD swap curves was obtained from an independent source, including Thomson Reuters, at the inception date of the guarantees and at year-end (31 March 2022), in line with prior year. An “Actual/360” day count fraction for the notes and facilities denominated in USD as set out in the guarantee contracts and a loss given default ("LGD") of 60% was assumed, i.e a recovery rate of 40% (2021: 40%) in the valuation model.

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

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

	2022		2021	
Borrower	**Z-score**	**Credit rating**	**Z-score**	**Credit rating**
SSA Mauritius	5.465	BB+	5.121	BB
Ikoyi Hotels	4.333	B	5.351	BB+
Southern Sun Mozambique	(5.374)	D	2.498	CCC-

18. Loans from group companies

Subsidiaries

Sun 1 Hotels Proprietary Limited	480 625	480 625
Holiday Inns Hotel Corporation Proprietary Limited	17 105	17 105
Vidual Investments Proprietary Limited	18 163	18 163
The Beaufort West Hotel Trust	3 087	3 087
Marseille Trust	3 465	3 465
	522 445	**522 445**

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

Notes to the Annual Financial Statements

	2022 R '000	2021 R '000

19. Trade and other payables

	2022 R '000	2021 R '000
Financial instruments:		
Capital expenditure payables	40 000	40 000
Accruals	3 241	3 241
	43 241	**43 241**

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

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

20. Earnings per share

	2022	2021
Basic and diluted earnings per share		
From continuing operations (cents per share)	31.92	95.00

Basic earnings per share was based on profit of R471 931 782 (2021: R294 827 159) and a weighted average number of ordinary shares of 1 477 905 694 (2021: 1 232 759 466).

Diluted earnings per share is equal to earnings per share.

21. Cash (utilised in) / generated from operations

	2022 R '000	2021 R '000
Profit before taxation	471 936	298 904
Adjustments for:		
Interest income	-	(9 652)
Finance costs	107	1
Impairment reversal of investments in subsidiaries	(478 188)	(135 386)
Remeasurement on financial guarantees	3 006	(161 453)
Changes in working capital:		
Increase in payables and provisions	-	42 508
	(3 139)	**34 922**

22. Tax paid

	2022 R '000	2021 R '000
Tax liability at 1 April	(2 627)	(47)
Current tax provided	(4)	(2 592)
Tax liability at 31 March	-	2 627
	(2 631)	**(12)**

23. Commitments

There are no commitments at year end.

24. Contingencies and guarantees

Refer to note 17 for financial guarantees issued.

25. Related parties

Majority shareholder	Hosken Consolidated Investments Limited
Subsidiary of majority shareholder	Tsogo Sun Gaming Limited
Subsidiaries and associates	Refer to note 9 and 10 for a list of subsidiaries and associates

Notes to the Annual Financial Statements

	2022 R '000	2021 R '000

25. Related parties (continued)

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

Related party transactions include intergroup loans and interest thereon. Refer to notes 13 and 18 for more detail.

Directors of the company are considered to be key management, refer to note 26 for details in respect of key management compensation.

The company has recognised a financial guarantee contract due to the fact that the company together with other companies in the group provided guarantees for debt securities issued to subsidiaries of Southern Sun Offshore Proprietary Limited as well as borrowings raised in Tsogo Sun Investments Proprietary Limited. Refer to note 17.

Related party balances

	2022 R '000	2021 R '000
Owing (to) / receivable from related parties		
Southern Sun Hotel Interests Proprietary Limited	68 009	23 873
Sun 1 Hotels Proprietary Limited	(480 625)	(480 625)
Holiday Inns Hotels Corporation Proprietary Limited	(17 105)	(17 105)
Vidual Investments Proprietary Limited	(18 163)	(18 163)
The Beaufort West Hotel Trust	(3 087)	(3 087)
Marseille Trust	(3 465)	(3 465)
	(454 436)	**(498 572)**

Notes to the Annual Financial Statements

26. Directors' emoluments

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

Executive

2022

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

2021

	Basic Remuneration R '000	Benefits R '000	Total R '000
MN von Aulock (CEO)	2 216	146	2 362
L McDonald (CFO)	1 613	118	1 731
	3 829	**264**	**4 093**

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

Fair value of SARs – executive directors and prescribed officers

Name	Award date	SARs awarded and still outstanding 2022	Award price	Strike price	Fair value of SARs awarded	SARs vested and still outstanding	Vesting date	Expiry date
			R	R	R '000			
MN von Aulock	1 October 2018	10 893 353	4.13	4.03	9 180	10 893 353	30 September 2021	30 September 2024
	13 January 2021	1 142 857	1.49	1.50	819	-	13 January 2024	13 January 2027
	14 January 2022*	3 302 633	3.03	3.05	3 975	-	30 September 2024	30 September 2027
	14 January 2022*	3 302 632	3.03	3.05	4 128	-	30 September 2025	30 September 2027
	14 January 2022*	3 302 632	3.03	3.05	4 266	-	30 September 2026	30 September 2027
L McDonald	1 April 2017	584 037	5.14	5.14	156	584 037	31 March 2020	31 March 2023
	1 April 2018	324 907	4.62	4.57	231	324 907	31 March 2021	31 March 2024
	1 April 2018	1 603 856	4.24	3.99	1 409	1 603 856	31 March 2022	31 March 2025
	13 January 2021	1 142 857	1.49	1.50	819	-	13 January 2024	13 January 2027
	14 January 2022*	1 651 316	3.03	3.05	1 987	-	30 September 2024	30 September 2027
	14 January 2022*	1 651 613	3.03	3.05	2 064	-	30 September 2025	30 September 2027
	14 January 2022*	1 651 316	3.03	3.05	2 133	-	30 September 2026	30 September 2027

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

26. Directors' emoluments (continued)

Non-executive

Directors' fees - paid by the company

	2022 R '000	2021 R '000
JA Copelyn (Chairman)	339	216
MH Ahmed (Lead Independent)	413	266
JR Nicolella	223	140
SC Gina	317	203
ML Molefi	322	205
JG Ngcobo	322	209
CC September	228	146
	2 164	**1 385**

27. Going concern

The financial statements are prepared on the going concern basis. Based on the available cash resources and the other measures the company has taken or plans to take, management believes that the company has sufficient resources to continue operations as a going concern in a responsible and sustainable manner.

As at 31 March 2022, the company has net cash and cash equivalents of R1 million (2021: R51 million). This liquidity risk is mitigated by the company's access to sufficient internal funding and cash reserves of the subsidiaries to meet its obligations as they become due. The majority of the current liability balance is balances with subsidiaries, which the company has control over and can defer repayments.

The recoverable amount for investments in subsidiaries and associates have been determined by calculating the value-in-use using a discounted cash flow model or fair value less cost to sell. Refer to note 9 and 10 of the financial statements.

The current liabilities exceeds the current assets by R507 million (2021: R501 million). Included in current liabilities of R588 million (2021: R580 million), are loans from subsidiary companies of R522 million (2021: R522 million), if required, the company is in a position to obtain support from the group to settle these liabilities or defer payment.

28. Events after the reporting period

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

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

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

A circular setting out the terms of the Proposed Transaction was disseminated to shareholder on 20 July 2022. Due to the related party nature of the Proposed Transaction, it requires the approval of the company's shareholders (excluding TSG and its associates, including HCI and the HCI Foundation) by ordinary resolution at a special general meeting to be held on 18 August 2022.

Notes to the Annual Financial Statements

28. Events after the reporting period (continued)

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

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

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

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

Analysis of shareholding

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

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

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

Shareholder type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
> 10% HCI and its subsidiaries	4	0.02	600 008 966	40.60
Directors and associates	7	0.03	21 188 363	1.43
Public shareholders	20 918	99.95	856 708 365	57.97
Total	**20 929**	**100.00**	**1 477 905 694**	**100.00**

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

Analysis of shareholding

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

	Number of shareholdings
Total number of shareholdings	20 929
Total number of shares in issue	1 477 905 694
Share price performance	
Opening price 1 April 2021	R2.18
Closing price 31 March 2022	R3.38
Closing high for period	R3.68
Closing low for period	R2.21
Number of shares in issue	1 477 905 694
Volume traded during period	350 877 174
Ratio of volume traded to shares issued	23.74
Rand value traded during the period	R1 059 828 703
Price/earnings ratio as at 31 March 2022	(9.97)
Earnings yield as at 31 March 2022	(10.03)
Dividends yield as at 31 March 2022	-
Market capitalisation as at 31 March 2022	R4 995 321 246

Directors' interests at 31 March 2022

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

Directors' interests at 31 March 2021

	Direct beneficial	Indirect beneficial (1)	Associates	Total
Executive directors				
MN von Aulock	-	5 159 451	-	5 159 451
L McDonald	46 377	247 688	-	294 065
Non-executive directors				
JA Copelyn	-	14 855 338	-	14 855 338
JR Nicolella	-	-	59 479	59 479
	46 377	**20 262 477**	**59 479**	**20 368 333**

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

Analysis of shareholding

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

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

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